ORIGINAL

IN THE SUPREME COURT OF OHIO

OHIO GROCERS ASSOCIATION, et al., **Plaintiffs-Appellees,** **v.** **RICHARD A. LEVIN, Ohio Tax Commissioner,** **Defendant-Appellant.**	**Case No. 2008-2018** **On Appeal from the Franklin County Court Of Appeals, Tenth Appellate District** **Court of Appeals Case No. 07AP-813**

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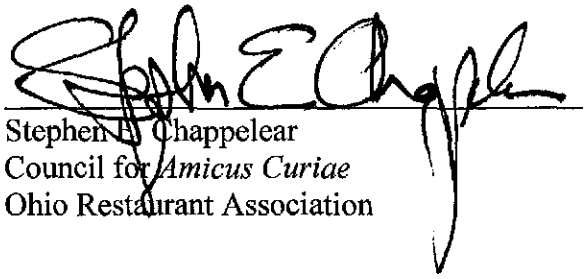

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EXHIBIT

A

SALES TAX IN OHIO WINS AFTER FIGHT

Merchants Finally Agreed and Governor Accepted the Inevitable.

FIVE TIMES DEFEATED

Real Estate Relief Cut Revenue to Point Where Schools Were Curtailed.

By N. E. HOWARD.
Editorial Correspondent, THE NEW YORK TIMES.

CLEVELAND, Dec. 13.—Ohio's adoption finally this week of the general sales tax was concurrent with the initiation of the New York City sales tax, although the uproar there over primary inability to collect the tax was used here in a vain effort to reconsider the Ohio program. In the middle of January, the Buckeye State will begin, for a year at least, its sales-tax experience, with a levy of 1 cent on all retail sales of 9 to 40 cents, 2 cents on sales of 40 to 99 cents, and 3 cents from 70 cents to $1. Exempted are sales of milk, bread and Sunday newspapers.

This was the end of a historic tax struggle, or one chapter of it. The sales tax was proposed and defeated five times in the two years of the current Ohio Legislature, and had the hostility of Governor George White until this week.

The crisis that changed the picture was the adoption a year ago of the constitutional amendment limiting general realty taxes to ten mills, or about half the going rate, thereby halving the revenue of already broken schools and municipalities. This limitation is effective next month, and with this halving of the revenue resulting in school and city service curtailment all over the State the Governor and the Legislature finally agreed on a tax program of sales levy, continuation of the gasoline tax and a boost of utility taxes.

Compromise Effected.

The Governor held out until the last for an income tax and threatened to veto the sales tax unless this accompanied it. The Legislature passed the sales tax, and the House passed an income tax which the State Senate defeated. At the last moment for effective action the Governor and the Senate compromised on a raise of 1 per cent in the State tax on intangibles, which would raise about the amount, in total intangible tax, of the income tax proposed by Governor White.

Acquiescence of the merchant classes was fundamentally responsible for the sales tax finally being enacted. This class fought the five previous sales tax offerings successfully. It was finally "sold" the sales tax because of Ohio's financial difficulties and with the promise that the tax should go low enough to take in the 10 and 20 cent store chains. At the last minute the New York sales tax experience upset some of the merchants, but there are some indications Ohio's enforcement experience may be more successful.

Consumer Must Pay.

The merchants' lobby had placed in the bill an ironclad mandatory proviso that the tax must be passed on to the ultimate consumer, and the mechanics to do this consists of licensing every merchant or his agent at $1 a year to deal in the stamps for the tax and provision that in every sale the agent must take a stamp, tear it in two, save half of it for the State's reports and hand the other half to the purchaser.

Rural legislators favored the White income tax, but the business element opposed this, chiefly with the argument that the sales tax return had been estimated too low. The State experts expect $15,000,000 to $25,000,000 collection from the sales tax. The trade economists say it will produce close to $100,000,000, and that additional taxes will be absurdly unnecessary, especially if any incentive toward public economy is to be retained from the constitutional tax limitation voted a year ago.

Where Tax Will Go.

The motor fuel tax is estimated to bring in $10,000,000 next year; the revised intangibles tax about $5,000,000; the revised utilities excise tax around $9,000,000.

Out of this income $5,000,000 will be taken at once to finance the new Ohio old age pensions; $9,000,000 for relieving poor relief loads; $1,000,000 for administration of the new taxes; $9,000,000 for the counties' share of poor relief; $22,000,000 for school relief; an unestimated amount for municipalities' relief, and an unestimated amount of the $24,000,000 which Federal Relief Administrator Harry Hopkins demands Ohio put up as its share of the national relief of unemployment in this State.

The income tax attempt will be back in the new Legislature under Governor-elect Martin L. Davey next month, as there will have to be further financing of local relief and old age pensions, and possibly for the bankrupted municipalities for the last half of 1935.

The New York Times
Published: December 16, 1934
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EXHIBIT

B

OHIO IS EXPECTED TO END TAX ON FOOD

But Elimination From Sales Levy Will Bring Up New Puzzle.

Special to THE NEW YORK TIMES.

CLEVELAND, Sept. 18.—The unpopular if productive Ohio sales tax has been dragged into the State campaign and is expected to undergo a wide modification at the November election in the form of a Constitutional amendment designed to exempt from the levy all articles of food except served meals and refreshments.

Governor Martin L. Davey proposed this semi-repealer of the tax, which is now three years old, during the Summer legislative session, but his own leaders finally blocked a vote on the legislative proposal. The Governor then said he would initiate an amendment to the Constitution making it unlawful ever to tax food in any way, and last month more than 600,000 voters signed petitions to put this proposal on the ballot.

Attorney General John Bricker, Republican candidate against Governor Davey this Fall, took occasion at the opening of the State campaign recently to support the amendment.

That the amendment will carry by about 100 to 1 seems beyond question, according to observers.

Of $55,000,000 raised in its first year, the sales tax produced $25,000,000 for Ohio schools, $16,500,000 for the counties' governments and $10,000,000 for poor relief.

Since elimination of the food tax, it is estimated, would reduce this revenue by 20 to 25 per cent, it is apparent that the legislators will face a new tax problem this Fall.

The New York Times
Published: September 20, 1936
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EXHIBIT
C

TAX FOUNDATION Since 1937

SPECIAL REPORT

December 2006
No. 147

Tax Pyramiding: The Economic Consequences Of Gross Receipts Taxes

By
Andrew Chamberlain
Economist

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Chief Economist

I. Introduction

State governments have traditionally raised revenue from business by taxing corporate income.[1] But in recent years the growing difficulty of administering state corporate income taxes has prompted a search for alternative ways of taxing companies. This search for new business taxes has ironically sparked a resurgence in one of the world's oldest broad-based tax structures: the gross receipts tax, also known as the "turnover tax."

Key Findings:

- *There is a growing trend among states toward replacing corporate income taxes with Depression-era gross receipts taxes.*
- *Gross receipts taxes are poor tax policy. They lead to harmful "tax pyramiding," distort companies' structures, and damage the performance of state and local economies.*
- *The administrative simplicity and low rates of gross receipts taxes are illusory. Lawmakers are forced to add complexity to correct for their structural flaws, and some industries face high effective tax burdens despite low statutory rates.*
- *States in search of alternatives to corporate income taxes should not rely on economically harmful gross receipts taxes.*

Gross receipts taxes have a simple structure, taxing all business sales with few or no deductions. Because they tax transactions, they are often compared to retail sales taxes. However, they differ in a critical way. While well designed sales taxes apply only to final sales to consumers, gross receipts taxes tax *all* transactions, including intermediate business-to-business purchases of supplies, raw materials and equipment. As a result, gross receipts taxes create an extra layer of taxation at each stage of production that sales and other taxes do not—something economists call "tax pyramiding."

Advocates of gross receipts taxes generally defend them on two grounds. First, it is argued that their simple structure makes them easy for states to administer and for companies to comply with, in contrast to notoriously complex state corporate income taxes. Second, because they tax an expansive base of all transactions in the economy, they are able to raise a given amount of revenue at lower rates than any other tax, making them politically attractive to lawmakers.

But while gross receipts taxes appear to be a simple alternative to complex corporate income taxes, this simplicity comes at a great cost. Gross receipts taxes suffer from severe flaws that are well documented in the economic literature, and rank among the most economically harmful tax structures available to lawmakers. The economic problems with gross receipts taxes are not the result of poor implementation by lawmakers. The flaws are

Acknowledgment: The authors wish to thank Joseph D. Henchman for research assistance.

[1] Property, excise, and other indirect taxes commonly affect businesses in addition to corporate income and gross receipts taxes.

inherent in their design. State lawmakers searching for alternatives to complex state corporate income taxes should be wary of gross receipts taxes, and should instead seek more economically neutral ways of taxing business.

II. Brief History of Gross Receipts Taxes

Although European countries experimented with turnover taxes as early as the 14th Century,[2] gross receipts taxes did not appear in the United States until West Virginia lawmakers enacted a "business and occupations privilege" tax on gross business sales in 1921. While the tax was the nation's first statewide gross receipts tax, the tax was an unimportant revenue source during its early years. After its enactment, West Virginia, like most U.S. states at the time, continued to rely mainly on property tax revenues throughout the 1920s.

With the onset of the Great Depression in 1929, state finances underwent dramatic change. As state and local economies sank into deep recession, property and income tax collections plummeted sharply, precipitating fiscal crises in many states. Frantic for stable sources of tax revenue, lawmakers soon turned to sales and gross receipts taxes as emergency revenue sources.

Depression-Era Rise of Gross Receipts Taxes

At the economic low-point of the Depression in 1933, Washington enacted the nation's second statewide gross receipts tax. The Washington State Department of Revenue describes the tax as a "temporary, emergency revenue

Table 1
Overview of States with Significant Gross Receipts-Type Taxes

State	Items Taxed	Deductions and Exemptions
Delaware	Gross receipts tax on all non-exempt goods or services rendered. Rates range from 0.096 percent to 1.92 percent depending on business activity, in addition to place-of-business fees ranging from $25 to $75 per location: • Manufacturers: 0.180 percent. • Wholesalers: 0.307 percent. • Retailers: 0.576 percent. • Restaurants: 0.499 percent. • Food Processors: 0.154 percent. • Petroleum Products Wholesalers: 0.384 percent, plus a hazardous substances tax of 0.9 percent, plus a surtax of 0.192 percent. • Occupational/Professional/General Services: 0.384 percent. • Steam, Gas, Electric Utilities: 0.1 percent. • Additional rates for more specific industries.	Exemptions include tobacco, fuel taxes, and transactions between entities owned by the same 5 or fewer individuals or one family.
Kentucky	Alternative minimum calculation for business taxes of 0.095 percent gross receipts or 0.750 percent of gross profits. Kentucky school districts may levy a 3 percent gross receipts tax on utilities.	Exemptions include dividend income, 50 percent of income from coal disposal, and income from safe harbor leases. Investment companies are exempt from the alternative minimum calculation, as are sole proprietorships, partnerships, and some LLCs.
Michigan	Scheduled to expire December 31, 2007: Single Business Tax (SBT), which incorporates features of gross receipts taxes and value-added taxes. Imposed on most business entities, with gross receipts used in calculating the tax base. Current rate is 1.9 percent.	Exemptions include the first $45,000 of tax base, up to $48,000 for partnerships and small corporations, with reductions as income rises. Governmental agencies, nonprofits, agricultural producers and others are exempt.

Source: CCH, Inc.; Tax Foundation

[2] John F. Due, *Indirect Taxation in Developing Countries*, Chapter 6 (John Hopkins Press, 1970).

[3] Washington State Department of Revenue, *Tax Reference Manual 2005*, p. 101. Washington State's temporary tax was replaced and made permanent in 1935 with the launch of the Business & Occupations Tax.

measure during the Depression."[3] Indiana soon followed suit with a similar "gross income tax" in 1933. Faced with similar fiscal emergencies, a cascade of state and local governments followed suit, often enacting gross receipts taxes on specific industries rather than broad tax bases. By 1934, *Tax Magazine* would report that,

> The drive for new revenue resulted in the adoption of gross income or gross sales taxes in fifteen states... The development of the gross income or gross sales taxes is probably the outstanding tax news of the year.[4]

As the fiscal pressures of the Depression waned, interest in gross receipts taxes faded. Most gross receipts taxes enacted in the 1930s ultimately proved to be short-lived. By the onset of World War II, many had been repealed or struck down by courts as unconstitutional. By the 1950s and 1960s, gross receipts taxes began to fade from state tax policy debates. During the full second half of the 20th Century, no state would enact a new broad-based gross receipts tax.[5]

By the late 1970s state and local lawmakers began yielding to the advice of economists, repealing gross receipts taxes in favor of less harmful revenue sources. New Jersey abandoned its state-level gross receipts tax in 1977. Alaska soon followed suit, repealing its tax in 1979.[6] Citing concerns about the health of state and local economies, West Virginia and

Table 1 (continued)
Overview of States with Significant Gross Receipts-Type Taxes

State	Items Taxed	Deductions and Exemptions
New Jersey	Expired in July 2006: Alternative minimum assessment for business taxes. Levied on companies with over $2 million in gross receipts. Rates range from 0.125 percent to 0.4 percent based on receipts.	Exemptions include corporations with less than $2 million in receipts; S corporations; investment companies; professional organizations; cooperatives.
New Mexico	General gross receipts tax. Widely considered to resemble a retail sales tax. Rate is 5 percent. Counties may add an additional 2.1875 percent. Railroad car companies are taxed at 1.5 percent.	Exemptions include prescription drugs, certain food and medical expenses, interest and dividends, salaries, wages, commissions, homeowner dues, and earnings from farms and Internet businesses.
Ohio	Commercial Activities Tax (CAT) enacted in 2005, to be phased-in over a five-year period. When fully phased-in, rate is 0.260 percent of gross receipts. Imposed on all activity, legal or illegal, that is conducted for or results in gain, profit, or income. Utilities are taxed separately at 4.75 percent, except oil pipelines, which are taxed at 6.75 percent.	Exemptions include nonprofit organizations, entities with less than $150,000 in receipts, and utilities paying utility taxes.
Texas	Effective January 1, 2007: General gross receipts tax. Rate is 1 percent, calculated on the minimum of either a) total revenue minus total cost of goods, or b) total revenue minus total compensation and benefits. Wholesalers and retailers are taxed at 0.5 percent.	Exemptions include sole proprietors and general partnerships, and businesses with less than $300,000 in gross receipts (see Footnote 9).
Washington	Business & Occupation (B&O) tax, the nation's oldest general gross receipts tax. Rates vary widely based on industry: • Manufacturing Dairy Products: 0.138 percent. • Travel Agent Commissions: 0.275 percent. • Retailing: 0.471 percent. • Wholesaling: 0.484 percent. • Manufacturing: 0.484 percent. • Gambling Contests of Chance: 1.5 percent. • Additional rates for more specific industries.	Exemptions include entities with gross income less than $28,000. Features dozens of specific deductions and exemptions, including investments, dues, interest on agricultural loans, health care providers, beef processing, research and development, insurance premiums, real estate sales, nonprofit organizations, janitorial services, and fruit and vegetable processing.

Source: CCH, Inc.; Tax Foundation

[4] Raymond E. Manning, "State Tax Legislation, 1933." *The Tax Magazine* (February 1934), p. 63.

[5] Joseph R. Crosby, "The Trouble with the Commercial Activity Tax." *Ohio Matters* (Ohio Chamber of Commerce, May/June 2005).

[6] John F. Due and John L. Mikesell, *Sales Taxation: State and Local Structure and Administration*, p. 55 (Urban Institute Press, 1994).

Indiana abandoned their decades-old gross receipts taxes in 1987 and 2002, respectively. By the close of 2002, Washington stood alone as the only state with a surviving Depression-era gross receipts tax.

Case Study: Harmful Effects of Washington State's Gross Receipts Tax

Washington State levies the nation's oldest broad-based gross receipts tax. First enacted in 1933 and significantly revised in 1935, the state's Business & Occupation (B&O) Tax illustrates many of the flaws inherent in taxing gross receipts.

In 2002, a tax reform commission appointed by the state's legislature concluded that the B&O tax results in substantial tax pyramiding and is highly non-neutral across products and industries, violating basic principles of good tax design. From the committee's report:

"Neutrality requires that a tax system minimize the opportunities and incentives for taxpayers to alter their decisions in order to take advantage of differential tax treatment of economic activity.

"The finding for the Washington State tax system is that it causes substantial nonneutralities for both businesses and households. The pyramiding of the B&O tax creates the main non-neutralities for businesses. Pyramiding of taxes is the payment of taxes by different companies on the same goods or services. This occurs when goods or services of one company are inputs for another's production and/or sales. Thus, a tax is paid multiple times on a product as it moves through the production chain.

"The B&O tax pyramids an average of 2.5 times, but this rate varies considerably across industries. The B&O tax on many services pyramids at about 1.5 times, whereas for some types of manufacturers the rate of pyramiding is over five or six times. This causes effective B&O tax rates (the rate paid on the value added to goods and services by an enterprise) to vary considerably from industry to industry."

The commission found the B&O tax causes tax pyramiding of up to 6.7 times on some manufacturing industries, while some services are taxed just 1.4 times. Effective tax rates vary from less than 1 percent on retail trade to more than 3 percent on electric and gas utilities, leading to potentially large economic distortions in the state's economy.

The following table *(see page 5)* illustrates the sharp degree of tax pyramiding under the B&O tax, and the wide variation in effective tax rates on industries.

(continued on page 5)

The "New Era" of Gross Receipts Taxes

Just as the nation's few remaining gross receipts taxes were being repealed by states, lawmakers in New Jersey gave birth to a surprising new trend in business taxation that some have called a "new era of gross receipts taxes."[7]

As part of a business tax reform in 2002, New Jersey launched an "alternative minimum assessment" (AMA), enacting the first statewide gross receipts tax in decades. The AMA required companies to pay the larger of either regular corporate income taxes, or a gross receipts tax. Although the tax was short-lived—it expired four years later in July 2006—its effects were dramatic, laying the groundwork for a resurgence of gross receipts taxes in recent years.

In January 2005, Kentucky followed New Jersey's lead and enacted an "alternative minimum assessment" gross receipts tax. In July 2005, Ohio lawmakers enacted the controversial Commercial Activity Tax (CAT), replacing corporate franchise and personal property taxes with a broad-based gross receipts tax that is phased-in over five years. Reminiscent of Depression-era arguments, Ohio lawmakers cited plummeting revenue from corporate franchise taxes as the main reason for establishing a gross receipts tax.[8]

In May 2006, Texas joined the growing list of states with gross receipts taxes. Governor Rick Perry signed into law a sweeping tax reform bill, replacing Texas's corporate franchise tax with a "margin tax" based on gross business receipts.[9] Citing the difficulty of administering corporate income taxes, Texas lawmakers defended the margin tax as a way to close "gaping loopholes" in the tax base and enact "a [statutory] tax rate that is substantially lower than the one we have today."[10]

After several decades of dormancy, gross receipts taxes are again rising in popularity. Just as states turned to gross receipts taxes during the Depression's fiscal crises, the perceived crisis of administration in state corporate in-

[7] Giles Sutton, Nicholas E. Ford, Jamie C. Yesnowitz and Chris Hopkins, "The Continuing Evolution of Gross Receipts Taxes." Conference Presentation. (Grant Thornton LLP's 9th Annual Printing Industry Tax Conference, February 12-14, 2006).

[8] Brian Sigritz. "Examining Ohio's Commercial Activity Tax." *State Tax Notes* (February 20, 2006).

[9] Because the Texas "margin tax" allows deductions for either compensation or the costs of goods sold, it is more properly classified as a hybrid gross receipts tax rather than a "pure" one.

[10] Texas Office of the Governor, "Gov. Perry Signs Landmark Business Tax Reform," News Release (May 18, 2006). Available at http://www.governor.state.tx.us/divisions/press/pressreleases/PressRelease.2006-05-18.1748.

come taxes has reignited debate over the simple but flawed structure of gross receipts taxes.

Other Gross Receipts Taxes

In addition to broad-based gross receipts taxes, many state and local governments over the years have enacted hybrid business taxes that, while not pure gross receipts taxes, resemble them in economically important ways.

Delaware, New Mexico and Hawaii each levy taxes commonly referred to as "gross receipts taxes," but which incorporate elements of both sales and gross receipts taxes. Michigan levies a "Single Business Tax" that incorporates some features of a gross receipts tax and some of a European-style value-added tax. Finally, many states tax the gross receipts of only certain industries, such as utilities, telecommunications and gambling.

Overall at least 30 states and the District of Columbia levy some form of broad-based or industry-specific gross receipts tax. Because of statutory complexity and wide diversity of provisions, it is difficult to classify many state taxes as "gross receipts taxes" with any degree of confidence. Table 1 provides an overview of states that can reasonably be said to levy taxes that resemble gross receipts taxes in important ways.

(continued from page 4)

Tax Pyramiding Caused By Washington State's Gross Receipts Tax

Industry	SIC Code	Effective Tax Rate on Value Added	Degree of Tax Pyramiding
Manufacturing - Food	20	2.0 %	6.7
Manufacturing - Petroleum Refining	29	3.1	6.7
Manufacturing - Aircraft & Parts	372	2.6	5.3
Manufacturing - Rubber & Plastics	30	2.0	4.3
Manufacturing - Primary Metal	33	2.0	4.1
Manufacturing - Apparel & Textiles	22-23	2.0 %	4.1
Manufacturing - Lumber & Wood Products	24	1.9	4.0
Manufacturing - Professional & Scientific Instruments	38	1.8	4.0
Manufacturing - Industrial & Commercial Machinery & Equipment	35	1.9	3.9
Manufacturing - Furniture & Fixtures	25	1.8	3.7
Manufacturing - Other Transportation Equipment	37	1.9 %	3.7
Manufacturing - Paper Products	26	1.7	3.7
Manufacturing - Stone, Clay & Glass	32	1.6	3.4
Manufacturing - Chemical Products	28	1.5	3.3
Construction	15-17	1.6	3.3
Manufacturing - Electronic Equipment (Except Computers)	36	1.4 %	2.8
Manufacturing - Leather & Leather Products	31	1.4	2.8
Movies, Amusement & Recreation	78-79	2.3	2.7
Miscellaneous Repair Services	76	1.4	2.7
Manufacturing - Miscellaneous Manufacturing Industries	39	1.2	2.7
Manufacturing - Printing and Publishing	27	1.4 %	2.6
Railroad, Air, Water & Other Transportation	40-47	1.8	2.5
Mining & Quarry	10-14	1.2	2.4
Manufacturing - Fabricated Metal	34	1.1	2.3
Lodging Services	70	1.1	2.2
Barbers, Dry Cleaning and Other Personal Services	72	2.0 %	2.1
Agriculture, Forestry & Fishing	1-9	1.4	2.0
Auto Repair Services	75	1.0	2.0
Communications	48	1.2	1.9
Wholesale Trade	50-51	0.9	1.9
Legal, Engineering & Accounting	81-89	2.1 %	1.8
Advertising, Mailings, and Other Business Services	73	1.6	1.7
Retail Trade	52-59	0.8	1.6
Medical & Health Services	80	2.0	1.6
Finance, Insurance & Real Estate	60-67	1.5	1.6
Electric, Gas & Other Utilities	49	3.2 %	1.5
Computer Programming and Data Processing	737	1.3	1.4
State Total		*1.5 %*	*2.5*

Source: Washington State Tax Structure Study Committee, "Tax Alternatives for Washington State: A Report to the Legislature," Volumes 1 & 2 (November 2002).

III. The Mechanics of the Gross Receipts Tax

Before any tax can be levied its *base*, or what gets taxed, must be determined. Under corporate income taxes, the difference between a company's sales and its costs of production serves as the tax base. While sales are relatively simple to measure, assigning business costs to arrive at taxable income is fraught with complexities, making corporate income an inherently difficult tax base to administer.[11]

Further complicating corporate income taxes is that companies often do business in more than one jurisdiction. This requires difficult questions of where companies earned income, which states have taxing authority over it, and for how much. These questions have become increasingly unmanageable in recent years as the number of companies operating in multiple states has increased.[12]

The perception among lawmakers that there are growing administrative problems of state corporate income taxes has sparked an interest in moving toward simpler tax bases in recent years, including gross receipts taxes. Conceptually, implementation of a gross receipts tax is straightforward. Companies total up in-state revenue earned during a time period, apply the statutory tax rate, and pay the

[11] Arthur P. Hall, "The Compliance Costs and Regulatory Burden Imposed by the Federal Tax Laws." *Tax Foundation Special Brief* (January 1995).

[12] Chris Atkins, "A Twentieth Century Tax in the Twenty-First Century: Understanding State Corporate Tax Systems." *Tax Foundation Background Paper*, No. 49 (September 2005).

tax. This relatively simple process eliminates the need for complex determinations of corporate profit, an attractive feature to state revenue officials.

However, the administrative simplicity of gross receipts taxes comes at a high price. Taxes on gross sales have long been recognized as inherently non-neutral taxes, causing potentially large economic distortions throughout the economy. Although few states levy pure gross receipts taxes, the following analysis of their economic effects applies in varying degrees to all states levying gross receipts-type taxes.

IV. Tax Pyramiding, Vertical Integration and Effective Tax Rates

Economists agree that the marketplace, rather than peculiarities of the tax code, should determine both the relative prices of goods and the way companies choose to organize themselves. For this reason, there is general consensus that the tax system should be as *economically neutral* as possible. A well designed tax should aim to minimize how much it steers individuals' choices away from those they would have made in the absence of taxes.

Gross receipts taxes have long been recognized as being non-neutral, compared to other broad-based taxes.[13] Structural features of gross receipts taxes tend to distort the composition of goods produced in the economy, as well as the structure of firms that provide them, making them an economically harmful revenue source.

Gross Receipts Taxes Lead to Tax Pyramiding

Under a gross receipts tax every item that changes hands between companies is taxed, regardless of whether it is a final product or raw material. As a result, in industries where products move through multiple stages of production—from raw material to manufacturing, distribution, and so on—the value created in early stages of production is taxed repeatedly in subsequent stages. Economists call this phenomenon "tax pyramiding." This repeated taxing at each link in the production chain results in punitively high effective tax rates on complex products produced in stages by more than one company, and low rates on products with few production stages or that are produced entirely in-house.

Table 2 provides a stylized illustration of how tax pyramiding affects three hypothetical

Table 2
How Tax Pyramiding Penalizes Industries with Multiple Production Stages

Lumber Products Production Stage	Cost of Business Inputs	Value Added	Sale Price to Next Production Stage	Gross Receipts Tax (1 Percent, Fully Forward-Shifted)
Timber Cutting	$ 0	$ 1,000	$ 1,000	$ 10
Milling and Processing	$ 1,010	$ 1,000	$ 2,010	$ 20.10
Wholesale Distribution	$ 2,030.10	$ 1,000	$ 3,030.10	$ 30.30
Retail Sales	$ 3,060.40	$ 1,000	$ 4,060.40	$ 40.60
Total		$ 4,000		$ 101.01
Effective Tax Rate on Lumber and Wood ($101.01 ÷ $4,000): 2.53 percent				
Auto Repair				
Parts Manufacturing	$ 0	$ 1,000	$ 1,000	$ 10
Retail Sales of Parts & Labor	$ 1,010.00	$ 1,000	$ 2,010.00	$ 20.10
Total		$ 2,000		$ 30.10
Effective Tax Rate on Auto Repair ($30.10 ÷ $2,000): 1.51 percent				
Computer Programming				
Programming Labor Time	$ 0	$ 1,000	$ 1,000	$ 10
Total		$ 1,000		$ 10
Effective Tax Rate on Computer Programming ($10 ÷ $1,000): 1 percent				

Note: Illustration assumes a one percent gross receipts tax levied on business sales, full forward-shifting of the economic incidence of the tax, and $1,000 of value added at each stage of production. Producers at the first stage of production are assumed to have zero input costs to simplify calculations.
Source: Tax Foundation

[13] "Federal Non-Income Taxes: An Examination of Selected Revenue Sources," *Tax Foundation Research Publication*, No. 1 (April 1965), p. 44-46.

[14] This assumption is made for simplicity only. The conclusions of the illustration are unaffected if the tax incidence is instead assumed to be shifted backward, or divided in some fashion between buyers and sellers.

industries: lumber products, auto repair, and computer programming. The illustration assumes a one percent gross receipts tax on sellers, which is assumed to be fully passed forward onto buyers at subsequent stages of production.[14]

In the illustration lumber is produced in four stages: timber cutting, milling and processing, wholesale distribution, and retail sales. As wood products pass from one company to the next as they move through production stages, the full value of each business-to-business sale is taxed. By the end of the fourth stage, this repeated taxation results in an effective tax rate of 2.53 percent on the total value added for lumber products—more than two and one-half times the statutory rate. In contrast, auto repair services are produced in just two stages of production, resulting in an effective tax rate of 1.51 percent. Computer programming is the only industry that completely avoids tax pyramiding, as it is produced entirely in one stage.

Why Can't Gross Receipts Taxes Be Made Transparent?

A basic principle of good tax design is that taxes should be transparent to taxpayers. Just like consumers need information about prices to make good buying decisions in the marketplace, taxpayers need good information about the "price" of government programs in order to make good choices about the level of spending they demand from elected officials.

Gross receipts taxes are commonly criticized for being non-transparent taxes. While businesses are legally required to pay gross receipts taxes, in many cases the economic burden of them is passed forward to consumers in the form of higher prices. Yet unlike retail sales taxes, it is not possible for lawmakers to simply require gross receipts taxes to be itemized on printed sales receipts given to consumers, because it is not possible to directly observe the total amount of gross receipts tax that is "pyramided" into the final price of goods. As a result, consumers routinely bear the burden of gross receipts taxes without any knowledge that the tax is being imposed on them.

This lack of transparency is not simply the result of poor tax design by lawmakers. It is an inherent feature of gross receipts taxes. Imposing non-transparent taxes that disguise the true cost of spending programs may be politically advantageous to lawmakers, but in a democratic society that requires informed citizens, it is poor tax policy.

The difference between a 1 percent and a 2.53 percent effective tax rate illustrated in Table 1 may appear unimportant. But even small differences in effective tax rates can have dramatic consequences over time. Investors in the economy are sensitive to rates of return in different industries, and small differences in effective tax rates can mean the difference between starting a company in one industry and abandoning another. Over time, variations in effective tax rates caused by tax pyramiding have the potential to distort investment patterns in the economy for the worse, altering the industrial landscape of state and local economies over time.

Attempts to Reduce Tax Pyramiding Lead to Tax Complexity

In practice, the problem of tax pyramiding is well understood by lawmakers. Most gross receipts taxes attempt to mitigate tax pyramiding in some way. The two most common methods are (1) offering tax credits, deductions and exemptions to industries with high levels of pyramiding, and (2) enacting differential tax rates for different economic sectors based on estimates of tax pyramiding throughout the economy.

For example, Washington State's Business & Occupation (B&O) Tax was enacted in 1935 with a uniform rate of 0.25 percent on all industries. As revenue demands forced up tax rates over time, concerns about the inequity and inefficiency of the tax prompted lawmakers to enact separate rates for various industries, along with a range of targeted tax incentives. By 2005, lawmakers had enacted six separate tax rates ranging from 0.138 percent to 1.6 percent based on industry, as well as 8 distinct tax incentive programs for the B&O Tax alone.[15]

All these attempts to reduce tax pyramiding have failed. Studies routinely find substantial tax pyramiding under gross receipts taxes, despite the best efforts of lawmakers.[16] This is not surprising, as no legislature is equipped to undertake the formidable task of continuously adjusting tax law to reflect changing estimates of tax pyramiding in the

[15] Washington State Department of Revenue, "Descriptive Statistics for Tax Incentive Programs: 2006 Report Covering Activity During Calendar Year 2005" (September 1, 2006). Available at http://dor.wa.gov/docs/reports/2006/DescriptiveStatistics2006.pdf.

[16] For example, studies of Washington State's gross receipts find substantial tax pyramiding, despite the state's differential tax rates and incentives. See Washington State Tax Structure Study Committee, "Tax Alternatives for Washington State: A Report to the Legislature," Volumes 1 & 2 (November 2002).

economy over time. Instead, the main effect of lawmakers' attempts to mitigate tax pyramiding through differential rates and tax credits has been to sharply increase tax complexity—effectively abandoning the purported simplicity of gross receipts taxes.

In this way, gross receipts taxes pose a stark choice to lawmakers. They may enact either a simple tax that leads to economically harmful tax pyramiding, or a highly complex tax that does not. Unlike many other broad-based taxes, gross receipts taxes make it impossible for lawmakers to achieve both tax simplicity and economic neutrality.

Do Gross Receipts Taxes Punish Companies with Low Profit Margins?

Gross receipts taxes are based on business sales rather than profits. For this reason, they are often criticized for hurting low-margin, high-volume companies. For example, Washington State's 2002 assessment of its gross receipts tax concluded that the tax "[c]ontributes to a relatively large tax burden on low-profit margin industries compared to other states."[1]

This is unquestionably true. The gross receipts tax may be simpler to administer, but it is not a neutral tax. High-volume, low-margin firms will generally carry a larger share of the tax burden, and perhaps diminish somewhat over time, in a state that switches from a corporate income tax to gross receipts tax. Meanwhile, firms with low volume but a high margin would pay a smaller share of the tax burden.

A simple example illustrates the problem. Consider two companies subject to a one-percent gross receipts tax: a low-profit-margin grocer, and a high-profit-margin software developer. As illustrated below, both companies initially have $1 million of sales. The grocer has a profit margin of 5 percent and earns $50,000 profit, while the software developer has a profit margin of 50 percent and earns $500,000. However, because both firms have identical sales, they pay the same amount of gross receipt tax—$10,000.

Gross Receipt Tax Burdens Are Unrelated to Company Profits

	Low-Margin Grocery Retailer	High-Margin Software Developer
Sales	$1,000,000	$1,000,000
Cost of Business Inputs	$950,000	$500,000
Profit	$50,000	$500,000
Profit Margin (Profit ÷ Sales)	5%	50%
Gross Receipts Taxes Due (One Percent Tax)	$10,000	$10,000
Gross Receipts Taxes as a Percentage of Profit	**20%**	**2%**

Source: Tax Foundation

When expressed as a percentage of profit, the low-margin grocer will pay 20 percent in gross receipts taxes, while the high-margin software developer will pay just 2 percent of profits. This has led many observers to criticize gross receipts taxes for imposing an inequitable tax burden on low-profit-margin companies.

(continued on page 9)

Tax Pyramiding Encourages Vertical Integration

Because gross receipts taxes result in tax pyramiding, companies have powerful incentives to cut the number of production stages for products by absorbing suppliers. By consolidating into larger firms with fewer taxable business-to-business transactions, industries can lower their effective tax burdens under gross receipts taxes. This consolidation of previously separate companies is known as "vertical integration."

For example, if the lumber and wood products industry in Table 2 were able to vertically integrate its four stages of production into a single larger company, the industry's effective tax rate on value added could be cut by more than half, from 2.53 percent to just 1 percent. In this way, gross receipts taxes provide powerful financial incentives toward vertical integration, even when doing so is economically wasteful from the perspective of society as a whole.[17]

Limits of Tax-Induced Vertical Integration

At first glance, one might imagine that gross receipts taxes might encourage entire industries to merge into a single large enterprise, avoiding all taxes on business-to-business transactions. However, there are limits to how much industries will consolidate in response to gross receipts taxes.

While companies can reap tax savings by vertically integrating under a gross receipts tax, those savings come at a price, because tax-induced integration generally makes companies *less efficient*. The reason is that prior to doing business in states with a gross receipts tax, companies will have already been pressured by competition to organize in the best possible way. If the imposition of a tax then entices

[17] For a detailed discussion of tax-induced integration see William F. Fox and Matthew Murray, "Economic Aspects of Taxing Services," *National Tax Journal* (March 1988), p. 28.

[18] See Appendix A for a mathematical illustration of this effect.

them to alter their structure for tax reasons, companies will suffer an efficiency loss as a result. That suggests industry consolidation under a gross receipts tax will continue up to the point where the tax benefits to companies of doing so just offsets those companies' efficiency losses from adopting poor organizational structures for tax reasons.[18]

This vertical integration caused by gross receipts taxes may benefit particular companies or industries by giving them an unwarranted tax advantage over competitors. But because this economic distortion shrinks the overall output of the economy, it is never profitable from the standpoint of society as a whole.

Some Industries Taxed More Heavily Than Others

Because gross receipts taxes disturb the structure of companies, they have a secondary effect of creating wide disparities in effective tax rates on different products and industries. Industries that vertically integrate following the imposition of gross receipts taxes—as well as those that are naturally vertically integrated—face low effective tax rates, while those that remain decentralized face high effective rates. These arbitrary differences between tax burdens faced by industries have the potential to create large economic distortions throughout the economy.

In the simple case where taxes are assumed to be fully passed forward to consumers in the form of higher prices, different effective tax rates will affect consumers directly by making some products more expensive than others for tax reasons.[19] In the more complex case where the burden of taxes is split between owners of capital or workers, the movement of plant, equipment and workers from tax-disadvantaged industries into tax-advantaged ones will tend to magnify the economic harm of gross receipts taxes over time. Appendix A outlines a mathematical illustration of how gross receipts taxes fall unevenly on different industries in the economy, potentially distorting investment away from smaller and more efficient firms and toward larger, less efficient organizations.

Discrimination in Favor of Imports over Domestic Producers

In theory, well designed state tax systems should tax imports on the same basis as domestically produced goods, and they should exempt all exports from taxation, as they will be taxed as imports in other states. Under such a system, companies' decisions to import or export will be guided by economic forces rather than tax considerations. However, this interstate tax neutrality is impossible under gross receipts taxes.

(continued from page 8)

However, despite this flaw of non-neutrality that is inherent in gross receipts taxation, there are two reasons to be wary of the criticism that this is "unfair," especially if the unfairness is explained in terms of the firm's "ability to pay."

First, ability to pay is a concept imported from the world of individual income taxation. It has no place in a discussion of business taxes.[2] The burden of gross receipts taxes is ultimately borne by consumers, workers and shareholders, not the companies themselves, so expressing gross receipts taxes as a percentage of profits does not measure companies' ability to pay. In fact, the workers, consumers and shareholders who actually bear the burden of the tax may be rich or poor, and that mix has nothing to do with the company's sales volume or profit margin.

Second, gross receipts taxes are not the only tax with this feature. Every non-income tax will result in tax burdens that are unrelated to profit margins, because they are not based on income. Retail sales taxes, property taxes, and cigarette and alcohol excise taxes all are paid partly by companies' shareholders and workers, but impose burdens that are unrelated to profit margins.

As a general rule, it is more appropriate to express the burden of a tax as a percentage of its base, rather than some other denominator. For example, retail sales taxes should normally be expressed as a percentage of sales, while income taxes should be expressed as a percentage of income. Because the base of gross receipts taxes is sales and not profits, expressing their burden as a percentage of profit can result in misleading comparisons with other taxes.

Despite these caveats, the criticism that gross receipts taxes unfairly ignore companies' profit margins is compelling to many who are accustomed to the comparative neutrality of an ideal corporate income tax. For this reason, it is easy to see why gross receipts taxes are viewed by many in the general public as unfair business taxes.

1 Washington State Tax Structure Study Committee, "Tax Alternatives for Washington State: A Report to the Legislature," Volumes 1 & 2 (November 2002).

2 The exceptions are companies organized as sole proprietorships and partnerships, in which the profits of the company are also the income of the individuals who may bear some portion of business taxes. Corporations do not have this feature. See "Reexamining the Federal Corporation Income Tax," *Tax Foundation Project Note* No. 42, p. 9 (January 1958).

19 For a discussion of the effects of tax-induced changes in relative prices, see Fox and Murray, *op. cit.*, p. 29.

On the importing side, gross receipts taxes have an inherent tendency to favor imported goods over domestically produced products. The reason is simple: imports from states without gross receipts taxes pass through fewer taxable stages of production than goods produced domestically, particularly if they are imported as finished products. As a result, gross receipts taxes place in-state companies at a tax disadvantage to out-of-state importers not subject to gross receipts taxes.[20]

On the exporting side, gross receipts taxes cannot be made economically neutral either. In an ideal tax system, exports would be fully refunded for state taxes paid. However, this is an impossible task for states with gross receipts taxes. Tax pyramiding conceals tax burdens from intermediate stages of production, making it impossible for authorities to observe the total amount of taxes paid on final exported products. Attempts to rebate only taxes paid at the final stage of production will consistently result in under-rebating, placing exporters located in states with gross receipts taxes at a competitive tax disadvantage compared with firms located elsewhere.

Adam Smith's Celebrated Critique of Gross Receipts Taxes

Gross receipts taxes have a long and controversial history. One of the earliest examples was Spain's notorious *alcabala* tax (alternatively spelled *alcavala*), first imposed in 1342, and not fully eliminated until the 20th Century. In his celebrated discussion of public finance in the *Wealth of Nations*, Adam Smith famously pilloried the Spanish gross receipts tax for damaging the Spanish economy, and ultimately laying the groundwork for the country's rapid economic decline in the 17th Century:

> The famous alcavala of Spain . . . was at first a tax of ten per cent., afterwards of fourteen per cent., . . . upon the sale of every sort of property whether movable or immovable, and it is repeated every time the property is sold. The levying of this tax requires a multitude of revenue officers sufficient to guard the transportation of goods, not only from one province to another, but from one shop to another.
>
> It subjects not only the dealers in some sorts of goods, but those in all sorts, every farmer, every manufacturer, every merchant and shopkeeper, to the continual visits and examination of the tax-gatherers. Through the greater part of a country in which a tax of this kind is established nothing can be produced for distant sale....
>
> It is to the alcavala, accordingly, that Ustaritz imputes the ruin of the manufactures of Spain. He might have imputed to it likewise the declension of agriculture, it being imposed not only upon manufactures, but upon the rude produce of the land.

Despite over two centuries of criticism from economists, gross receipts taxes continue to enjoy wide popularity among lawmakers—illustrating their continued political appeal, and lawmaker's general unawareness of their damaging economic effects.

Source: Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Book V, Chapter II (1776).

V. Can Gross Receipts Taxes Be Made Neutral?

The fundamental design flaw of gross receipts taxes is their repeated taxation of products as they move through stages of production. This problem is inherent in their structure, and cannot be fully corrected without fundamentally altering the nature of the tax. As a result, it is not possible for lawmakers to craft an economically neutral gross receipts tax.

For example, one way of correcting the problem of tax pyramiding caused by gross receipts taxes is to tax products only at their final stage of production—that is, when sold to consumers—rather than at all intermediate steps. However, doing so would effectively convert the tax into a retail sales tax. Another way of eliminating tax pyramiding is to tax only the value added at each stage of production, rather than taxing the full value added from all previous stages repeatedly at every stage of production. However, doing so would also fundamentally alter the tax, converting it into a European-style value added tax.

Because the economic non-neutralities caused by gross receipts taxes cannot be corrected without abandoning the very definition of "gross receipts tax," they represent an inherently flawed tax structure compared with other broad-based business taxes.

VI. Conclusion

Lawmakers in search of replacements for deteriorating state corporate income tax bases should be wary of gross receipts taxes. Inherent flaws in their structure encourage small companies to inefficiently consolidate for tax reasons,

[20] Gross receipts taxes in other countries have attempted to correct for this disparity through complex systems of tariffs on imported goods—an option clearly not available to state lawmakers. See Due (1970), *op. cit.*, p. 121.

they create wide disparities in effective tax rates across products and industries, and they introduce non-neutralities in the tax treatment of importers and exporters. Each of these effects introduces costly and unnecessary distortions into state economies.

The design flaws of gross receipts taxes are fundamental and cannot be remedied without abandoning their structure. As a result, lawmakers searching for alternatives to complex corporate income taxes should avoid gross receipts taxes and instead consider other broad-based taxes that are more economically neutral and less likely to harm state economies.

Appendix A: Mathematical Illustration of the Effect of Gross Receipts Taxes on Vertical Integration and Effective Tax Rates

Introduction

The following simple model illustrates how gross receipts taxes encourage companies to inefficiently vertically integrate, leading to disparate effective tax rates on different goods and industries throughout the economy.

I. Effect on Firm Structure in a Two-Firm Industry

Consider an industry with two firms that jointly produce a product in two stages: manufacturing and retail. The manufacturing company ("upstream" firm) assembles the product, and the retail company ("downstream" firm) sells the finished product to retail consumers. For simplicity, assume the upstream firm sells all its output to the downstream firm, and both companies are competitive price takers.[21]

If the companies operate independently, the after-tax profit of the upstream firm is given by

$$\Pi_u = R_u(1-t) - C_u,$$

where R is the upstream company's revenue, t is the gross receipts tax rate, and C is the upstream company's total cost of production. Similarly, the after-tax profit of the downstream firm is given by

$$\Pi_d = R_d(1-t) - C_d$$
$$= R_d(1-t) - (R_u + K_d),$$

where R, t and C are defined as above. However, because the production costs of the downstream firm consist of both purchases from the upstream firm and its own internal costs of production, C_d can be decomposed into the sum of $R_u + K_d$, where R_u is the cost of purchases of intermediate goods from the upstream firm, and K_d represents the downstream firm's own internal production costs.

In this case, the total tax burden faced by the industry is equal to

$$T_{unmerged} = (R_d + R_u) \cdot t.$$

Under what conditions will this industry vertically integrate for tax reasons? Note that in the absence of taxes, companies will organize as efficiently as possible. If taxes cause companies to change structure, the resulting firms will be less efficient, and will have higher total costs of production for a given level of output than they would otherwise have.

Imagine the upstream and downstream firms above vertically integrate into a single company. The profit of the new merged firm is given by

$$\Pi_{merged} = R_d(1-t) - C_{merged}$$
$$= R_d(1-t) - (C_u + K_d + \varepsilon),$$

[21] This assumption allows us to abstract from the effects of strategic interaction between firms when some degree of monopoly power is present, which is not relevant to the illustration.

[22] In practice this inefficiency cost of tax-induced vertical integration likely varies with output. For simplicity here it is assumed to be a fixed production cost.

where ε represents the increased total cost of production due to the merged firm being organized less efficiently.[22] The total tax burden of this vertically integrated industry is then given by

$$T_{merged} = R_d \cdot t,$$

which is less than the total tax burden of the unmerged industry by an amount equal to $R_u \cdot t$. However, these tax savings are partially offset by reduced efficiency, as represented by the addition of ε to the merged company's costs. When considering whether to vertically integrate, firms will compare the difference in profitability between merged and unmerged structures, and choose accordingly. This difference is given by

$$\Delta = \Pi_{merged} - \sum_{j=u,d} \Pi_j = R_u \cdot t - \varepsilon.$$

This implies that under a gross receipts tax, industries will vertically integrate up to the point where the tax benefits of doing so—that is, $R_u \cdot t$—just outweigh the efficiency losses from tax-induced integration ε. More formally,

if $\varepsilon > R_u \cdot t$, firms will remain separate;

if $\varepsilon < R_u \cdot t$, firms will vertically integrate; and

if $\varepsilon = R_u \cdot t$, firms will be indifferent between integrating or remaining separate.

As a result, the introduction of a gross receipts tax will distort the structure of companies in industries for which the efficiency losses ε from tax-induced integration are small compared to the tax benefits from collapsing production stages.

II. Effects on Effective Tax Rates Across Industries

The vertical integration caused by gross receipts taxes has a secondary effect: it leads to disparate effective tax rates on different industries, potentially distorting investment patterns in the economy and magnifying the economic harm of gross receipts taxes over time.

To see why, imagine industries A and B, each consisting of a two-firm production chain as described in section I. In industry A, let the efficiency costs of tax-induced integration be large; that is, let $\varepsilon > R_u \cdot t$. In industry B, let the efficiency loss from tax-induced integration be small; that is, let $\varepsilon = 0$.

Under a gross receipts tax, firms in industry A will remain separate, while firms in industry B will vertically integrate for tax reasons. Once firms have fully adjusted their structure in response to the tax, the effective tax rate on value added faced by industry A is given by

$$T_A = \frac{R_u \cdot t + R_d \cdot t}{R_d - C_u - K_d}.$$

By comparison, the effective tax rate on value added faced by industry B is given by

$$T_B = \frac{R_d \cdot t}{R_d - C_u - K_d}.$$

The effective tax rates faced by A and B differ by only one term in the numerator: $R_u \cdot t$. Because $R_u \cdot t$ is assumed to be positive, the effective tax rate on the unmerged industry, T_A, is strictly greater than the rate faced by the integrated industry, T_B. As a result, gross receipts taxes are inherently punitive toward decentralized industries that cannot easily integrate production stages in response to the tax.

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Takeout provides key growth vehicle for restaurants says Technomic

Chicago, August 13, 2007, Business Wire – Takeout sales at casual-dining chains have grown at an annual rate of nearly 10 percent over the last three years—almost twice the pace of overall industry sales growth. Since the consumer trends driving this better-than-average growth aren't likely to change, and because many casual-dining chains are eager to find ways to inject new life into their sales formula, operators should be enthusiastic about devoting even more attention to takeout sales, particularly takeout offers a way to grow chain performance without investing in more units.

Limited-service operators have always recognized the importance of takeout sales; since the advent of the drive-thru, the proportion of LSR sales represented by takeout has averaged 60 percent. More recently, curbside takeout has become a fast-growing trend at many casual-dining chains, also attracting the attention of various retail operations eager to get in on the action, including Whole Foods Market and new initiatives from Publix Super Markets, HoneyBaked Ham, and a growing easy-meal-assembly segment—all competing for the business of time-pressed families.

To help chain restaurant operators sort through the competitive issues and gain critical consumer insights, Technomic recently published its new *Takeout Category Report*, which includes in-depth industry analysis and quantitative research on over 1,500 consumers. Key findings include:

- The proportion of consumers who order takeout "on the go" from their car or elsewhere on their cell phone is growing rapidly. Nearly three out of 10 consumers (29 percent) who ordered takeout did so from their cell phone, nearly double the rate of on-the-go ordering just two years ago (16 percent).

- A greater percentage of consumers than ever before are using takeout as home meal replacements, opting to order food during transit and consuming it in the comfort of their homes.

- Food taste and integrity is of the utmost importance when utilizing takeout. While patrons appreciate convenient features like curbside pickup and dedicated parking, their top priorities center on being able to duplicate at-the-restaurant quality in the comfort of their home. Meeting this demand may require further adjustments to current preparation and packaging methods.

"We still see substantial growth opportunities in the takeout segment," says Darren Tristano, Executive Vice President of Technomic Information Services. "Consumers now have more sophisticated tastes, but even less time to cook. Takeout operators that give them convenience without compromising quality will be able to capture substantial incremental sales." Tristano added that suppliers to the restaurant industry also play a key role in developing menu items with eat-at-home appeal and packaging that retains food freshness in transit.

Technomic's new *Takeout Category Report* provides extensive consumer insights regarding restaurant takeout usage, most recent takeout occasions, appealing takeout attributes, usage from non-restaurant locations, and packaging issues. Comparisons to similar research conducted two years ago are also provided, as well as several helpful appendices, including restaurant-user profiles for 35 full- and limited-service restaurant chains, as well as local independents.

To purchase or learn more about the *Takeout Category Report*, please visit www.foodpubs.com or contact one of the individuals listed below.

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Technomic Information Services has been tracking the foodservice industry for over 40 years, providing industry intelligence, forecasts, data and training support to manufacturers, operators, distributors and others allied to the field. Our numerous publications and digital products—featuring quick-read newsletters, analytical annual reports, training handbooks, sales guides and restaurant chain profiles—help industry leaders keep a finger on the pulse of the entire foodservice terrain. Technomic Information Services delivers distinctive, premium content to its customers.

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of the

State of Ohio

Convened January 9, 1912; adjourned June 7, 1912; reconvened and adjourned without day August 26, 1912.

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VOLUME I.

C. B. GALBREATH,
Secretary of the Convention.
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Official Reporter.
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Editor and Proof Reader.

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APPENDIX

(2097)

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Members of the Constitutional Convention — 1912

Name.	P. O. Address.	County.	Birth.		Occupation or Profession.
			State or Country.	Date.	
Anderson, D. F.	Youngstown	Mahoning	Ohio	June 3, 1864	Lawyer.
Antrim, Ernest I.	Van Wert	Van Wert	Ohio	February 21, 1869	Banker.
Baum, John L.	Storms Station	Ross	Ohio	September 19, 1861	Farmer.
Beatty, Richard A.	Bowling Green	Wood	Pennsylvania	February 23, 1859	Oil Operator.
Beatty, Robert A.	Cardington	Morrow	Ohio	September 24, 1847	Farmer.
Beyer, Andrew	Arlington, R. F. D.	Hancock	Germany	July 1, 1853	Farmer.
Bigelow, Herbert S.	Cincinnati, 514 Main St.	Hamilton	Indiana	January 4, 1870	Minister.
Bowdle, Stanley E.	Cincinnati, 1103 1st Nat'l Bank Bldg.	Hamilton	Ohio	September 4, 1867	Lawyer.
Brattain, W. B.	Paulding	Paulding	Ohio	August 25, 1860	Lawyer.
Brown, H. M.	Hillsboro	Highland	Ohio	August 28, 1859	Physician.
Brown, Madison A.	Harrison Station	Pike	Ohio	January 2, 1869	Farmer.
Brown, Walter F.	Toledo, Nicholas Bldg.	Lucas	Ohio	May 31, 1869	Lawyer.
Campbell, Wm. W.	Napoleon	Henry	Vermont	April 2, 1853	Lawyer.
Cassidy, John R.	Bellefontaine	Logan	Ireland	March 20, 1871	Lawyer.
Cody, M. T.	Marysville, R. F. D.	Union	Ohio	October 29, 1867	Farmer.
Collett, Bernard Y.	Wilmington, R. F. D.	Clinton	Ohio	August 7, 1853	Farmer.
Colton, George H.	Hiram	Portage	Ohio	October 10, 1848	College President.
Cordes, Henry F.	Cincinnati, 210 Stetson St.	Hamilton	Ohio	October 2, 1868	Stair Builder.
Crites, H. M.	Circleville	Pickaway	Ohio	October 16, 1869	Manufacturer.
Crosser, Robert	Cleveland, Williamson Bldg.	Cuyahoga	Scotland	June 7, 1874	Lawyer.
Cunningham, David	Cadiz	Harrison	Ohio	March 1, 1837	Lawyer.
Davis, Wm. C.	Cleveland, 6209 Quincy Ave.	Cuyahoga	Canada	July 20, 1860	Lather.
DeFrees, Joseph	Piqua, R. F. D.	Miami	Ohio	February 21, 1847	Merchant.
Donahey, A. V.	New Philadelphia	Tuscarawas	Ohio	July 7, 1879	Printer.
Doty, Edward W.	Cleveland, 7931 Franklin Ave.	Cuyahoga	New York	September 15, 1863	Mgr. Mfg. Appraisal Co.
Dunlap, Charles O.	McArthur	Vinton	Michigan	July 12, 1856	Physician.
Dunn, Alexander	New Richmond	Clermont	Ohio	January 8, 1851	Minister.
Dwyer, Dennis	Dayton, 1201 Conover Bldg.	Montgomery	Ireland	February 2, 1850	Lawyer.
Earnhart, J. Milton	Lebanon	Warren	Ohio	May 3, 1846	Farmer.
Eby, Henry E.	Camden	Preble	Ohio	June 18, 1872	Farmer.
Elson, Henry W.	Athens	Athens	Ohio	March 29, 1857	College Professor.
Evans, Nelson W.	Portsmouth	Scioto	Ohio	June 4, 1842	Lawyer.
Fackler, John D.	Cleveland, 11 Rosalind Ave.	Cuyahoga	Ohio	January 18, 1878	Lawyer.
Farnsworth, W. W.	Waterville	Lucas	Ohio	November 21, 1856	Fruit Grower.
Farrell, Thomas S.	Cleveland, 3643 Carnegie Ave.	Cuyahoga	Vermont	December 25, 1878	Waiter.
Fess, S. D.	Yellow Springs	Greene	Ohio	December 11, 1861	College President.
FitzSimons, Thomas G.	Cleveland, 2352 E. 40th St.	Cuyahoga	Ohio	August 6, 1848	Manufacturer.
Fluke, James M.	Nankin	Ashland	Ohio	September 22, 1865	Farmer.
Fox, H. C.	Coldwater	Mercer	Ohio	April 26, 1850	Merchant.
Hahn, Aaron	Cleveland, 1914 E. 66th St.	Cuyahoga	Bohemia	June, 1848	Lawyer.
Halenkamp, Wm. P.	Norwood, 4810 Beech St.	Hamilton	Ohio	September 24, 1885	Foreman.
Halfhill, James W.	Lima	Allen	Ohio	March 1, 1861	Lawyer.
Harbarger, James W.	Columbus, 3147 N High St.	Franklin	Pennsylvania	January 20, 1862	Iron Moulder.
Harris, Geo. W.	Cincinnati, 309 Traction Bldg.	Hamilton	Ohio	January 30, 1862	Capitalist.
Harris, W. S.	Saybrook	Ashtabula	Ohio	February 14, 1846	Farmer.
Harter, Isaac	Canton	Stark	Ohio	September 25, 1848	Banker.
Harter, Otto M.	Norwalk	Huron	Ohio	May 19, 1868	Druggist.
Henderson, Robert	Urbana	Champaign	Virginia	March 22, 1851	Physician.
Hoffman, John C.	Cincinnati, 1332 Main St.	Hamilton	Ohio	August 13, 1859	Solicitor.
Holtz, Charles D.	Tiffin, R. F. D. 7	Seneca	Ohio	January 3, 1846	Farmer.
Hoskins, S. A.	Wapakoneta	Auglaize	Ohio	March 5, 1863	Lawyer.
Hursh, Frank G.	McGuffey	Hardin	Ohio	November 22, 1863	Farmer.
Johnson, E. W.	West Jefferson	Madison	Ohio	October 27, 1876	Lawyer.
Johnson, Solomon	Stryker	Williams	Ohio	March 2, 1860	Farmer.
Jones, Humphrey	Bloomingburg	Fayette	Ohio	January 31, 1857	Lawyer and Banker.
Kehoe, J. W.	Georgetown	Brown	Ohio	May 25, 1853	Banker.
Keller, Henry C.	Hanover, R. F. D.	Licking	Ohio	June 14, 1858	Farmer.
Kerr, Frank H.	Steubenville	Jefferson	Ohio	February 5, 1862	Lawyer.
Kilpatrick, W. B.	Warren	Trumbull	Ohio	September 6, 1877	Lawyer.
King, Edmund B.	Sandusky, Columbus Ave.	Erie	Ohio	July 4, 1850	Lawyer.
Knight, Geo. W.	Columbus, 631 E Broad	Franklin	Michigan	June 25, 1858	College Professor.
Kramer, John F.	Mansfield	Richland	Ohio	February 10, 1869	Lawyer.
Kunkel, Lawrence P.	Zanesville	Muskingum	Ohio	January 9, 1865	Glass Worker.
Lambert, Frank P.	Wellston	Jackson	Kentucky	December 22, 1862	Carpenter.
Lampson, Elbert L.	Jefferson	Ashtabula	Ohio	July 30, 1852	Lawyer and Editor.
Leete, Fred G.	Ironton	Lawrence	Ohio	July 14, 1860	Civil Engineer.
Leslie, Daniel E.	Cleveland, 90 Roxbury Rd.	Cuyahoga	Ohio	February 22, 1852	Accountant.
Longstreth, Robt. B.	Union Furnace	Hocking	Ohio	December 12, 1852	Farmer.
Ludey, Chris.	Woodsfield	Monroe	Ohio	March 3, 1850	Merchant.
McClelland, Raymond G.	Fredericktown	Knox	Pennsylvania	November 14, 1848	Minister and Farmer.
Malin, Fletcher D.	Painesville	Lake	Ohio	August 30, 1861	Lumberman.
Marriott, F. M.	Delaware	Delaware	Ohio	September 5, 1847	Lawyer.
Marshall, Allen M.	Coshocton, R. F. D.	Coshocton	Ohio	March 6, 1849	Farmer.
Matthews, N. E.	Ottawa	Putnam	Ohio	April 14, 1852	Banker.
Mauck, Roscoe J.	Gallipolis	Gallia	Ohio	May 17, 1870	Lawyer.
Miller, Frank P.	Lancaster	Fairfield	Ohio	November 10, 1872	Farmer.
Miller, Geo. W.	Bucyrus	Crawford	Ohio	January 22, 1859	Banker.
Miller, Wm.	Gypsum	Ottawa	Ohio	February 4, 1844	Fruit Grower.
Moore, Illion E.	Zanesville	Muskingum	Ohio	February 8, 1866	Farmer.
Norris, Caleb H.	Marion	Marion	Ohio	September 29, 1860	Lawyer.
Nye, David J.	Elyria	Lorain	New York	December 8, 1843	Lawyer.
Okey, J. A.	Caldwell	Noble	Ohio	January 9, 1861	Lawyer.
Partington, Wm. E.	Sidney	Shelby	Ohio	September 27, 1865	Teacher.
Peck, Hiram D.	Cincinnati, 518 Walnut St.	Hamilton	Kentucky	March 28, 1844	Lawyer.
Peters, Edward A.	Groveport	Franklin	Ohio	August 5, 1850	Farmer.
Pettit, Geo. W.	West Union	Adams	Ohio	April 5, 1856	Lawyer.
Pierce, David	Hamilton	Butler	Ohio	October 18, 1867	Lawyer.
Price, T. D.	New Lexington	Perry	Ohio	June 30, 1872	Lawyer.
Read, A. Ross	Akron	Summit	Pennsylvania	April 13, 1849	Editor.
Redington, H. G.	Elyria	Lorain	Ohio	July 10, 1868	Lawyer.

Members of the Constitutional Convention—1912.—Concluded.

Name.	P. O. Address.	County.	Birth.		Occupation or Profession.
			State or Country.	Date.	
Riley, John H.	Marietta	Washington	Virginia		Lawyer.
Rockel, Wm. M.	Springfield, Bushnell Bldg.	Clark	Ohio	July 18, 1855	Lawyer.
Roehm, John	Dayton	Montgomery	Ohio	January 29, 1871	Lawyer.
Rorick, John C.	Wauseon	Fulton	New York	February 13, 1834	Retired.
Shaffer, Stanley	Hamilton	Butler	Ohio	October 5, 1861	Lawyer.
Shaw, Eli D.	Minerva	Carroll	Ohio	October 12, 1858	Lawyer.
Smith, Henry K.	Chardon	Geauga	Ohio	August 10, 1832	Lawyer.
Smith, Starbuck	Cincinnati, St. Paul Bldg.	Hamilton	Ohio	March 25, 1872	Lawyer.
Solether, J. C.	Jerry City	Wood	Ohio	December 28, 1854	Farmer.
Stalter, Franklin J.	Upper Sandusky	Wyandot	Ohio	September 18, 1870	Lawyer.
Stamm, Martin	Fremont	Sandusky	Switzerland	November 16, 1847	Physician.
Stevens, Wm. B.	Uhrichsville	Tuscarawas	Ohio	May 12, 1866	Lawyer.
Stewart, O. H.	Middleport	Meigs	Ohio	July 26, 1863	Lawyer.
Stilwell, Stephen S.	Cleveland, 1351 Superior Ave.	Cuyahoga	Michigan	October 9, 1871	Deputy Clerk of Courts.
Stokes, Wm. W.	Dayton	Montgomery	Ohio	December 8, 1849	Real Estate.
Taggart, Frank	Wooster	Wayne	Ohio	June 6, 1852	Lawyer.
Tallman, James C.	Bellaire	Belmont	Ohio	April 8, 1850	Lawyer.
Tannehill, J. W.	McConnelsville	Morgan	Ohio	March 12, 1865	Editor.
Tetlow, Percy	Leetonia	Columbiana	Ohio	December 16, 1875	Miner.
Thomas, Harry D.	Cleveland, 7706 Lockyear Ave.	Cuyahoga	England	December 24, 1864	Carpenter.
Ulmer, John	Toledo, 2206 Rosewood Ave.	Lucas	Switzerland	September 26, 1851	Retired Merchant.
Wagner, Edwin T.	Greenville	Darke	Ohio	March 28, 1874	Farmer.
Walker, Wilmer R.	Killbuck	Holmes	Iowa	July 5, 1869	Minister.
Watson, Harvey	New Concord	Guernsey	Ohio	August 26, 1865	Teacher.
Weybrecht, B. F.	Alliance	Stark	Ohio	March 17, 1861	Manufacturer.
Winn, John W.	Defiance	Defiance	Ohio	March 4, 1855	Lawyer.
Wise, Frank C.	New Berlin	Stark	Ohio	February 14, 1864	Retired Farmer.
Woods, Frank W.	Medina	Medina	Ohio	August 5, 1871	Lawyer.
Worthington, Wm.	Cincinnati, 7 E. 5th St.	Hamilton	Ohio	Aug. 3, 1847	Lawyer.

Amendments to the Constitution of Ohio

Resolution Adopted in Convention May 31, 1912, and Signed June 1, 1912

Resolved by the Constitutional Convention of the State of Ohio, That the amendments proposed to the constitution and adopted by this Convention, as hereinafter set forth, shall be submitted to the electors for adoption or rejection on the third day of September, A. D., 1912, and that the president and secretary of this Convention be, and they are hereby, directed to certify the same to the secretary of state for submission to the electors according to law.

ARTICLE I.

SEC. 5. The right of trial by jury shall be inviolate, except that, in civil cases, laws may be passed to authorize the rendering of a verdict by the concurrence of not less than three-fourths of the jury.

ARTICLE I.

SEC. 9. All persons shall be bailable by sufficient sureties, except those charged with murder in the first degree, where proof is evident or the presumption great. Excessive bail shall not be required; nor excessive fines imposed; nor cruel and unusual punishment inflicted; nor shall life be taken as a punishment for crime. Until otherwise provided by law, persons convicted of crimes heretofore punishable by death shall be punished by imprisonment in the penitentiary during life.

ARTICLE I.

SEC. 10. Except in cases of impeachment, cases arising in the army and navy, or in the militia when in actual service in time of war or public danger, and cases involving offenses for which the penalty provided is less than imprisonment in the penitentiary, no person shall be held to answer for a capital, or otherwise infamous crime, unless on presentment or indictment of a grand jury; and the number of persons necessary to constitute such grand jury and the number thereof necessary to concur in finding such indictment shall be determined by law. In any trial, in any court, the party accused shall be allowed to appear and defend in person and with counsel; to demand the nature and cause of the accusation against him, and to have a copy thereof; to meet the witnesses face to face, and to have compulsory process to procure the attendance of witnesses in his behalf, and a speedy public trial by an impartial jury of the county in which the offense is alleged to have been committed; but provision may be made by law for the taking of the deposition by the accused or by the state, to be used for or against the accused, of any witness whose attendance cannot be had at the trial, always securing to the accused means and the opportunity to be present in person and with counsel at the taking of such deposition, and to examine the witness face to face as fully and in the same manner as if in court. No person shall be compelled, in any criminal case, to be a witness against himself; but his failure to testify may be considered by the court and jury and may be made the subject of comment by counsel. No person shall be twice put in jeopardy for the same offense.

ARTICLE I.

SEC. 16. All courts shall be open, and every person, for an injury done him in his land, goods, person, or reputation, shall have remedy by due course of law, and shall have justice administered without denial or delay. Suits may be brought against the state, in such courts and in such manner, as may be provided by law.

ARTICLE I.

SEC. 19a. The amount of damages recoverable by civil action in the courts for death caused by the wrongful act, neglect, or default of another, shall not be limited by law.

ARTICLE II.

SEC. 1. The legislative power of the state shall be vested in a general assembly consisting of a senate and house of representatives but the people reserve to themselves the power to propose to the general assembly laws and amendments to the constitution, and to adopt or reject the same at the polls on a referendum vote as hereinafter provided. They also reserve the power to adopt or reject any law, section of any law or any item in any law appropriating money passed by the general assembly, except as hereinafter provided; and independent of the general assembly to propose amendments to the constitution and to adopt or reject the same at the polls. The limitations expressed in the constitution, on the power of the general assembly to enact laws, shall be deemed limitations on the power of the people to enact laws.

SEC. 1a. The first aforestated power reserved by the people is designated the initiative, and the signatures of ten per centum of the electors shall be required upon a petition to propose an amendment to the constitution. When a petition signed by the aforesaid required number of electors, shall have been filed with the secretary of state, and verified as herein provided, proposing an amendment to the constitution, the full text of which shall have been set forth in such petition, the secretary of state shall submit for the approval or rejection of the electors, the proposed amendment, in the manner hereinafter provided, at the next succeeding regular or general election in any year occurring subsequent to ninety days after the filing of such petition. The initiative petitions, above described, shall have printed across the top thereof: "Amendment to the Constitution Proposed by Initiative Petition to be Sumbitted Directly to the Electors."

SEC. 1b. When at any time, not less than ten days prior to the commencement of any session of the general assembly, there shall have been filed with the secretary of state a petition signed by three per centum of the electors

and verified as herein provided, proposing a law, the full text of which shall have been set forth in such petition, the secretary of state shall transmit the same to the general assembly as soon as it convenes. If said proposed law shall be passed by the general assembly, either as petitioned for or in an amended form, it shall be subject to the referendum. If it shall not be passed, or if it shall be passed in an amended form, or if no action shall be taken thereon within four months from the time it is received by the general assembly, it shall be submitted by the secretary of state to the electors for their approval or rejection at the next regular or general election, if such submission shall be demanded by supplementary petition verified as herein provided and signed by not less than three per centum of the electors in addition to those signing the original petition, which supplementary petition must be signed and filed with the secretary of state within ninety days after the proposed law shall have been rejected by the general assembly or after the expiration of such term of four months, if no action has been taken thereon, or after the law as passed by the general assembly shall have been filed by the governor in the office of the secretary of state. The proposed law shall be submitted in the form demanded by such supplementary petition, which form shall be either as first petitioned for or with any amendment or amendments which may have been incorporated therein by either branch or by both branches of the general assembly. If a proposed law so submitted is approved by a majority of the electors voting thereon, it shall be the law and shall go into effect as herein provided in lieu of any amended form of said law which may have been passed by the general assembly, and such amended law passed by the general assembly shall not go into effect until and unless the law proposed by supplementary petition shall have been rejected by the electors. All such initiative petitions, last above described, shall have printed across the top thereof, in case of proposed laws: "Law Proposed by Initiative Petition First to be Submitted to the General Assembly." Ballots shall be so printed as to permit an affirmative or negative vote upon each measure submitted to the electors. Any proposed law or amendment to the constitution submitted to the electors as provided in section 1a and section 1b, if approved by a majority of the electors voting thereon, shall take effect thirty days after the election at which it was approved and shall be published by the secretary of state. If conflicting proposed laws or conflicting proposed amendments to the constitution shall be approved at the same election by a majority of the total number of votes cast for and against the same, the one receiving the highest number of affirmative votes shall be the law, or in the case of amendments to the constitution shall be the amendment to the constitution. No law proposed by initiative petition and approved by the electors shall be subject to the veto of the governor.

SEC. 1c. The second aforestated power reserved by the people is designated the referendum, and the signatures of six per centum of the electors shall be required upon a petition to order the submission to the electors of the state for their approval or rejection, of any law, section of any law or any item in any law appropriating money passed by the general assembly. No law passed by the general assembly shall go into effect until ninety days after it shall have been filed by the governor in the office of the secretary of state, except as herein provided. When a petition, signed by six per centum of the electors of the state and verified as herein provided, shall have been filed with the secretary of state within ninety days after any law shall have been filed by the governor in the office of the secretary of state, ordering that such law, section of such law or any item in such law appropriating money be submitted to the electors of the state for their approval or rejection, the secretary of state shall submit to the electors of the state for their approval or rejection such law, section or item, in the manner herein provided, at the next succeeding regular or general election in any year occurring subsequent to sixty days after the filing of such petition, and no such law, section or item shall go into effect until and unless approved by a majority of those voting upon the same. If, however, a referendum petition is filed against any such section or item, the remainder of the law shall not thereby be prevented or delayed from going into effect.

SEC. 1d. Laws providing for tax levies, appropriations for the current expenses of the state government and state institutions, and emergency laws necessary for the immediate preservation of the public peace, health or safety, shall go into immediate effect. Such emergency laws upon a yea and nay vote must receive the vote of two-thirds of all the members elected to each branch of the general assembly, and the reasons for such necessity shall be set forth in one section of the law, which section shall be passed only upon a yea and nay vote, upon a separate roll call thereon. The laws mentioned in this section shall not be subject to the referendum.

SEC. 1e. The powers defined herein as the "initiative" and "referendum" shall not be used to pass a law authorizing any classification of property for the purpose of levying different rates of taxation thereon or of authorizing the levy of any single tax on land or land values or land sites at a higher rate or by a different rule than is or may be applied to improvements thereon or to personal property.

SEC. 1f. The initiative and referendum powers are hereby reserved to the people of each municipality on all questions which such municipalities may now or hereafter be authorized by law to control by legislative action; such powers shall be exercised in the manner now or hereafter provided by law.

SEC. 1g. Any initiative, supplementary or referendum petition may be presented in separate parts but each part shall contain a full and correct copy of the title, and text of the law, section or item thereof sought to be referred, or the proposed law or proposed amendment to the constitution. Each signer of any initiative, supplementary or referendum petition must be an elector of the state and shall place on such petition after his name the date of signing and his place of residence. A signer residing outside of a municipality shall state the township and county in which he resides. A resident of a municipality shall state in addition to the name of such municipality, the street and number, if any, of his residence and the ward and precinct in which the same is located. The names of all signers to such petitions shall be written in ink, each signer for himself. To each part of such petition shall be attached the affidavit of the person soliciting the signatures to the same, which affidavit shall contain a statement of the number of the signers of such part of such petition and shall state that each of the signatures attached to such part was made in the presence of the af-

fiant, that to the best of his knowledge and belief each signature on such part is the genuine signature of the person whose name it purports to be, that he believes the persons who have signed it to be electors, that they so signed said petition with knowledge of the contents thereof, that each signer signed the same on the date stated opposite his name; and no other affidavit thereto shall be required. The petition and signatures upon such petitions, so verified, shall be presumed to be in all respects sufficient, unless not later than forty days before the election, it shall be otherwise proved and in such event ten additional days shall be allowed for the filing of additional signatures to such petition. No law or amendment to the constitution submitted to the electors by initiative and supplementary petition and receiving an affirmative majority of the votes cast thereon, shall be held unconstitutional or void on account of the insufficiency of the petitions by which such submission of the same was procured; nor shall the rejection of any law submitted by referendum petition be held invalid for such insufficiency. Upon all initiative, supplementary and referendum petitions provided for in any of the sections of this article, it shall be necessary to file from each of one-half of the counties of the state, petitions bearing the signatures of not less than one-half of the designated percentage of the electors of such county. A true copy of all laws or proposed laws or proposed amendments to the constitution, together with an argument or explanation, or both, for, and also an argument or explanation, or both, against the same, shall be prepared. The person or persons who prepare the argument or explanation, or both, against any law, section or item, submitted to the electors by referendum petition, may be named in such petition and the persons who prepare the argument or explanation, or both, for any proposed law or proposed amendment to the constitution may be named in the petition proposing the same. The person or persons who prepare the argument or explanation, or both, for the law, section or item, submitted to the electors by referendum petition, or against any proposed law submitted by supplementary petition, shall be named by the general assembly, if in session, and if not in session then by the governor. The secretary of state shall cause to be printed the law, or proposed law, or prosed amendment to the constitution, together with the arguments and explanations, not exceeding a total of three hundred words for each, and also the arguments and explanations, not exceeding a total of three hundred words against each, and shall mail, or otherwise distribute, a copy of such law, or proposed law, or proposed amendment to the constitution, together with such arguments and explanations for and against the same to each of the electors of the state, as far as may be reasonably possible. Unless otherwise provided by law, the secretary of state shall cause to be placed upon the ballots, the title of any such law, or proposed law, or proposed amendment to the constitution, to be submitted. He shall also cause the ballots so to be printed as to permit an affirmative or negative vote upon each law, section of law, or item in a law appropriating money, or proposed law or proposed amendment to the constitution. The style of all laws submitted by initiative and supplementary petition shall be: "Be it Enacted by the People of the State of Ohio," and of all constitutional amendemnts: "Be It Resolved by the People of the State of Ohio." The basis upon which the required number of petitioners in any case shall be determined shall be the total number of votes cast for the office of governor at the last preceding election therefor. The foregoing provisions of this section shall be self-executing, except as herein otherwise provided. Laws may be passed to facilitate their operation, but in no way limiting or restricting either such provision or the powers herein reserved.

SCHEDULE.

The foregoing amendment, if adopted by the electors, shall take effect October 1, 1912.

ARTICLE II.

SEC. 8. Each house, except as otherwise provided in this constitution, shall choose its own officers, may determine its own rules of proceeding, punish its members for disorderly conduct; and, with the concurrence of two-thirds, expel a member, but not the second time for the same cause; and shall have all powers, necessary to provide for its safety and the undisturbed transaction of its business, and to obtain, through committees or otherwise, information affecting legislative action under consideration or in contemplation, or with reference to any alleged breach of its privileges or misconduct of its members, and to that end to enforce the attendance and testimony of witnesses, and the production of books and papers.

ARTICLE II.

SEC. 16. Every bill shall be fully and distinctly read on three different days, unless in case of urgency three-fourths of the house in which it shall be pending, shall dispense with the rule. No bill shall contain more than one subject, which shall be clearly expressed in its title, and no law shall be revived, or amended unless the new act contains the entire act revived, or the section or sections amended, and the section or sections so amended shall be repealed. Every bill passed by the general assembly shall, before it becomes a law, be presented to the governor for his approval. If he approves, he shall sign it and thereupon it shall become a law and be filed with the secretary of state. If he does not approve it, he shall return it with his objections in writing, to the house in which it originated, which shall enter the objections at large upon its journal, and may then reconsider the vote on its passage. If three-fifths of the members elected to that house vote to repass the bill, it shall be sent, with the objections of the governor, to the other house, which may also reconsider the vote on its passage. If three-fifths of the members elected to that house vote to repass it, it shall become a law notwithstanding the objections of the governor, except that in no case shall a bill be repassed by a smaller vote than is required by the constitution on its original passage. In all such cases the vote of each house shall be determined by yeas and nays and the names of the members voting for and against the bill shall be entered upon the journal. If a bill shall not be returned by the governor within ten days, Sundays excepted, after being presented to him, it shall become a law in like manner as if he had signed it, unless the general assembly by adjournment prevents its return; in which case, it shall become a law unless, within ten days after such adjournment, it shall be filed by him, with his objections in writing, in the office of the secretary of state. The governor may disapprove any item or

items in any bill making an appropriation of money and the item or items, so disapproved, shall be void, unless repassed in the manner herein prescribed for the repassage of a bill.

ARTICLE II.

SEC. 33. Laws may be passed to secure to mechanics artisans, laborers, sub-contractors and material men, their just dues by direct lien upon the property, upon which they have bestowed labor or for which they have furnished material. No other provision of the constitution shall impair or limit this power.

ARTICLE II.

SEC. 34. Laws may be passed fixing and regulating the hours of labor, establishing a minimum wage, and providing for the comfort, health, safety and general welfare of all employes; and no other provision of the constitution shall impair or limit this power.

ARTICLE II.

SEC. 35. For the purpose of providing compensation to workmen and their dependents, for death, injuries or occupational diseases, occasioned in the course of such workmen's employment, laws may be passed establishing a state fund to be created by compulsory contribution thereto by employers, and administered by the state, determining the terms and conditions upon which payment shall be made therefrom, and taking away any or all rights of action or defenses from employes and employers; but no right of action shall be taken away from any employe when the injury, disease or death arises from failure of the employer to comply with any lawful requirement for the protection of the lives, health and safety of employes. Laws may be passed establishing a board which may be empowed to classify all occupations, according to their degree of hazard, to fix rates of contribution to such fund according to such classification, and to collect, administer and distribute such fund, and to determine all rights of claimants thereto.

ARTICLE II.

SEC. 36. Laws may be passed to encourage forestry, and to that end areas devoted exclusively to forestry may be exempted, in whole or in part, from taxation. Laws may also be passed to provide for converting into forest reserves such lands or parts of lands as have been or may be forfeited to the state, and to authorize the acquiring of other lands for that purpose; also, to provide for the conservation of the natural resources of the state, including streams, lakes, submerged and swamp lands and the development and regulation of water power and the formation of drainage and conservation districts; and to provide for the regulation of methods of mining, weighing, measuring and marketing coal, oil, gas and all other minerals.

ARTICLE II.

SEC. 37. Except in cases of extraordinary emergencies, not to exceed eight hours shall constitute a day's work, and not to exceed forty-eight hours a week's work, for workmen engaged on any public work carried on or aided by the state, or any political sub-division thereof, whether done by contract, or otherwise.

ARTICLE II.

SEC. 38. Laws shall be passed providing for the prompt removal from office, upon complaint and hearing, of all officers, including state officers, judges and members of the general assembly, for any misconduct involving moral turpitude or for other cause provided by law; and this method of removal shall be in addition to impeachment or other method of removal authorized by the constitution.

ARTICLE II.

SEC. 39. Laws may be passed for the regulation of the use of expert witnesses and expert testimony in criminal trials and proceedings.

ARTICLE II.

SEC. 40. Laws may be passed providing for a system of registering, transferring, insuring and guaranteeing land titles by the state or by the counties thereof, and for settling and determining adverse or other claims to and interests in, lands the titles to which are so registered, insured or guaranteed, and for the creation and collection of guaranty funds by fees to be assessed against lands, the titles to which are registered; and judicial powers with right of appeal may by law be conferred upon county recorders or other officers in matters arising under the operation of such system.

ARTICLE II.

SEC. 41. Laws shall be passed providing for the occupation and employment of prisoners sentenced to the several penal institutions and reformatories in the state; and no person in any such penal institution or reformatory while under sentence thereto, shall be required or allowed to work at any trade, industry or occupation, wherein or whereby his work, or the product or profit of his work, shall be sold, farmed out, contracted or given away; and goods made by persons under sentence to any penal institution or reformatory without the State of Ohio, and such goods made within the State of Ohio, excepting those disposed of to the state or any political subdivision thereof or to any public institution owned, managed or controlled by the state or any political subdivision thereof, shall not be sold within this state unless the same are conspicuously marked "prison made." Nothing herein contained shall be construed to prevent the passage of laws providing that convicts may work for, and that the products of their labor may be disposed of to, the state or any political sub-division thereof, or for or to any public institution owned or managed and controlled by the state or any political sub-division thereof.

ARTICLE III.

SEC. 8. The governor on extraordinary occasions may convene the general assembly by proclamation and shall state in the proclamation the purpose for which such special session is called, and no other business shall be transacted at such special session except that named in the proclamation, or in a subsequent public proclamation or message to the general assembly issued by the governor during said special session, but the general assembly may provide for the expenses of the session and other matters incidental thereto.

ARTICLE IV.

SEC. 1. The judicial power of the state is vested in a supreme court, courts of appeals, courts of common pleas, courts of probate, and such other courts inferior to the courts of appeals as may from time to time be established by law.

SEC. 2. The supreme court shall, until otherwise provided by law, consist of a chief justice and six judges, and the judges now in office in that court shall continue therein until the end of the terms for which they were respectively elected, unless they are removed, die or resign. A majority of the supreme court shall be necessary to constitute a quorum or to pronounce a decision, except as hereinafter provided. It shall have original jurisdiction in quo warranto, mandamus, habeas corpus, prohibition and procedendo, and appellate jurisdiction in all cases involving questions arising under the constitution of the United States or of this state, in cases of felony on leave first obtained, and in cases which originated in the courts of appeals, and such revisory jurisdiction of the proceedings of administrative officers as may be conferred by law. It shall hold at least one term in each year at the seat of government, and such other terms, there or elsewhere, as may be provided by law. The judges of the supreme court shall be elected by the electors of the state at large for such term, not less than six years, as may be prescribed by law, and they shall be elected, and their official term shall begin, at such time as may now or hereafter be fixed by law. Whenever the judges of the supreme court shall be equally divided in opinion as to the merits of any case before them and are unable for that reason to agree upon a judgment, that fact shall be entered upon the record and such entry shall be held to constitute an affirmance of the judgment of the court below. No law shall be held unconstitutional and void by the supreme court without the concurrence of at least all but one of the judges, except in the affirmance of a judgment of the court of appeals declaring a law unconstitutional and void. In cases of public or great general interest the supreme court may, within such limitation of time as may be prescribed by law, direct any court of appeals to certify its record to the supreme court, and may review, and affirm, modify or reverse the judgment of the court of appeals. All cases pending in the supreme court at the time of the adoption of this amendment by the people, shall proceed to judgment in the manner provided by existing law. No law shall be passed or rule made whereby any person shall be prevented from invoking the original jurisdiction of the supreme court.

SEC. 6. The state shall be divided into appellate districts of compact territory bounded by county lines, in each of which there shall be a court of appeals consisting of three judges, and until altered by law the circuits in which the circuit courts are now held shall constitute the appellate districts aforesaid. The judges of the circuit courts now residing in their respective districts shall be the judges of the respective courts of appeals in such districts and perform the duties thereof until the expiration of their respective terms of office. Vacancies caused by the expiration of the terms of office of the judges of the courts of appeals shall be filled by the electors of the respective appellate districts in which such vacancies shall arise. Until otherwise provided by law the term of office of such judges shall be six years. Laws may be passed to prescribe the time and mode of such election and to alter the number of districts or the boundaries thereof, but no such change shall abridge the term of any judge then in office. The court of appeals shall hold at least one term annually in each county in the district and such other terms at a county seat in the district as the judges may determine upon, and the county commissioners of any county in which the court of appeals shall hold sessions shall make proper and convenient provisions for the holding of such court by its judges and officers. Each judge shall be competent to exercise judicial powers in any appellate district of the state. The courts of appeals shall continue the work of the respective circuit courts and all pending cases and proceedings in the circuit courts shall proceed to judgment and be determined by the respective courts of appeals, and the supreme court, as now provided by law, and cases brought into said courts of appeals after the taking effect hereof shall be subject to the provisions hereof, and the circuit courts shall be merged into, and their work continued by, the courts of appeals. The courts of appeals shall have original jurisdiction in quo warranto, mandamus, habeas corpus, prohibition and procedendo, and appellate jurisdiction in the trial of chancery cases, and, to review, affirm, modify, or reverse the judgments of the courts of common pleas, superior courts and other courts of record within the district as may be provided by law, and judgments of the courts of appeals shall be final in all cases, except cases involving questions arising under the constitution of the United States or of this state, cases of felony, cases of which it has original jurisdiction, and cases of public or great general interest in which the supreme court may direct any court of appeals to certify its record to that court. No judgment of a court of common pleas, a superior court or other court of record shall be reversed except by the concurrence of all the judges of the court of appeals on the weight of the evidence, and by a majority of such court of appeals upon other questions; and whenever the judges of a court of appeals find that a judgment upon which they have agreed is in conflict with a judgment pronounced upon the same question by any other court of appeals of the state, the judges shall certify the record of the case to the supreme court for review and final determination. The decisions in all cases in the supreme court shall be reported, together with the reasons therefor, and laws may be passed providing for the reporting of cases in the courts of appeals. The chief justice of the supreme court of the state shall determine the disability or disqualification of any judge of the courts of appeals and he may assign any judge of the courts of appeals to any county to hold court.

ARTICLE IV.

SEC. 3. One resident judge of the court of common pleas, and such additional resident judge or judges as may be provided by law, shall be elected in each county of the state by the electors of such county; and as many courts or sessions of the court of common pleas as are necessary, may be held at the same time in any county. Any judge of the court of common pleas may temporarily preside and hold court in any county; and until the general assembly shall make adequate provision there-

for, the chief justice of the supreme court of the state shall pass upon the disqualification or disability of any judge of the court of common pleas, and he may assign any judge to any county to hold court therein.

SEC. 7. There shall be established in each county, a probate court, which shall be a court of record, open at all times, and holden by one judge, elected by the electors of the county, who shall hold his office for the term of four years, and shall receive such compensation, payable out of the county treasury, as shall be provided by law. Whenever ten per centum of the number of the electors voting for governor at the next preceding election in any county having less than sixty thousand population as determined by the next preceding federal census, shall petition the judge of the court of common pleas of any such county not less than ninety days before any general election for county officers, the judge of the court of common pleas shall submit to the electors of such county the question of combining the probate court with the court of common pleas, and such courts shall be combined and shall be known as the court of common pleas in case a majority of the electors voting upon such question vote in favor of such combination. Notice of such election shall be given in the same manner as for the election of county officers. Elections may be had in the same manner for the separation of such courts, when once combined.

SEC. 12. The judges of the courts of common pleas shall, while in office, reside in the county for which they are elected; and their term of office shall be for six years.

SEC. 15. Laws may be passed to increase or diminish the number of judges of the supreme court, to increase beyond one or diminish to one the number of judges of the court of common pleas in any county, and to establish other courts, whenever two-thirds of the members elected to each house shall concur therein; but no such change, addition or diminution shall vacate the office of any judge; and any existing court heretofore created by law shall continue in existence until otherwise provided.

SCHEDULE.

If the foregoing amendment shall be adopted by the electors, the judges of the courts of common pleas in office, or elected thereto prior to January first, 1913, shall hold their offices for the term for which they were elected and the additional judges provided for herein, shall be elected at the general election in the year 1914; each county shall continue as a part of its existing common pleas district and sub-division thereof, until one resident judge of the court of common pleas is elected and qualified therein.

ARTICLE IV.

SEC. 9. A competent number of justices of the peace shall be elected by the electors in each township in the several counties, until otherwise provided by law. Their term of office shall be for four years and their powers and duties shall be regulated by law: provided that no justice of the peace shall be elected in any township in which a court, other than a mayor's court, is, or may hereafter be, maintained with the jurisdiction of all causes of which justices of the peace have jurisdiction, and no justice of the peace shall have, or exercise jurisdiction in such township.

SCHEDULE.

If the amendment to article IV, sections 1, 2 and 6, be adopted by the electors of this state and become a part of the constitution, then section 9 of article IV of the constitution is repealed, and the foregoing amendment, if adopted, shall be of no effect.

ARTICLE IV.

SEC. 21. Laws may be passed, prescribing rules and regulations for the conduct of cases and business in the courts of the state, regulating proceedings in contempt, and limiting the power to punish for contempt. No order of injunction shall issue in any controversy involving the employment of labor, except to preserve physical property from injury or destruction; and all persons charged in contempt proceedings with the violation of an injunction issued in such controversies shall, upon demand, be granted a trial by jury as in criminal cases.

ARTICLE V.

SEC. 1. Every citizen of the United States, of the age of twenty-one years, who shall have been a resident of the state for one year next preceding the election, and of the county, township or ward in which he or she resides such time as may be provided by law, shall have the qualifications of an elector and be entitled to vote at all elections.

ARTICLE V.

SEC. 1. Every male citizen of the United States of the age of twenty-one years, who shall have been a resident of the state one year next preceding the election, and of the county, township or ward in which he resides, such time as may be provided by law, shall have the qualifications of an elector and be entitled to vote at all elections.

SCHEDULE.

If the amendment to article V, section 1, to the constitution—Woman's Suffrage, be adopted by the electors and become a part of the constitution, then the foregoing amendment, if adopted, shall be of no effect.

ARTICLE V.

SEC. 2. All elections shall be either by ballot or by mechanical device, or by both, preserving the secrecy of the vote. Laws may be enacted to regulate the preparation of the ballot and to determine the application of such mechanical device.

ARTICLE V.

SEC. 7. All nominations for elective state, district, county and municipal offices shall be made at direct primary elections or by petition as provided by law, and provision shall be made by law for a preferential vote for United States senator; but direct primaries shall not be held for the nomination of township officers or for the officers of municipalities of less than two thousand population, unless petitioned for by a majority of the electors of such township or municipality. All delegates from this state to the national conventions of political parties shall be chosen by direct vote of the electors. Each candidate for such delegate shall state his first and second choices for the presidency, which preferences shall be printed upon the primary ballot below the name

of such candidate, but the name of no candidate for the presidency shall be so used without his written authority.

ARTICLE VI.

SEC. 3. Provision shall be made by law for the organization, administration and control of the public school system of the state supported by public funds: provided, that each school district embraced wholly or in part within any city shall have the power by referendum vote to determine for itself the number of members and the organization of the district board of education, and provision shall be made by law for the exercise of this power by such school districts.

SEC. 4. A superintendent of public instruction to replace the state commissioner of common schools, shall be included as one of the officers of the executive department to be appointed by the governor, for the term of four years, with the powers and duties now exercised by the state commissioner of common schools until otherwise provided by law, and with such other powers as may be provided by law.

SCHEDULE.

If the foregoing amendment be adopted by the electors it shall take effect and become a part of the constitution on the second Monday of July, 1913.

ARTICLE VIII.

SEC. 1. The state may contract debts to supply casual deficits or failures in revenues, or to meet expenses not otherwise provided for; but the aggregate amount of such debts, direct and contingent, whether contracted by virtue of one or more acts of the general assembly, or at different periods of time, shall never exceed seven hundred and fifty thousand dollars; and the money, arising from the creation of such debts, shall be applied to the purpose for which it was obtained, or to repay the debts so contracted, and to no other purpose whatever; provided, however, that laws may be passed to contract debts and authorize issues of bonds to an amount which in the aggregate of all issues shall not exceed fifty million dollars for the purpose of constructing, rebuilding, improving and repairing a system of inter-county wagon roads throughout the state. Not to exceed ten million dollars of such bonds shall be issued in any one year, and there shall be levied and collected annually by taxation an amount sufficient to pay the interest on said bonds and to provide a sinking fund for their redemption at maturity, and laws shall be passed to provide for the maintenance of said roads. Such wagon roads shall be determined under general laws and the cost of constructing, rebuilding, improving, repairing and maintaining the same shall be paid by the state. The provisions of this section shall not be limited or controlled by section 6. of article XII.

ARTICLE VIII.

SEC. 6. No laws shall be passed authorizing any county, city, town or township, by vote of its citizens, or otherwise, to become a stockholder in any joint stock company, corporation, or association whatever; or to raise money for, or to loan its credit to, or in aid of, any such company, corporation, or association: provided, that nothing in this section shall prevent the insuring of public buildings or property in mutual insurance associations or companies. Laws may be passed providing for the regulation of all rates charged or to be charged by any insurance company, corporation or association organized under the laws of this state or doing any insurance business in this state for profit.

ARTICLE VIII.

SEC. 12. So long as this state shall have public works which require superintendence, a superintendent of public works shall be appointed by the governor for the term of one year, with the powers and duties now exercised by the board of public works until otherwise provided by law, and with such other powers as may be provided by law.

SCHEDULE.

Section 13 of article VIII is hereby repealed.

ARTICLE XII.

SEC. 1. No poll tax shall ever be levied in this state, or service required, which may be commuted in money or other thing of value.

SEC. 2. Laws shall be passed, taxing by a uniform rule, all moneys, credits, investments in bonds, stocks, joint stock companies, or otherwise; and also all real and personal property according to its true value in money, excepting all bonds at present outstanding of the state of Ohio or of any city, village, hamlet, county, or township in this state or which have been issued in behalf of the public schools in Ohio and the means of instruction in connection therewith, which bonds so at present outstanding shall be exempt from taxation; but burying grounds, public school houses, houses used exclusively for public worship, institutions used exclusively for charitable purposes, public property used exclusively for any public purpose, and personal property, to an amount not exceeding in value five hundred dollars, for each individual, may, by general laws, be exempted from taxation; but all such laws shall be subject to alteration or repeal; and the value of all property, so exempted, shall, from time to time, be ascertained and published as may be directed by law.

SEC. 6. Except as otherwise provided in this constitution the state shall never contract any debt for purposes of internal improvement.

SEC. 7. Laws may be passed providing for the taxation of the right to receive, or to succeed to, estates, and such taxation may be uniform or it may be so graduated as to tax at a higher rate the right to receive, or to succeed to, estates of larger value than to estates of smaller value. Such tax may also be levied at different rates upon collateral and direct inheritances, and a portion of each estate not exceeding twenty thousand dollars may be exempt from such taxation.

SEC. 8. Laws may be passed providing for the taxation of incomes, and such taxation may be either uniform or graduated, and may be applied to such incomes as may be designated by law; but a part of each annual income not exceeding three thousand dollars may be exempt from such taxation.

SEC. 9. Not less than fifty per centum of the income and inheritance taxes that may be collected by the state shall be returned to the city, village or township in which said income and inheritance tax originate.

SEC. 10. Laws may be passed providing for excise and franchise taxes and for the imposition of taxes upon the production of coal, oil, gas and other minerals.

SEC. 11. No bonded indebtedness of the state, or any political sub-divisions thereof, shall be incurred or renewed, unless, in the legislation under which such indebtedness is incurred or renewed, provision is made for levying and collecting annually by taxation an amount sufficient to pay the interest on said bonds, and to provide a sinking fund for their final redemption at maturity.

ARTICLE XIII.

SEC. 2. Corporations may be formed under general laws; but all such laws may, from time to time, be altered or repealed. Corporations may be classified and there may be conferred upon proper boards, commissions or officers, such supervisory and regulatory powers over their organization, business and issue and sale of stocks and securities, and over the business and sale of the stocks and securities of foreign corporations and joint stock companies in this state, as may be prescribed by law. Laws may be passed regulating the sale and conveyance of other personal property, whether owned by a corporation, joint stock company or individual.

ARTICLE XIII.

SEC. 3. Dues from private corporations shall be secured by such means as may be prescribed by law, but in no case shall any stockholder be individually liable otherwise than for the unpaid stock owned by him or her; except that stockholders of corporations authorized to receive money on deposit shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such corporations, to the extent of the amount of their stock therein, at the par value thereof, in addition to the amount invested in such shares. No corporation not organized under the laws of this state, or of the United States, or person, partnership or association shall use the word "bank," "banker" or "banking," or words of similar meaning in any foreign language, as a designation or name under which business may be conducted in this state unless such corporation, person, partnership or association shall submit to inspection, examination and regulation as may hereafter be provided by the laws of this state.

ARTICLE XV.

SEC. 2. The printing of the laws, journals, bills, legislative documents and papers for each branch of the general assembly, with the printing required for the executive and other departments of state, shall be let, on contract, to the lowest responsible bidder, or done directly by the state in such manner as shall be prescribed by law. All stationery and supplies shall be purchased as may be provided by law.

ARTICLE XV.

SEC. 4. No person shall be elected or appointed to any office in this state unless possessed of the qualifications of an elector: provided that women who are citizens may be appointed, as notaries public, or as members of boards of, or to positions in, those departments and institutions established by the state or any political subdivision thereof involving the interests or care of women or children or both.

ARTICLE XV.

SEC. 9. License to traffic in intoxicating liquors shall be granted in this state, and license laws operative throughout the state shall be passed with such restrictions and regulations as may be provided by law, and municipal corporations shall be authorized by general laws to provide for the limitation of the number of saloons. Laws shall not be passed authorizing more than one saloon in each township or municipality of less than five hundred population, or more than one saloon for each five hundred population in other townships and municipalities. Where the traffic is or may be prohibited under laws applying to counties, municipalities, townships, residence districts, or other districts now prescribed by law, the traffic shall not be licensed in any such local sub-division while any prohibitory law is operative therein, and nothing herein contained shall be so construed as to repeal, modify or suspend any such prohibitory laws, or any regulatory laws now in force or hereafter enacted, or to prevent the future enactment, modification or repeal of any prohibitory or regulatory laws. License to traffic in intoxicating liquors shall not be granted to any person who at the time of making application therefor is not a citizen of the United States and of good moral character. License shall not be granted to any applicant who is in any way interested in the business conducted at any other place where intoxicating liquors are sold or kept for sale as a beverage nor shall such license be granted unless the applicant or applicants are the only persons in any way pecuniarily interested in the business for which the license is sought and no other person shall be in any way interested therein during the continuance of the license; if such interest of such person shall appear, the license shall be deemed revoked. If any licensee is more than once convicted for a violation of the laws in force to regulate the traffic in intoxicating liquors, his license shall be deemed revoked, and no license shall thereafter be granted to him. License to traffic in intoxicating liquors shall not be granted unless the place of traffic under such license shall be located in the county in which the person or persons reside whose duty it is to grant such license, or in a county adjoining thereto. The word "saloon" as used in this section is defined to be a place where intoxicating liquors are sold, or kept for sale, as a beverage in quantities less than one gallon.

At said election a ballot shall be in the following form:

INTOXICATING LIQUORS.

	For License to traffic in intoxicating liquors.
	Against License to traffic in intoxicating liquors.

The voter shall indicate his choice by placing a cross-mark within the blank space opposite the words "For License," if he desires to vote in favor of the article

above mentioned and opposite the words "Against License," within the blank space if he desires to vote against said article. If a cross-mark is placed opposite both phrases or neither phrase, then the vote upon the subject shall not be counted.

If the votes for license shall exceed the votes against license, then the article above mentioned shall become section 9 of article XV of the constitution, and the present section 9 of said article, also known as section 18 of the schedule shall be repealed.

ARTICLE XV.

SEC. 10. Appointments and promotions in the civil service of the state, the several counties, and cities, shall be made according to merit and fitness, to be ascertained, as far as practicable, by competitive examinations. Laws shall be passed providing for the enforcement of this provision.

ARTICLE XV.

SEC. 11. Laws may be passed regulating and limiting the use of property on or near public ways and grounds for erecting bill-boards thereon and for the public display of posters, pictures and other forms of advertising.

ARTICLE XVI.

SEC. 1. Either branch of the general assembly may propose amendments to this constitution; and, if the same shall be agreed to by three-fifths of the members elected to each house, such proposed amendments shall be entered on the journals, with the yeas and nays, and shall be submitted to the electors, for their approval or rejection, on a separate ballot without party designation of any kind, at either a special or a general election as the general assembly may prescribe. Such proposed amendments shall be published once a week for five consecutive weeks preceding such election, in at least one newspaper in each county of the state, where a newspaper is published. If the majority of the electors voting on the same shall adopt such amendments the same shall become a part of the constitution. When more than one amendment shall be submitted at the same time, they shall be so submitted as to enable the electors to vote on each amendment, separately.

SEC. 2. Whenever two-thirds of the members elected to each branch of the general assembly shall think it necessary to call a convention, to revise, amend, or change this constitution, they shall recommend to the electors to vote on a separate ballot without party designation of any kind at the next election for members to the general assembly, for or against a convention; and if a majority of all the electors, voting for and against the calling of a convention, shall have voted for a convention, the general assembly shall, at their next session, provide, by law, for calling the same. Candidates for members of the constitutional convention shall be nominated by nominating petitions only and shall be voted for upon one independent and separate ballot without any emblem or party designation whatever. The convention shall consist of as many members as the house of representatives, who shall be chosen as provided by law, and shall meet within three months after their election, for the purpose, aforesaid.

SEC. 3. At the general election to be held in the year one thousand nine hundred and thirty-two, and in each twentieth year thereafter, the question: "Shall there be a convention to revise, alter, or amend the constitution," shall be submitted to the electors of the state; and in case a majority of the electors, voting for and against the calling of a convention, shall decide in favor of a convention, the general assembly, at its next session, shall provide, by law, for the election of delegates, and the assembling of such convention, as is provided in the preceding section; but no amendment of this constitution, agreed upon by any convention assembled in pursuance of this article, shall take effect, until the same shall have been submitted to the electors of the state, and adopted by a majority of those voting thereon.

ARTICLE XVIII.

MUNICIPAL CORPORATIONS.

SEC. 1. Municipal corporations are hereby classified into cities and villages. All such corporations having a population of five thousand or over shall be cities; all others shall be villages. The method of transition from one class to the other shall be regulated by law.

SEC. 2. General laws shall be passed to provide for the incorporation and government of cities and villages; and additional laws may also be passed for the government of municipalities adopting the same; but no such additional law shall become operative in any municipality until it shall have been submitted to the electors thereof, and affirmed by a majority of those voting thereon, under regulations to be established by law.

SEC. 3. Municipalities shall have authority to exercise all powers of local self-government and to adopt and enforce within their limits such local police, sanitary and other similar regulations, as are not in conflict with general laws.

SEC. 4. Any municipality may acquire, construct, own, lease and operate within or without its corporate limits, any public utility the product or service of which is or is to be supplied to the municipality or its inhabitants, and may contract with others for any such product or service. The acquisition of any such public utility may be by condemnation or otherwise, and a municipality may acquire thereby the use of, or full title to, the property and franchise of any company or person supplying to the municipality or its inhabitants the service or product of any such utility.

SEC. 5. Any municipality proceeding to acquire, construct, own, lease or operate a public utility, or to contract with any person or company therefor, shall act by ordinance and no such ordinance shall take effect until after thirty days from its passage. If within said thirty days a petition signed by ten per centum of the electors of the municipality shall be filed with the executive authority thereof demanding a referendum on such ordinance it shall not take effect until submitted to the electors and approved by a majority of those voting thereon. The submission of any such question shall be governed by all the provisions of section 8 of this article as to the submission of the question of choosing a charter commission.

SEC. 6. Any municipality, owning or operating a public utility for the purpose of supplying the service or product thereof to the municipality or its inhabitants, may also sell and deliver to others any transportation service of such utility and the surplus product of any

other utility in an amount not exceeding in either case fifty per centum of the total service or product supplied by such utility within the municipality.

SEC. 7. Any municipality may frame and adopt or amend a charter for its government and may, subject to the provisions of section 3 of this article, exercise thereunder all powers of local self-government.

SEC. 8. The legislative authority of any city or village may by a two-thirds vote of its members, and upon petition of ten per centum of the electors shall forthwith, provide by ordinance for the submission to the electors, of the question, "Shall a commission be chosen to frame a charter." The ordinance providing for the submission of such question shall require that it be submitted to the electors at the next regular municipal election if one shall occur not less than sixty nor more than one hundred and twenty days after its passage; otherwise it shall provide for the submission of the question at a special election to be called and held within the time aforesaid. The ballot containing such question shall bear no party designation, and provision shall be made thereon for the election from the municipality at large of fifteen electors who shall constitute a commission to frame a charter; provided that a majority of the electors voting on such question shall have voted in the affirmative. Any charter so framed shall be submitted to the electors of the municipality at an election to be held at a time fixed by the charter commission and within one year from the date of its election, provision for which shall be made by the legislative authority of the municipality in so far as not prescribed by general law. Not less than thirty days prior to such election the clerk of the municipality shall mail a copy of the proposed charter to each elector whose name appears upon the poll or registration books of the last regular or general election held therein. If such proposed charter is approved by a majority of the electors voting thereon it shall become the charter of such municipality at the time fixed therein.

SEC. 9. Amendments to any charter framed and adopted as herein provided may be submitted to the electors of a municipality by a two-thirds vote of the legislative authority thereof, and, upon petitions signed by ten per centum of the electors of the municipality setting forth any such proposed amendment, shall be submitted by such legislative authority. The submission of proposed amendments to the electors shall be governed by the requirements of section 8 as to the submission of the question of choosing a charter commission; and copies of proposed amendments shall be mailed to the electors as hereinbefore provided for copies of a proposed charter. If any such amendment is approved by a majority of the electors voting thereon, it shall become a part of the charter of the municipality. A copy of said charter or any amendment thereto shall be certified to the secretary of state, within thirty days after adoption by a referendum vote.

SEC. 10. A municipality appropriating or otherwise acquiring property for public use may in furtherance of such public use appropriate or acquire an excess over that actually to be occupied by the improvement, and may sell such excess with such restrictions as shall be appropriate to preserve the improvement made. Bonds may be issued to supply the funds in whole or in part to pay for the excess property so appropriated or otherwise acquired, but said bonds shall be a lien only against the property so acquired for the improvement and excess, and they shall not be a liability of the municipality nor be included in any limitation of the bonded indebtedness of such municipality prescribed by law.

SEC. 11. Any municipality appropriating private property for a public improvement may provide money therefor in part by assessments upon benefited property not in excess of the special benefits conferred upon such property by the improvements. Said assessments, however, upon all the abutting, adjacent, and other property in the district benefited shall in no case be levied for more than fifty per centum of the cost of such appropriation.

SEC. 12. Any municipality which acquires, constructs or extends any public utility and desires to raise money for such purposes may issue mortgage bonds therefor beyond the general limit of bonded indebtedness prescribed by law; provided that such mortgage bonds issued beyond the general limit of bonded indebtedness prescribed by law shall not impose any liability upon such municipality but shall be secured only upon the property and revenues of such public utility, including a franchise stating the terms upon which, in case of foreclosure, the purchaser may operate the same, which franchise shall in no case extend for a longer period than twenty years from the date of the sale of such utility and franchise on foreclosure.

SEC. 13. Laws may be passed to limit the power of municipalities to levy taxes and incur debts for local purposes, and may require reports from municipalities as to their financial condition and transactions, in such form as may be provided by law, and may provide for the examination of the vouchers, books and accounts of all municipal authorities, or of public undertakings conducted by such authorities.

SEC. 14. All elections and submissions of questions provided for in this article shall be conducted by the election authorities prescribed by general law. The percentage of electors required to sign any petition provided for herein shall be based upon the total vote cast at the last preceding general municipal election.

SCHEDULE.

If the foregoing amendment to the constitution be adopted by the electors and become a part of the constitution, it shall take effect on November 15, 1912.

SCHEDULE.

The several amendments passed and submitted by this convention when adopted at the election shall take effect on the first day of January, 1913, except as otherwise specifically provided by the schedule attached to any of said amendments. All laws then in force, not inconsistent therewith shall continue in force until amended or repealed; provided that all cases pending in the courts on the first day of January, 1913, shall be heard and tried in the same manner and by the same procedure as is now authorized by law. Any provision of the amendments passed and submitted by this convention and adopted by the electors, inconsistent with, or in conflict with, any provision of the present constitution, shall be held to prevail.

METHOD OF SUBMISSION.

The several proposals duly passed by this convention shall be submitted to the electors as separate amendments to the constitution at a special election to be held on the third day of September, 1912. The several amendments shall be designated on the ballot by their proper article and section numbers and also by their approved descriptive titles and shall be printed on said ballot and consecutively numbered in the manner and form hereinafter set forth. The adoption of any amendment by its title shall have the effect of adopting the amendment in full as finally passed by the convention. Said special election shall be held pursuant to all provisions of law applicable thereto including special registration. Ballots shall be marked in accordance with instructions printed thereon. Challengers and witnesses shall be admitted to all polling places under such regulations as may be prescribed by the secretary of state. Within ten days after said election the boards of deputy state supervisors of elections of the several counties shall forward by mail in duplicate sealed certified abstracts of the votes cast on the several amendments, one to the secretary of state and one to the auditor of state at Columbus. Within five days thereafter such abstracts shall be opened and canvassed by the secretary of state and auditor of state in the presence of the governor who shall forthwith, by proclamation, declare the results of said election. Each amendment on which the number of affirmative votes shall exceed the number of negative votes shall become a part of the constitution.

[Here follows the form of ballot identical with that on pages 2007-2011.]

HERBERT S. BIGELOW,
PRESIDENT.

C. B. GALBREATH,
SECRETARY.

Columbus, Ohio, June 1, 1912.

DAVID F. ANDERSON,
ERNEST I. ANTRIM,
JOHN L. BAUM,
ROBERT A. BEATTY,
RICHARD A. BEATTY,
A. BEYER,
STANLEY E. BOWDLE,
WESLEY B. BRATTAIN,
H. M. BROWN,
WALTER F. BROWN,
M. A. BROWN,
WILLIAM W. CAMPBELL,
JOHN R. CASSIDY,
M. T. CODY,
BERNARD Y. COLLETT,
GEO. H. COLTON,
HENRY F. CORDES,
HENRY M. CRITES,
ROBERT CROSSER,
DAVID CUNNINGHAM,
WILLIAM C. DAVIO,
JOE DEFREES,
A. V. DONAHEY,
EDWARD W. DOTY,
CHARLES O. DUNLAP,
ALEXANDER DUNN,
DENNIS DWYER,
HENRY E. EBY,
J. MILTON EARNHART,
HENRY W. ELSON,
JOHN D. FACKLER,
W. W. FARNSWORTH,
THOMAS S. FARRELL,
S. D. FESS,
THOS. G. FITZSIMONS,
JAMES M. FLUKE,
HENRY C. FOX,
AARON HAHN,
WM. P. HALENKAMP,
JAMES W. HALFHILL,
JAMES W. HARBARGER,
WM. S. HARRIS,
GEO. W. HARRIS,
OTTO M. HARTER,
ISAAC HARTER,
ROBERT HENDERSON,
JOHN C. HOFFMAN,
CHARLES D. HOLTZ,
SAMUEL A. HOSKINS,
FRANK G. HURSH,
EDWARD W. JOHNSON,
SOLOMON JOHNSON,
HUMPHREY JONES,
J. W. KEHOE,
HENRY C. KELLER,
FRANK H. KERR,
WM. B. KILPATRICK,
E. B. KING,
G. W. KNIGHT,
JOHN F. KRAMER,
LAWRENCE P. KUNKLE,
FRANK P. LAMBERT,
E. L. LAMPSON,
FRED G. LEETE,
DANIEL E. LESLIE,
ROBERT B. LONGSTRETH,
CHRIS LUDEY,
FLETCHER D. MALIN,
FRANK M. MARRIOTT,
ALLEN M. MARSHALL,
N. E. MATTHEWS,
ROSCOE J. MAUCK,
R. G. MCCLELLAND,
GEO. W. MILLER,
FRANK P. MILLER,
WM. MILLER,
ILLION E. MOORE,
CALEB H. NORRIS,
DAVID J. NYE,
J. A. OKEY,
W. E. PARTINGTON,
HIRAM D. PECK
EDWARD A. PETERS,
GEO. W. PETTIT,
DAVID PIERCE,
T. D. PRICE,
A. ROSS READ,
HORACE G. REDINGTON,
JNO. H. RILEY,
WM. M. ROCKEL,
JOHN ROEHM,
JOHN C. RORICK,
STANLEY SHAFFER,
ELI D. SHAW,
H. K. SMITH,
STARBUCK SMITH,
J. C. SOLETHER,
FRANKLIN J. STALTER,
M. STAMM,
W. B. STEVENS,
STEPHEN S. STILWELL,
O. H. STEWART,
WILLIAM WORTH STOKES,
FRANK TAGGART,
JAMES C. TALLMAN,
J. W. TANNEHILL,
PERCY TETLOW,
HARRY D. THOMAS,
JOHN ULMER,
EDWIN T. WAGNER,
WILMER R. WALKER,
HARVEY WATSON,
BENJ. F. WEYBRECHT,
JOHN W. WINN,
FRANK C. WISE,
F. W. WOODS,
WM. WORTHINGTON.

Vote on Amendments Submitted to the People by the Convention

SPECIAL ELECTION, SEPTEMBER 3, 1912

No.	TITLES OF AMENDMENTS (For article and section covered by each title see Form of Ballot, pages 2007-2011.)		Votes.	Total.	Majority For.	Majority Against.
1	Reform in Civil Jury System	Yes	345,686			
		No	203,953	549,639	141,733	
2	Abolition of Capital Punishment	Yes	258,706			
		No	303,246	561,952		44,540
3	Depositions by State and Comment on Failure of Accused to Testify in Criminal Cases	Yes	291,717			
		No	227,547	519,264	64,170	
4	Suits Against the State	Yes	306,764			
		No	216,634	523,398	90,130	
5	Damage for Wrongful Death	Yes	355,605			
		No	195,216	550,821	160,389	
6	Initiative and Referendum	Yes	312,592			
		No	231,312	543,904	81,280	
7	Investigations by Each House of General Assembly	Yes	348,779			
		No	175,337	524,116	173,442	
8	Limiting Veto Power of Governor	Yes	282,412			
		No	254,186	536,598	28,226	
9	Mechanics' and Builders' Liens	Yes	278,582			
		No	242,385	520,967	36,197	
10	Welfare of Employes	Yes	353,588			
		No	189,728	543,316	163,860	
11	Workmen's Compensation	Yes	321,558			
		No	211,772	533,330	109,786	
12	Conservation of Natural Resources	Yes	318,192			
		No	191,893	510,085	126,299	
13	Eight Hour Day on Public Work	Yes	333,307			
		No	232,898	566,206	100,409	
14	Removal of Officials	Yes	347,333			
		No	185,986	533,319	161,347	
15	Regulating Expert Testimony in Criminal Trials	Yes	336,987			
		No	185,458	522,445	151,529	
16	Registering and Warranting Land Titles	Yes	346,373			
		No	171,807	518,180	174,566	
17	Abolishing Prison Contract Labor	Yes	333,034			
		No	215,208	548,242	117,826	
18	Limiting Power of General Assembly in Extra Sessions	Yes	319,100			
		No	192,130	511,230	126,970	
19	Change in Judicial System	Yes	264,922			
		No	244,375	509,297	20,547	
20	Judge of Court of Common Pleas for Each County	Yes	301,891			
		No	223,287	525,178	78,604	
21	Abolition of Justices of the Peace in Certain Cities	Yes	264,832			
		No	252,936	517,768	11,896	

Vote on Amendments Submitted to the People September 3, 1912.

No.	TITLES OF AMENDMENTS (For article and section covered by each title see Form of Ballot, pages 2007–2011.)		Votes.	Total.	Majority For.	Majority Against.
22	Contempt Proceedings and Injunctions	Yes	240,896			
		No	257,302	498,198		16,406
23	Woman's Suffrage	Yes	249,420			
		No	336,875	586,295		87,455
24	Omitting Word "White"	Yes	242,735			
		No	265,693	508,428		22,958
25	Use of Voting Machines	Yes	242,342			
		No	288,652	530,994		46,310
26	Primary Elections	Yes	349,801			
		No	183,112	532,913	166,689	
27	Organization of Boards of Education	Yes	298,460			
		No	213,337	511,797	85,123	
28	Creating the Office of Superintendent of Public Instruction to Replace State Commissioner of Common Schools	Yes	256,615			
		No	251,946	508,561	4,669	
29	To Extend State Bond Limit to Fifty Million Dollars for Inter-County Wagon Roads	Yes	272,564			
		No	274,582	547,146		2,018
30	Regulating Insurance	Yes	321,388			
		No	196,628	518,016	124,760	
31	Abolishing Board of Public Works	Yes	296,635			
		No	214,829	511,464	81,806	
32	Taxation of State and Municipal Bonds, Inheritances, Incomes, Franchises and Production of Minerals	Yes	269,039			
		No	249,864	518,903	19,175	
33	Regulation of Corporations and Sale of Personal Property	Yes	300,466			
		No	212,704	513,170	87,762	
34	Double Liability of Stockholders and Inspection of Private Banks	Yes	377,272			
		No	156,688	533,960	220,584	
35	Regulating State Printing	Yes	319,612			
		No	192,378	511,990	127,234	
36	Eligibility of Women to Certain Offices	Yes	261,806			
		No	284,370	546,176		22,564
37	Civil Service	Yes	306,767			
		No	204,580	511,347	102,187	
38	Out-Door Advertising	Yes	261,361			
		No	262,440	523,801		1,079
39	Methods of Submitting Amendments to the Constitution	Yes	271,827			
		No	246,687	518,514	25,140	
40	Municipal Home Rule	Yes	301,861			
		No	215,120	516,981	86,741	
41	Schedule of Amendments	Yes	275,062			
		No	213,979	489,041	61,083	
	For License to Traffic in Intoxicating Liquors		273,361			
	Against License to Traffic in Intoxicating Liquors		188,825	462,186	84,536	

COMPARATIVE ELECTION STATISTICS

Vote for Governor, 1851	282,182
Vote on Constitution, 1851, Special Election June 17	234,840
Vote for Secretary of State, 1874	467,425
Vote on Constitution, 1874, Special Election, August 18	353,054
Vote for Governor, 1908	1,125,198
Vote for Governor, 1910	932,262
Highest Vote on any Constitutional Amendment Submitted September 3, 1912	586,295

Financial Statement

APPROPRIATIONS.

O. L., Vol. 102, Page 195, 1911.....	$200,000 00	
O. L., Vol. 103, Page 30, 1913.....	62,891 71	
O. L., Vol. 103, Page 593, 1913.....	552 28	
O. L., Vol. 103, Page 650, 1913.....	4,100 00	
Emergency Board, July 12, 1913.....	2,127 12	
Total		$269,671 11

EXPENDITURES.

Salaries and Mileage of Delegates.

Salaries, 119 delegates.....	$119,000 00	
Mileage	11,430 22	
		$130,430 22

Salary of Secretary.

C. B. Galbreath.....		3,000 00

Per Diem of Sergeant-at-Arms.

J. C. Sherlock, 162 days @ $5.....		810 00

Per Diem of Employes.

Clerks.

Will T. Blake, 144 days @ $5.....	$720 00	
T. H. Brown, 144 days @ $5.....	720 00	
H. L. Rebrassier, 151 days @ $5.....	755 00	
E. G. Wulff, 223 days @ $5.....	1,115 00	
Ira I. Morrison, 531 days @ $5.....	2,655 00	
E. S. Nichols, 388 days @ $5.....	1,940 00	
Ella M. Scriven, 539 days @ $5.....	2,695 00	
James B. Lewis, 231 days @ $5.....	1,155 00	
H. S. Brown, 231 days @ $5.....	1,155 00	
S. E. Neff, 223 days @ $5.....	1,115 00	
Clement Kelley, 144 days @ $5.....	720 00	
		$14,745 00

Stenographers.

Miletus Garner, 143 days @ $5.....	$715 00	
Ada Pemberton, 151 days @ $5.....	755 00	
Florine Files, 147 days @ $5.....	735 00	
Ethel North, 143 days @ $5.....	715 00	
Lida Judge, 143 days @ $5.....	715 00	
Ella Quigley, 143 days @ $5.....	715 00	
Julia E. Kersting, 231 days @ $5.....	1,155 00	
Anna L. Bower, 151 days @ $5.....	755 00	
Etheline Dille, 143 days @ $5.....	715 00	
Minnie Rodgers, 143 days @ $5.....	715 00	
Gertrude H. Lake, 136 days @ $5.....	680 00	
		$8,370 00

Committee Clerks.

George Cartwright, 223 days @ $5.....	$1,115 00	
Mary Turner, 136 days @ $5.....	680 00	
Katherine Kellar, 216 days @ $5.....	1,080 00	
		$2,875 00

President's Messenger.

Carl A. Mutschler, 175 days @ $5.....		$875 00

Assistant Sergeant at Arms Etc.

Wm. C. Ries, 154 days @ $5.....	$770 00	
Fred Blankner, 162 days @ $5.....	810 00	
J. F. Cunningham, 156 days @ $5.....	780 00	
W. E. Childs, 143 days @ $5.....	715 00	
		$3,075 00

Door-Keepers.

John B. Lewis, 151 days @ $3.50.....	$528 50	
O. A. Shetler, 143 days @ $3.50.....	500 50	
James Vines, 143 days @ $3.50.....	500 50	
James Mitchell, 143 days @ $3.50.....	500 50	
		$2,030 00

Cloak Room Attendants.

Allen G. Atwill, 164 days @ $3.50.....	$574 00	
William Crites, 151 days @ $3.50.....	528 50	
		$1,102 50

Custodians of Committee Rooms.

James E. Allen, 143 days @ $3.50.....	$500 50	
Wm. B. Hassett, 143 days @ $3.50.....	500 50	
D. M. Welty, 153 days @ $3.50.....	535 50	
Thomas Goldrick, 38 days @ $3.50.....	133 00	
Alfred Jacobs, 151 days @ $3.50.....	528 50	
		$2,198 00

Porters.

Lewis Miller, 151 days @ $3.50.....	$528 50	
Oliver Henson, 143 days @ $3.50.....	500 50	
Harry Reasoner, 90 days @ $3.50.....	315 00	
Joseph Rosenberger, 143 days @ $3.50..	500 50	
John Littlejohn, 161 days @ $3.50.....	563 50	
William Todd, 162 days @ $3.50.....	567 00	
C. M. Fisher, 152 days @ $3.50.....	532 00	
Nelson Winslow, 161 days @ $3.50.....	563 50	
George Riley, 231 days @ $3.50.....	808 50	
		$4,879 00

Pages.

J. C. Scott, 151 days @ $2.50.....	$377 50	
Howard Fordyce, 152 days @ $2.50.....	380 00	
Glenn Emerson, 151 days @ $2.50.....	377 50	
Harry Blair, Jr., 94 days @ $2.50.....	247 50	
Charles Mills, 154 days @ $2.50.....	385 00	
R. J. Bartlett, 151 days @ $2.50.....	377 50	
Albert Goodyear, 152 days @ $2.50.....	380 00	
George C. Bond, 143 days @ $2.50.....	357 50	
Charles Abbott, 143 days @ $2.50.....	357 50	
H. D. Sites, 143 days @ $2.50.....	357 50	
Raymond Stremel, 131 days @ $2.50.....	327 50	
		$3,825 00
Temporary employes		532 50

Reporting Proceedings and Debates.

Clarence E. Walker.....		$5,000 00

Contingent Expenses.

Daily Journal	$2,303 84	
Proposals and Calendars.....	1,929 41	
Printing and binding Journal.....	1,500 00	
*Proceedings and Debates.....	5,245 00	
Miscellaneous	2,487 39	
Advertising Special Election.....	1,821 50	
Telephones	1,704 86	
Postage	441 87	
Express	511 79	
Typewriter rentals	377 55	
Miscellaneous	2,245 44	
		$20,568 65

Expenses of Employes.

Railroad fare to Chillicothe.....		$56 25

Newspaper Advertising.

Various newspapers of the state.....		$63,198 99
Total		$267,571 11
†Unexpended balance		2,100 00

*Partial payment for printing and binding Proceedings and Debates.

†This is the unexpended balance of appropriation for printing and binding Proceedings and Debates. Out of it will be paid balance due when the work of printing and binding is completed.

Election Expenses

Following are the expenses, as returned by the election officers of the different counties, of holding the special election of September 3, 1912, at which the constitutional amendments were submitted to the people:

Adams	$795 08	Hamilton	37,878 99	Noble	739 83
Allen	2,803 44	Hanock	2,151 48	Ottawa	893 70
Ashland	957 60	Hardin	1,219 20	Paulding	942 00
Ashtabula	2,400 00	Harrison	696 00	Perry	1,081 55
Athens	1,302 90	Henry	812 60	Pickaway	780 55
Auglaize	1 038 20	Highland	1,100 00	Pike	533 85
Belmont	2,461 75	Hocking	799 70	Portage	878 70
Brown	728 20	Holmes	850 00	Preble	828 38
Butler	2,667 78	Huron	1,059 70	Putnam	1,203 40
Carroll	737 00	Jackson	958 44	Richland	1,629 30
Champaign	827 69	Jefferson	2,412 45	Ross	1,357 76
Clark	3,500 00	Knox	848 47	Sandusky	994 45
Clermont	1,046 68	Lake	710 90	Scioto	2,335 56
Clinton	784 24	Lawrence	1,205 70	Seneca	1,208 90
Columbiana	3,151 10	Licking	2,174 01	Shelby	1,100 00
Coshocton	1,135 71	Logan	968 49	Stark	5,346 50
Crawford	1,176 20	Lorain	2,168 86	Summit	3,731 50
Cuyahoga	24,000 00	Lucas	8,659 90	Trumbull	1,559 72
Darke	1,500 00	Madison	875 64	Tuscarawas	1,862 90
Defiance	694 04	Mahoning	7,083 14	Union	964 05
Dealware	886 39	Marion	1,450 00	Van Wert	827 02
Erie	1,413 43	Medina	637 25	Vinton	636 21
Fairfield	1,280 40	Meigs	723 60	Warren	818 60
Fayette	859 71	Mercer	756 81	Washington	1,472 68
Franklin	9,800 00	Miami	2,019 49	Wayne	1,414 00
Fulton	683 45	Monroe	818 91	Williams	740 00
Gallia	852 50	Montgomery	8,455 02	Wood	1,961 17
Geauga	567 81	Morgan	558 85	Wyandot	662 15
Greene	1,001 65	Morrow	868 70		
Guernsey	1,397 01	Muskingum	3,079 51	Total	$204,956 20

Report of Special Committee Relative to Office of Justice of the Peace

The special committee appointed, pursuant to Resolution No. 167, on the last day of the convention (page 2092), met immediately after adjournment and framed a statement which was sent to each justice of the peace in the state in printed circular form as follows:

CONSTITUTIONAL CONVENTION.
COLUMBUS, OHIO, August 26, 1912.

OFFICE OF JUSTICE OF THE PEACE

IT IS NOT ABOLISHED BY THE PROPOSED AMENDMENTS TO THE CONSTITUTION

Report of special committee appointed by the Convention:

The undersigned, appointed by the Fourth Constitutional Convention at its session in Columbus August 26, 1912, as a committee to prepare and have published a statement as to whether or not the adoption of No. 19, on the constitutional amendments ballot, relating to change in the judicial system, will abolish the office of justice of the peace, beg leave to submit the following report:

This office, by the existing constitution, is declared to be one of the courts in which judicial power is vested. But this section of article IV, now in force, as well as amended section 1, vests the judicial power in certain named courts and such other inferior courts as may from time to time be established by law. While the office of justice of the peace is recognized by the constitution as a judicial one, it is also established by law, for there exists on the statute books a provision for election of justices of the peace, their number in each township, the terms of their office, their jurisdiction and the manner of their compensation.

Provision is made in the General Code for justices of the peace, as well as their election and duties, in sections 1712-1806, inclusive, and for their jurisdiction and powers in sections 10223-10491, inclusive; and none of these statutes will be repealed by the adoption of any of the constitutional amendments proposed.

Section 15 of article IV of the constitution, both in the present constitution and in the amendment proposed, provides that "any existing court heretofore created by law shall continue in existence until otherwise provided." Section 1 of the original schedule and the schedule adopted by the Convention, known as amendment No. 41 on the ballot, provides that all laws in force, not inconsistent with these amendments, "shall continue in force until amended or repealed." These two provisions of the constitution protect in office every official until the end of his term, and they protect forever, until repealed by the general assembly, the statutes creating and regulating the jurisdiction of the office of justice of the peace, because it is not inconsistent with the constitutional provisions contained in section 1 of article IV. Section 1 is only declarative of the courts in which judicial power is vested. It omits to name several important courts now existing in Ohio, as for instance, the superior court of Cincinnati, the court of insolvency of Cuyahoga county, the municipal court of the city of Cleveland, and there may be others, all of which are created by statute and all of which will remain in existence until the statutes creating them are repealed or changed. This is so with justices of the peace. The justices now in office will continue until their terms expire, and they will continue to be elected until the general assembly changes the law relating to them. It may be just as well said that the superior court of Cincinnati, the court of insolvency of Cuyahoga county and the municipal court of Cleveland are abolished by these amendments, because they are not named in section 1 as constitutional courts; yet no one would claim that these courts are interfered with.

This we believe to be the legal construction and effect of the proposed amendments that relate to the office of justice of the peace.

HIRAM D. PECK,
E. B. KING,
D. J. NYE.

The foregoing report has been submitted pursuant to resolution No. 167.

C. B. GALBREATH,
Secretary of the Convention.

Contract for Printing Proceeding and Debates

WHEREAS, It has become desirable to cause the proceedings and debates of the Fourth Constitutional Convention of Ohio to be printed and published in some durable form, this contract regarding the same entered into by and between the State of Ohio and The F. J. Heer Printing Company WITNESSETH:—

That the F. J. Heer Printing Company, for and in consideration of the performance by the State of Ohio of its promises and agreements hereinafter set forth, does hereby agree to furnish all the necessary paper and do all the necessary printing and binding for the publication of twenty-five hundred (2500) copies of reports of the said proceedings and debates, to be bound in two volumes. It is understood and agreed that the paper so furnished shall be of a quality, weight and grade suitable and proper for such work, the size of the page to be 9 x 12, type surface 7 x 9¾ including heading, type to be ten point, style of Michigan Constitutional Convention (1907) report, the binding to be buckram of a good grade and quality and all the work, both printing and binding, to be done in a good and workmanlike manner.

As a compensation for the performance of the foregoing the State of Ohio is to pay said The F. J. Heer Printing Company the sum of four thousand nine hundred and ninety-two and fifty hundredths dollars, ($4,992.50), such sum being based on an estimate that said volumes shall contain in the aggregate fifteen hundred (15000) pages. It is hereby agreed that if there shall be fewer than fifteen hundred pages in said two volumes there shall be deducted from said amount ($4,992.50) so to be paid The F. J. Heer Printing Company the sum of two and fifty hundredths dollars ($2.50) per page for each page less than said number of fifteen hundred that said volumes shall contain, but if said volumes shall contain more than fifteen hundred pages the said The F. J. Heer Printing Company, in addition to said amount of $4,992.50, shall receive and be paid the sum of two and fifty hundredths dollars ($2.50) for each page said volumes may contain in excess of such estimated number of fifteen hundred.

It is further understood and agreed that The F. J. Heer Printing Company shall be paid for printing the index to said debates and furnishing the paper therefor the sum of three and fifty hundredths dollars ($3.50) per page for each full printed page of such index, such pages to be set in brevier type, double column.

It is further understood and agreed that the copy from which all of said printing, including index, shall be done, shall be furnished by the secretary of the convention to the said printing company and that no matter shall be included in said volumes except what shall have been so furnished by said secretary.

It is also further understood and agreed that The F. J. Heer Printing Company on its part will use all due diligence to secure the completion and delivery of the bound volumes of said reports at the earliest possible date after the final adjournment of the Convention and further to secure that no delay in such completion and delivery shall occur on account of any act or omission of said printing company.

In witness whereof the parties aforesaid have hereunto affixed their signatures this eleventh day of April, 1912.

THE STATE OF OHIO,
By
HERBERT S. BIGELOW,
President of the Fourth Constitutional Convention of Ohio.
And
JOHN R. CASSIDY,
Chairman of the Committee on Claims.

THE F. J. HEER PRINTING COMPANY,
By
F. J. HEER,
Manager.

The Constitution of the State of Ohio

With Amendments Proposed by the Constitutional Convention of 1912 and Approved by the People

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THE CONSTITUTION OF THE STATE OF OHIO.

We, the people of the State of Ohio, grateful to Almighty God for our freedom, to secure its blessings and promote our common welfare, do establish this constitution.

ARTICLE I.

BILL OF RIGHTS.

SEC. 1. All men are, by nature, free and independent, and have certain inalienable rights, among which are those of enjoying and defending life and liberty, acquiring, possessing, and protecting property, and seeking and obtaining happiness and safety.

SEC. 2. All political power is inherent in the people. Government is instituted for their equal protection and benefit, and they have the right to alter, reform, or abolish the same, whenever they may deem it necessary; and no special privileges or immunities shall ever be granted, that may not be altered, revoked, or repealed by the general assembly.

SEC. 3. The people have the right to assemble together, in a peaceable manner, to consult for their common good; to instruct their representatives; and to petition the general assembly for the redress of grievances.

SEC. 4. The people have the right to bear arms for their defense and security; but standing armies, in time of peace, are dangerous to liberty, and shall not be kept up; and the military shall be in strict subordination to the civil power.

SEC. 5. The right of trial by jury shall be inviolate.

SEC. 5. The right of trial by jury shall be inviolate, except that, in civil cases, laws may be passed to authorize the rendering of a verdict by the concurrence of not less than three-fourths of the jury.

SEC. 6. There shall be no slavery in this state; nor involuntary servitude, unless for the punishment of crime.

NOTE:—The sections of the constitution to which no amendments were adopted, at the special election, September 3, 1912, are printed in uniform type like that used in sections 1, 2, 3 and 4 of article I. The smaller type, like that first used in sections 5 and 10 of article I, indicates the sections of the constitution to which amendments have been made. The black or bold-faced type, like that used in the second instance in sections 5 and 10 of article I, indicates the amendments adopted. If the sections in smaller type are omitted and those in the bold-faced type are retained, there will remain the constitution as it is with the amendments approved September 3, 1912. If the sections in bold-faced type are omitted, the constitution as it was January 1, 1912, will remain.

SEC. 7. All men have a natural and indefeasible right to worship Almighty God according to the dictates of their own conscience. No person shall be compelled to attend, erect, or support any place of worship, or maintain any form of worship, against his consent; and no preference shall be given, by law, to any religious soicety; nor shall any interference with the rights of conscience be permitted. No religious test shall be required, as a qualification for office, nor shall any person be incompetent to be a witness on account of his religious belief; but nothing herein shall be construed to dispense with oaths and affirmations. Religion, morality, and knowledge, however, being essential to good government, it shall be the duty of the general assembly to pass suitable laws to protect every religious denomination in the peaceable enjoyment of its own mode of public worship, and to encourage schools and the means of instruction.

SEC. 8. The privilege of the writ of habeas corpus shall not be suspended, unless, in cases of rebellion or invasion, the public safety require it.

SEC. 9. All persons shall be bailable by sufficient sureties, except for capital offenses where the proof is evident or the presumption great. Excessive bail shall not be required; nor excessive fines imposed; nor cruel and unusual punishments inflicted.

SEC. 10. Except in cases of impeachment, and cases arising in the army and navy, or in the militia when in actual service in time of war or public danger, and in cases of petit larceny and other inferior offenses, no person shall be held to answer for a capital, or otherwise infamous crime, unless on presentment or indictment of a grand jury. In any trial, in any court, the party accused shall be allowed to appear and defend in person and with counsel; to demand the nature and cause of the accusation against him, and to have a copy thereof; to meet the witnesses face to face, and to have compulsory process to procure the attendance of witnesses in his behalf, and a speedy public trial by an impartial jury of the county or district, in which the offense is alleged to have been committed; nor shall any person be compelled, in any criminal case, to be a witness against himself, or be twice put in jeopardy for the same offense.

SEC. 10. Except in cases of impeachment, cases arising in the army and navy, or in the militia when in actual service in time of war or public danger, and cases involving offenses for which the penalty provided is less than imprisonment in the penitentiary, no person shall be held to answer for a capital, or otherwise infamous, crime, unless on presentment or indictment of a grand jury; and the number of persons necessary to constitute such grand jury and the number thereof necessary to concur in finding such indictment shall be determined by law. In any trial, in any court, the party accused shall be allowed to appear and defend in person and with counsel; to demand the nature and cause of the accusation against him, and to have a copy thereof; to meet the witnesses face to face, and to have compulsory process to procure the attendance of witnesses in his behalf, and a speedy public trial by an impartial jury of the county in which the offense is alleged to have been committed; but provision may be made by law for the taking of the deposition by the accused or by the state, to be used for or against the accused, of any witness whose attendance can not be had at the trial, always securing to the accused means and the opportunity to be present in person and with counsel at the taking of such deposition, and to examine the witness face to face as fully and in the same manner as if in court. No person shall be compelled, in any criminal case, to be a witness against himself; but his

failure to testify may be considered by the court and jury and may be made the subject of comment by counsel. No person shall be twice put in jeopardy for the same offense.

SEC. 11. Every citizen may freely speak, write, and publish his sentiments on all subjects, being responsible for the abuse of the right; and no law shall be passed to restrain or abridge the liberty of speech, or of the press. In all criminal prosecutions for libel, the truth may be given in evidence to the jury, and if it shall appear to the jury, that the matter charged as libelous is true, and was published with good motives, and for justifiable ends, the party shall be acquitted.

SEC. 12. No person shall be transported out of the state, for any offense committed within the same; and no conviction shall work corruption of blood, or forfeiture of estate.

SEC. 13. No soldier shall, in time of peace, be quartered in any house, without the consent of the owner; nor, in time of war, except in the manner prescribed by law.

SEC. 14. The right of the people to be secure in their persons, houses, papers, and possessions, against unreasonable searches and seizures shall not be violated; and no warrant shall issue, but upon probable cause, supported by oath or affirmation, particularly describing the place to be searched and the person and things to be seized.

SEC. 15. No person shall be imprisoned for debt in any civil action, on mesne or final process, unless in cases of fraud.

SEC. 16. All courts shall be open, and every person, for an injury done him in his land, goods, person, or reputation, shall have remedy by due course of law; and justice administered without denial or delay.

Sec. 16. All courts shall be open, and every person, for an injury done him in his land, goods, person, or reputation, shall have remedy by due course of law, and shall have justice administered without denial or delay. Suits may be brought against the state, in such courts and in such manner, as may be provided by law.

SEC. 17. No hereditary emoluments, honors, or privileges, shall ever be granted or conferred by this state.

SEC. 18. No power of suspending laws shall ever be exercised, except by the general assembly.

SEC. 19. Private property shall ever be held inviolate, but subservient to the public welfare. When taken in time of war or other public exigency, imperatively requiring its immediate seizure or for the purpose of making or repairing roads, which shall be open to the public, without charge, a compensation shall be made to the owner, in money, and in all other cases, where private property shall be taken for public use, a compensation therefor shall first be made in money, or first secured by a deposit of money; and such compensation shall be assessed by a jury, without deduction for benefits to any property of the owner.

Sec. 19a. The amount of damages recoverable by civil action in the courts for death caused by the wrongful act, neglect, or default of another, shall not be limited by law.

SEC. 20. This enumeration of rights shall not be construed to impair or deny others retained by the people; and all powers, not herein delegated, remain with the people.

ARTICLE II.

LEGISLATIVE.

SEC. 1. The legislative power of this state shall be vested in a general assembly, which shall consist of a senate, and house of representatives.

Sec. 1. The legislative power of the state shall be vested in a general assembly consisting of a senate and house of representatives but the people reserve to themselves the power to propose to the general assembly laws and amendments to the constitution, and to adopt or reject the same at the polls on a referendum vote as hereinafter provided. They also reserve the power to adopt or reject any law, section of any law or any item in any law appropriating money passed by the general assembly, except as hereinafter provided; and independent of the general assembly to propose amendments to the constitution and to adopt or reject the same at the polls. The limitations expressed in the constitution, on the power of the general assembly to enact laws, shall be deemed limitations on the power of the people to enact laws.

Sec. 1a. The first aforestated power reserved by the people is designated the initiative, and the signatures of ten per centum of the electors shall be required upon a petition to propose an amendment to the constitution. When a petition signed by the aforesaid required number of electors, shall have been filed with the secretary of state, and verified as herein provided, proposing an amendment to the constitution, the full text of which shall have been set forth in such petition, the secretary of state shall submit for the approval or rejection of the electors, the proposed amendment, in the manner hereinafter provided, at the next succeeding regular or general election in any year occurring subsequent to ninety days after the filing of such petition. The initiative petitions, above described, shall have printed across the top thereof: "Amendment to the Constitution Proposed by Initiative Petition to be Submitted Directly to the Electors."

Sec. 1b. When at any time, not less than ten days prior to the commencement of any session of the general assembly, there shall have been filed with the secretary of state a petition signed by three per centum of the electors and verified as herein provided, proposing a law, the full text of which shall have been set forth in such petition, the secretary of state shall transmit the same to the general assembly as soon as it convenes. If said proposed law shall be passed by the general assembly, either as petitioned for or in an amended form, it shall be subject to the referendum. If it shall not be passed, or if it shall be passed in an amended form, or if no action shall be taken thereon within four months from the time it is received by the general assembly, it shall be submitted by the secretary of state to the electors for their approval or rejection at the next regular or general elec-

The amendments to the constitution approved September 3, 1912, are printed in hold-faced type. Sections amended or superseded are in small type. See note, page 2121.

tion, if such submission shall be demanded by supplementary petition verified as herein provided and signed by not less than three per centum of the electors in addition to those signing the original petition, which supplementary petition must be signed and filed with the secretary of state within ninety days after the proposed law shall have been rejected by the general assembly or after the expiration of such term of four months, if no action has been taken thereon, or after the law as passed by the general assembly shall have been filed by the governor in the office of the secretary of state. The proposed law shall be submitted in the form demanded by such supplementary petition, which form shall be either as first petitioned for or with any amendment or amendments which may have been incorporated therein by either branch or by both branches, of the general assembly. If a proposed law so submitted is approved by a majority of the electors voting thereon, it shall be the law and shall go into effect as herein provided in lieu of any amended form of said law which may have been passed by the general assembly, and such amended law passed by the general assembly shall not go into effect until and unless the law proposed by supplementary petition shall have been rejected by the electors. All such initiative petitions, last above described, shall have printed across the top thereof, in case of proposed laws: "Law Proposed by Initiative Petition First to be Submitted to the General Assembly." Ballots shall be so printed as to permit an affirmative or negative vote upon each measure submitted to the electors. Any proposed law or amendment to the constitution submitted to the electors as provided in section 1a and section 1b, if approved by a majority of the electors voting thereon, shall take effect thirty days after the election at which it was approved and shall be published by the secretary of state. If conflicting proposed laws or conflicting proposed amendments to the constitution shall be approved at the same election by a majority of the total number of votes cast for and against the same, the one receiving the highest number of affirmative votes shall be the law, or in the case of amendments to the constitution shall be the amendment to the constitution. No law proposed by initiative petition and approved by the electors shall be subject to the veto of the governor.

Sec. 1c. The second aforestated power reserved by the people is designated the referendum, and the signatures of six per centum of the electors shall be required upon a petition to order the submission to the electors of the state for their approval or rejection, of any law, section of any law or any item in any law appropriating money passed by the general assembly. No law passed by the general assembly shall go into effect until ninety days after it shall have been filed by the governor in the office of the secretary of state, except as herein provided. When a petition, signed by six per centum of the electors of the state and verified as herein provided, shall have been filed with the secretary of state within ninety days after any law shall have been filed by the governor in the office of the secretary of state, ordering that such law, section of such law or any item in such law appropriating money be submitted to the electors of the state for their approval or rejection, the secretary of state shall submit to the electors of the state for their approval or rejection such law, section or item, in the manner herein provided, at the next succeeding regular or general election in any year occurring subsequent to sixty days after the filing of such petition, and no such law, section or item shall go into effect until and unless approved by a majority of those voting upon the same. If, however, a referendum petition is filed against any such section or item, the remainder of the law shall not thereby be prevented or delayed from going into effect.

Sec. 1d. Laws providing for tax levies, appropriations for the current expenses of the state government and state institutions, and emergency laws necessary for the immediate preservation of the public peace, health or safety, shall go into immediate effect. Such emergency laws upon a yea and nay vote must receive the vote of two-thirds of all the members elected to each branch of the general assembly, and the reasons for such necessity shall be set forth in one section of the law, which section shall be passed only upon a yea and nay vote, upon a separate roll call thereon. The laws mentioned in this section shall not be subject to the referendum.

Sec. 1e. The powers defined herein as the "initiative" and "referendum" shall not be used to pass a law authorizing any classification of property for the purpose of levying different rates of taxation thereon or of authorizing the levy of any single tax on land or land values or land sites at a higher rate or by a different rule than is or may be applied to improvements thereon or to personal property.

Sec. 1f. The initiative and referendum powers are hereby reserved to the people of each municipality on all questions which such municipalities may now or hereafter be authorized by law to control by legislative action; such powers shall be exercised in the manner now or hereafter provided by law.

Sec. 1g. Any initiative, supplementary or referendum petition may be presented in separate parts but each part shall contain a full and correct copy of the title, and text of the law, section or item thereof sought to be referred, or the proposed law or proposed amendment to the constitution. Each signer of any initiative, supplementary or referendum petition must be an elector of the state and shall place on such petition after his name the date of signing and his place of residence. A signer residing outside of a municipality shall state the township and county in which he resides. A resident of a municipality shall state in addition to the name of such municipality, the street and number, if any, of his residence and the ward and precinct in which the same is located. The names of all signers to such petitions shall be written in ink, each signer for himself. To each part of such petition shall be attached the affidavit of the person soliciting the signatures to the same, which affidavit shall contain a statement of the number of the signers of such part of such petition and shall state that each of

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the signatures attached to such part was made in the presence of the affiant, that to the best of his knowledge and belief each signature on such part is the genuine signature of the person whose name it purports to be, that he believes the persons who have signed it to be electors, that they so signed said petition with knowledge of the contents thereof, that each signer signed the same on the date stated opposite his name; and no other affidavit thereto shall be required. The petition and signatures upon such petitions, so verified, shall be presumed to be in all respects sufficient, unless not later than forty days before the election, it shall be otherwise proved and in such event ten additional days shall be allowed for the filing of additional signatures to such petition. No law or amendment to the constitution submitted to the electors by initiative and supplementary petition and receiving an affirmative majority of the votes cast thereon, shall be held unconstitutional or void on account of the insufficiency of the petitions by which such submission of the same was procured; nor shall the rejection of any law submitted by referendum petition be held invalid for such insufficiency. Upon all initiative, supplementary and referendum petitions provided for in any of the sections of this article, it shall be necessary to file from each of one-half of the counties of the state, petitions bearing the signatures of not less than one-half of the designated percentage of the electors of such county. A true copy of all laws or proposed laws or proposed amendments to the constitution, together with an argument or explanation, or both, for, and also an argument or explanation, or both, against the same, shall be prepared. The person or persons who prepare the argument or explanation, or both, against any law, section or item, submitted to the electors by referendum petition, may be named in such petition and the persons who prepare the argument or explanation, or both, for any proposed law or proposed amendment to the constitution may be named in the petition proposing the same. The person or persons who prepare the argument or explanation, or both, for the law, section or item, submitted to the electors by referendum petition, or against any proposed law submitted by supplementary petition, shall be named by the general assembly, if in session, and if not in session then by the governor. The secretary of state shall cause to be printed the law, or proposed law, or proposed amendment to the constitution, together with the arguments and explanations, not exceeding a total of three hundred words for each, and also the arguments and explanations, not exceeding a total of three hundred words against each, and shall mail, or otherwise distribute, a copy of such law, or proposed law, or proposed amendment to the constitution, together with such arguments and explanations for and against the same to each of the electors of the state, as far as may be reasonably possible. Unless otherwise provided by law, the secretary of state shall cause to be placed upon the ballots, the title of any such law, or proposed law, or proposed amendment to the constitution, to be submitted. He shall also cause the ballots so to be printed as to permit an affirmative or negative vote upon each law, section of law, or item in a law appropriating money, or proposed law, or proposed amendment to the constitution. The style of all laws submitted by initiative and supplementary petition shall be: "Be it Enacted by the People of the State of Ohio," and of all constitutional amendments: "Be It Resolved by the People of the State of Ohio." The basis upon which the required number of petitioners in any case shall be determined shall be the total number of votes cast for the office of governor at the last preceding election therefor. The fore-going provisions of this section shall be self-executing, except as herein otherwise provided. Laws may be passed to facilitate their operation, but in no way limiting or restricting either such provisions or the powers herein reserved.

Schedule.

The foregoing amendment, if adopted by the electors shall take effect October 1, 1912.

SEC. 2. Senators and representatives shall be elected biennially by the electors of the respective counties or districts, on the first Tuesday after the first Monday in November; their term of office shall commence on the first day of January next thereafter, and continue two years. (*As amended October* 13, 1885.)

SEC. 3. Senators and representatives shall have resided in their respective counties, or districts, one year next preceding their election, unless they shall have been absent on the public business of the United States, or of this state.

SEC. 4. No person holding office under the authority of the United States, or any lucrative office under the authority of this state, shall be eligible to, or have a seat in, the general assembly; but this provision shall not extend to township officers, justices of the peace, notaries public, or officers of the militia.

SEC. 5. No person hereafter convicted of an embazzlement of the public funds, shall hold any office in this state; nor shall any person, holding public money for disbursement, or otherwise, have a seat in the general assembly, until he shall have accounted for, and paid such money into the treasury.

SEC. 6. Each house shall be judge of the election, returns, and qualifications of its own members; a majority of all the members, elected to each house shall be a quorum to do business; but a less number may adjourn from day to day, and compel the attendance of absent members, in such manner, and under such penalties, as shall be prescribed by law.

SEC. 7. The mode of organizing the house of representatives, at the commencement of each regular session, shall be prescribed by law.

SEC. 8. Each house, except as otherwise provided in this constitution, shall choose its own officers, may determine its own rules of proceeding, punish its members for disorderly conduct; and, with the concurrence of two-thirds, expel a member, but not the second time for the same cause; and shall have all other powers, necessary to provide for its safety, and the undisturbed transaction of its business.

Sec. 8. Each house, except as otherwise provided in this constitution, shall choose its own officers, may

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determine its own rules of proceeding, punish its members for disorderly conduct; and, with the concurrence of two-thirds, expel a member, but not the second time for the same cause; and shall have all powers, necessary to provide for its safety and the undisturbed transaction of its business, and to obtain, through committees or otherwise, information affecting legislative action under consideration or in contemplation, or with reference to any alleged breach of its privileges or misconduct of its members, and to that end to enforce the attendance and testimony of witnesses, and the production of books and papers.

SEC. 9. Each house shall keep a correct journal of its proceedings, which shall be published. At the desire of any two members, the yeas and nays shall be entered upon the journal; and, on the passage of every bill, in either house, the vote shall be taken by yeas and nays, and entered upon the journal; and no law shall be passed in either house, without the concurrence of a majority of all the members elected thereto.

SEC. 10. Any member of either house shall have the right to protest against any act, or resolution thereof; and such protest, and the reasons therefor, shall, without alteration, commitment, or delay, be entered upon the journal.

SEC. 11. All vacancies which may happen in either house shall, for the unexpired term, be filled by election, as shall be directed by law.

SEC. 12. Senators and representatives, during the session of the general assembly, and in going to, and returning from the same, shall be privileged from arrest, in all cases, except treason, felony, or breach of the peace; and for any speech, or debate, in either house, they shall not be questioned elsewhere.

SEC. 13. The proceedings of both houses shall be public, except in cases which, in the opinion of two-thirds of those present, require secrecy.

SEC. 14. Neither house shall, without the consent of the other, adjourn for more than two days, Sundays excluded; nor to any other place than that in which the two houses shall be in session.

SEC. 15. Bills may originate in either house; but may be altered, amended, or rejected in the other.

SEC. 16. Every bill shall be fully and distinctly read three different days, unless in case of urgency three-fourths of the house in which it shall be pending, shall dispense with the rule. No bill shall contain more than one subject, which shall be clearly expressed in its title, and no law shall be revived, or amended unless the new act contain the entire act revived, or the section or sections amended, and the section or sections so amended shall be repealed.

Every bill passed by both houses of the general assembly shall, before said bill can become law, be presented to the governor. If he approves he shall sign said bill and thereupon said bill shall be law. If he object he shall not sign and shall return said bill, together with his objection thereto in writing, to the house wherein said bill originated, which house shall enter at large upon its journal said objection and shall proceed to reconsider said bill. If, after said reconsideration, at least two-thirds of the members-elect of that house vote to repass said bill it shall be sent, together with said objection, to the other house, which shall enter at large upon its journal said objection and shall proceed to reconsider said bill. If, after said reconsideration, at least two-thirds of the members-elect of that house vote to pass said bill it shall be law, otherwise it shall not be law. The votes for the repassage of said bill shall in each house respectively be no less than those given on the original passage. If any bill passed by both houses of the general assembly and presented to the governor is not signed and is not returned to the house wherein it originated and within ten days after being so presented, exclusive of Sunday and the day said bill was presented, said bill shall be law as in like manner as if signed, unless final adjournment of the general assembly prevents such return, in which case [it] shall be law, unless objected to by the governor and filed, together with his objection thereto in writing, by him in the office of the secretary of state within the prescribed ten days; and the secretary of state shall at once make public said fact and shall return said bill, together with said objection, upon the opening of the next following session of the general assembly, to the house wherein said bill originated, where it shall be treated in like manner as if returned within the prescribed ten days.

If any bill passed by both houses of the general assembly and presented to the governor contains two or more sections, or two or more items of appropriation of money, he may object to one or more of said sections or to one or more of said items of appropriation of money, and approve the other portion of said bill, in which case said approved portion may be signed and then shall be law; and such section or sections, item or items of appropriation of money objected to shall be returned within the time and in the manner prescribed for, and shall be separately reconsidered as in the case of, a whole bill; but if final adjournment of the general assembly prevents such return the governor shall file said section or sections, item or items of appropriation of money together with his objection thereto in writing, with the secretary of state as in the case of a whole bill, and the secretary of state shall then make public said fact, but shall not further act as in the case of a whole bill (As amended November 3, 1903.)

SEC. 16. Every bill shall be fully and distinctly read on three different days, unless in case of urgency three-fourths of the house in which it shall be pending, shall dispense with the rule. No bill shall contain more than one subject, which shall be clearly expressed in its title, and no law shall be revived, or amended unless the new act contains the entire act revived, or the section or sections amended, and the section or sections so amended shall be repealed. Every bill passed by the general assembly shall, before it becomes a law, be presented to the governor for his approval. If he approves, he shall sign it and thereupon it shall become a law and be filed with the secretary of state. If he does not approve it, he shall return it with his objections in writing, to the house in which it originated, which shall enter the objections at large upon its journal, and may then reconsider the vote on its passage. If three-fifths of the members elected to that house vote to repass the bill, it shall be sent, with the objections of the governor, to the other house, which may also reconsider the vote on its passage. If three-fifths of the members elected to that house vote to repass it, it shall become a law notwithstanding the objections of the governor, except that in no case shall a bill be repassed by a smaller vote than is required by the constitution on its original passage. In all such cases the vote of each house shall be determined by yeas and nays and the names of the members voting for and against the bill shall be entered upon the journal. If a bill shall not be returned by the governor within ten days, Sundays excepted, after being presented to him, it shall become a law in like manner as if he had signed it, unless the general assembly by adjournment prevents its return; in which case, it shall become a law unless, within ten days after such adjournment, it shall be filed by him, with his objections in writing, in the office of the secretary of state. The governor may disapprove any item or items in any bill making an appropriation of money and the item or items, so disapproved, shall be void, unless repassed in the manner herein prescribed for the repassage of a bill.

SEC. 17. The presiding officer of each house shall sign, publicly in the presence of the house over which he presides, while the same is in session, and capable of transacting business, all bills and joint resolutions passed by the general asembly.

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SEC. 18. The style of the laws of this state shall be, *"Be it enacted by the General Assembly of the State of Ohio."*

SEC. 19. No senator or representative shall, during the term for which he shall have been elected, or for one year thereafter, be appointed to any civil office under this state, which shall be created or the emoluments of which shall have been increased, during the term for which he shall have been elected.

SEC. 20. The general assembly, in cases not provided for in this constitution, shall fix the term of office and the compensation of all officers; but no change therein shall affect the salary of any officer during his existing term, unless the office be abolished.

SEC. 21. The general assembly shall determine, by law, before what authority, and in what manner, the trial of contested elections shall be conducted.

SEC. 22. No money shall be drawn from the treasury, except in pursuance of a specific appropriation, made by law; and no appropriation shall be made for a longer period than two years.

SEC. 23. The house of representatives shall have the sole power of impeachment, but a majority of the members elected must concur therein. Impeachments shall be tried by the senate; and the senators, when sitting for that purpose, shall be upon oath or affirmation to do justice according to law and evidence. No person shall be convicted without the concurrence of two-thirds of the senators.

SEC. 24. The governor, judges, and all state officers, may be impeached for any misdemeanor in office; but judgment shall not extend further than removal from office, and disqualification to hold any office under the authority of this state. The party impeached, whether convicted or not, shall be liable to indictment, trial, and judgment, according to law.

SEC. 25. All regular sessions of the general assembly shall commence on the first Monday of January, biennially. The first session, under this constitution, shall commence on the first Monday of January, one thousand eight hundred and fifty-two.

SEC. 26. All laws, of a general nature, shall have a uniform operation throughout the state; nor shall any act, except such as relates to public schools, be passed, to take effect upon the approval of any other authority than the general assembly, except, as otherwise provided in this constitution.

SEC. 27. The election and appointment of all officers, and the filling of all vacancies, not otherwise provided for by this constitution, or the constitution of the United States, shall be made in such manner as may be directed by law; but no appointing power shall be exercised by the general assembly, except as prescribed in this Constitution, and in the election of United States senators; and in these cases the vote shall be taken *"viva voce."*

SEC. 28. The general assembly shall have no power to pass retroactive laws, or laws impairing the obligation of contracts; but may, by general laws, authorize courts to carry into effect, upon such terms as shall be just and equitable, the manifest intention of parties, and officers, by curing omissions, defects, and errors, in instruments and proceedings, arising out of their want of conformity with the laws of this state.

SEC. 29. No extra compensation shall be made to any officer, public agent, or contractor, after the service shall have been rendered, or the contract entered into; nor shall any money be paid, on any claim, the subject matter of which shall not have been provided for by pre-existing law, unless such compensation, or claim, be allowed by two-thirds of the members elected to each branch of the general assembly.

SEC. 30. No new county shall contain less than four hundred square miles of territory, nor shall any county be reduced below that amount; and all laws creating new counties, changing county lines, or removing county seats, shall, before taking effect, be submitted to the electors of the several counties to be affected thereby, at the next general election after the passage thereof, and be adopted by a majority of all the electors voting at such election, in each of said counties; but any county now or hereafter containing one hundred thousand inhabitants, may be divided, whenever a majority of the voters residing in each of the proposed divisions shall approve of the law passed for that purpose; but no town or city within the same shall be divided, nor shall either of the divisions contain less than twenty thousand inhabitants.

SEC. 31. The members and officers of the general assembly shall receive a fixed compensation, to be prescribed by law, and no other allowance or perquisites, either in the payment of postage or otherwise; and no change in their compensation shall take effect during their term of office.

SEC. 32. The general assembly shall grant no divorce, nor exercise any judicial power not herein expressly conferred.

SEC. 33. Laws may be passed to secure to mechanics, artisans, laborers, sub-contractors and material men, their just dues by direct lien upon the property, upon which they have bestowed labor or for which they have furnished material. No other provision of the constitution shall impair or limit this power.

SEC. 34. Laws may be passed fixing and regulating the hours of labor, establishing a minimum wage, and providing for the comfort, health, safety and general welfare of all employes; and no other provision of the constitution shall impair or limit this power.

SEC. 35. For the purpose of providing compensation to workmen and their dependents, for death, injuries or occupational diseases, occasioned in the course of such workmen's employment, laws may be passed establishing a state fund to be created by compulsory contribution thereto by employers, and administered by the state, determining the terms and conditions upon which payments shall be made therefrom, and taking away any or all rights of action or defenses from employes and employers; but no right of action shall be taken away from any employe when the injury, disease or death arises from failure of the employer to comply with any lawful requirement for the protection of the lives, health and safety of employes. Laws may be passed establishing a board which may be empowered to classify all occupations,

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according to their degree of hazard, to fix rates of contribution to such fund according to such classification, and to collect, administer and distribute such fund, and to determine all rights of claimants thereto.

Sec. 36. Laws may be passed to encourage forestry, and to that end areas devoted exclusively to forestry may be exempted, in whole or in part, from taxation. Laws may also be passed to provide for converting into forest reserves such lands or parts of lands as have been or may be forfeited to the state, and to authorize the acquiring of other lands for that purpose; also, to provide for the conservation of the natural resources of the state, including streams, lakes, submerged and swamp lands and the development and regulation of water power and the formation of drainage and conservation districts; and to provide for the regulation of methods of mining, weighing, measuring and marketing coal, oil, gas and all other minerals.

Sec. 37. Except in cases of extraordinary emergency, not to exceed eight hours shall constitute a day's work, and not to exceed forty-eight hours a week's work, for workmen engaged on any public work carried on or aided by the state, or any political sub-division thereof, whether done by contract, or otherwise.

Sec. 38. Laws shall be passed providing for the prompt removal from office, upon complaint and hearing, of all officers, including state officers, judges and members of the general assembly, for any misconduct involving moral turpitude or for other cause provided by law; and this method of removal shall be in addition to impeachment or other method of removal authorized by the constitution.

Sec. 39. Laws may be passed for the regulation of the use of expert witnesses and expert testimony in criminal trials and proceedings.

Sec. 40. Laws may be passed providing for a system of registering, transferring, insuring and guaranteeing land titles by the state or by the counties thereof, and for settling and determining adverse or other claims to and interests in, lands the titles to which are so registered, insured or guaranteed, and for the creation and collection of guaranty funds by fees to be assessed against lands, the titles to which are registered; and judicial powers with right of appeal may by law be conferred upon county recorders or other officers in matters arising under the operation of such system.

Sec. 41. Laws shall be passed providing for the occupation and employment of prisoners sentenced to the several penal institutions and reformatories in the state; and no person in any such penal institution or reformatory while under sentence thereto, shall be required or allowed to work at any trade, industry or occupation, wherein or whereby his work, or the product or profit of his work, shall be sold, farmed out, contracted or given away; and goods made by persons under sentence to any penal institution or reformatory without the State of Ohio, and such goods made within the State of Ohio, excepting those disposed of to the state or any political sub-division thereof or to any public institution owned, managed or controlled by the state or any political sub-division thereof, shall not be sold within this state unless the same are conspicuously marked "prison made". Nothing herein contained shall be construed to prevent the passage of laws providing that convicts may work for, and that the products of their labor may be disposed of to, the state or any political sub-division thereof, or for or to any public institution owned or managed and controlled by the state or any political sub-division thereof.

ARTICLE III.

EXECUTIVE.

SEC. 1. The executive department shall consist of a governor, lieutenant governor, secretary of state, auditor of state, treasurer of state, and an attorney general, who shall be elected on the first Tuesday after the first Monday in November, by the electors of the state, and at the places of voting for members of the general assembly. (*As amended October* 13, 1885.)

SEC. 2. The governor, lieutenant governor, secretary of state, treasurer, and attorney general shall hold their offices for two years; and the auditor for four years. Their terms of office shall commence on the second Monday of January next after their election, and continue until their successors are elected and qualified.

SEC. 3. The returns of every election for the officers named in the foregoing section shall be sealed up and transmitted to the seat of government, by the returning officers, directed to the president of the senate, who, during the first week of the session, shall open and publish them, and declare the result in the presence of a majority of the members of each house of the general assembly. The person having the highest number of votes shall be declared duly elected; but if any two or more shall be highest, and equal in votes, for the same office, one of them shall be chosen by the joint vote of both houses.

SEC. 4. Should there be no session of the general assembly in January next after an election for any of the officers aforesaid, the returns of such election shall be made to the secretary of state, and opened, and the result declared by the governor, in such manner as may be provided by law.

SEC. 5. The supreme executive power of this state shall be vested in the governor.

SEC. 6. He may require information, in writing, from the officers in the executive department, upon any subject relating to the duties of their respective offices; and shall see that the laws are faithfully executed.

SEC. 7. He shall communicate at every session, by message, to the general assembly, the condition of the state, and recommend such measures as he shall deem expedient.

SEC. 8. He may, on extraordinary occasions, convene the general assembly by proclamation, and shall state to both houses, when assembled, the purpose for which they have been convened.

Sec. 8. The governor on extraordinary occasions may convene the general assembly by proclamation and shall state in the proclamation the purpose for which such special session is called, and no other business shall be transacted at such special session except

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that named in the proclamation, or in a subsequent public proclamation or message to the general assembly issued by the governor during said special session, but the general assembly may provide for the expenses of the session and other matters incidental thereto.

SEC. 9. In case of disagreement between the two houses, in respect to the time of adjournment, he shall have power to adjourn the general assembly to such time as he may think proper, but not beyond the regular meetings thereof.

SEC. 10. He shall be commander-in-chief of the military and naval forces of the state, except when they shall be called into the service of the United States.

SEC. 11. He shall have power, after conviction, to grant reprieves, commutations, and pardons, for all crimes and offenses, except treason and cases of impeachment, upon such conditions as he may think proper; subject, however, to such regulations, as to the manner of applying for pardons, as may be prescribed by law. Upon conviction for treason, he may suspend the execution of the sentence, and report the case to the general assembly, at its next meeting, when the general assembly shall either pardon, commute the sentence, direct its execution, or grant a further reprieve. He shall communicate to the general assembly, at every regular session, each case of reprieve, commutation, or pardon granted, stating the name and crime of the convict, the sentence, its date, and the date of the commutation, pardon, or reprieve, with his reasons therefor.

SEC. 12. There shall be a seal of the state, which shall be kept by the governor, and used by him officially; and shall be called "The Great Seal of the State of Ohio."

SEC. 13. All grants and commissions shall be issued in the name, and by the authority, of the state of Ohio; sealed with the great seal; signed by the governor, and countersigned by the secretary of state.

SEC. 14. No member of congress, or other person holding office under the authority of this state, or of the United States, shall execute the office of governor, except as herein provided.

SEC. 15. In case of the death, impeachment, resignation, removal, or other disability of the governor, the powers and duties of the office, for the residue of the term, or until he shall be acquitted, or the disability removed, shall devolve upon the lieutenant governor.

SEC. 16. The lieutenant governor shall be president of the senate, but shall vote only when the senate is equally divided; and in case of his absence, or impeachment, or when he shall exercise the office of governor, the senate shall choose a president *pro tempore*.

SEC. 17. If the lieutenant governor, while executing the office of governor, shall be impeached, displaced, resign or die, or otherwise become incapable of performing the duties of the office, the president of the senate shall act as governor, until the vacancy is filled, or the disability removed; and if the president of the senate, for any of the above causes, shall be rendered incapable of performing the duties pertaining to the office of governor, the same shall devolve upon the speaker of the house of representatives.

SEC. 18. Should the office of auditor, treasurer, secretary, or attorney general, become vacant, for any of the causes specified in the fifteenth section of this article, the governor shall fill the vacancy until the disability is removed, or a successor is elected and qualified. Every such vacancy shall be filled by election, at the first general lection that occurs more than thirty days after it shall have happened; and the person chosen shall hold the office for the full term fixed in the second section of this article.

SEC. 19. The officers mentioned in this article shall, at stated times, receive for their services, a compensation to be established by law, which shall neither be increased nor diminished during the period for which they shall have been elected.

SEC. 20. The officers of the executive department and of the public state institutions shall, at least five days preceding each regular session of the general assembly, severally report to the governor, who shall transmit such reports, with his message to the general assembly.

ARTICLE IV.

JUDICIAL.

SEC. 1. The judicial power of the state is vested in a supreme court, circuit courts, courts of common pleas, courts of probate, justices of the peace, and such other courts inferior to the supreme court, as the general assembly may from time to time establish. (As amended October 9, 1883.)

Sec. 1. The judicial power of the state is vested in a supreme court, courts of appeals, courts of common pleas, courts of probate, and such other courts inferior to the courts of appeals as may from time to time be established by law.

SEC. 2. The supreme court shall, until otherwise provide [provided] by law, consist of five judges, a majority of whom competent to sit shall be necessary to form a quorum or to pronounce a decision, except as hereinafter provided. It shall have original jurisdiction in quo warranto, mandamus, habeas corpus and procedendo, and such appellate jurisdiction as may be provided by law. It shall hold at least one term in each year at the seat of government, and such other terms, there or elsewhere, as may be provided by law. The judges of the supreme court shall be elected by the electors of the state at large, for such term, not less than five years, as the general assembly may prscribe, and they shall be elected and their official term shall begin at such time as may be fixed by law. In case the general assembly shall increase the number of such judges, the first term of each of such additional judges shall be such, that in each year after their first election, an equal number of judges of the supreme court shall be elected, except in elections to fill vacancies; and whenever the number of such judges shall be increased, the general assembly may authorize such court to organize divisions thereof, not exceeding three, each division to consist of an equal number of judges; for the adjudication of cases, a majority of each division shall constitute a quorum, and such an assignment of the cases to each division may be made as such court may deem expedient, but whenever all the judges of either division hearing a case shall not concur as to the judgment to be rendered therein, or whenever a case shall involve the constitutionality of an act of the general assembly or of an act of congress, it shall be reserved to the whole court for adjudication. The judges of the supreme court in office when this amendment takes effect, shall continue to hold their offices until their successors are elected and qualified. (As amended October 9, 1883.)

Sec. 2. The supreme court shall, until otherwise provided by law, consist of a chief justice and six judges, and the judges now in office in that court shall continue therein until the end of the terms for which they were respectively elected, unless they are removed, die or resign. A majority of the supreme court shall be necessary to constitute a quorum or to pronounce a decision, except as hereinafter provided. It shall have original jurisdiction in quo warranto, mandamus, habeas corpus, prohibition and procedendo, and appellate jurisdiction in all cases involving ques-

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tions arising under the constitution of the United States or of this state, in cases of felony on leave first obtained, and in cases which originated in the courts of appeals, and such revisory jurisdiction of the proceedings of administrative officers as may be conferred by law. It shall hold at least one term in each year at the seat of government, and such other terms, there or elsewhere, as may be provided by law. The judges of the supreme court shall be elected by the electors of the state at large for such term, not less than six years, as may be prescribed by law, and they shall be elected, and their official term shall begin, at such time as may now or hereafter be fixed by law. Whenever the judges of the supreme court shall be equally divided in opinion as to the merits of any case before them and are unable for that reason to agree upon a judgment, that fact shall be entered upon the record and such entry shall be held to constitute an affirmance of the judgment of the court below. No law shall be held unconstitutional and void by the supreme court without the concurrence of at least all but one of the judges, except in the affirmance of a judgment of the court of appeals declaring a law unconstitutional and void. In cases of public or great general interest the supreme court may, within such limitation of time as may be prescribed by law, direct any court of appeals to certify its record to the supreme court, and may review, and affirm, modify or reverse the judgment of the court of appeals. All cases pending in the supreme court at the time of the adoption of this amendment by the people, shall proceed to judgment in the manner provided by existing law. No law shall be passed or rule made whereby any person shall be prevented from invoking the original jurisdiction of the supreme court.

SEC. 3. The state shall be divided into nine common pleas districts, of which the county of Hamilton shall constitute one, of compact territory, and bounded by county lines; and each of said districts, consisting of three or more counties, shall be subdivided into three parts, of compact territory, bounded by county lines, and as nearly equal in population as practicable; in each of which, one judge of the court of common pleas for said district, and residing therein, shall be elected by the electors of said subdivision. Courts of common pleas shall be held, by one or more of these judges, in every county in the district, as often as may be provided by law; and more than one court, or sitting thereof, may be held at the same time in each district.

Sec. 3. One resident judge of the court of common pleas, and such additional resident judge or judges as may be provided by law, shall be elected in each county of the state by the electors of such county; and as many courts or sessions of the court of common pleas as are necessary, may be held at the same time in any county. Any judge of the court of common pleas may temporarily preside and hold court in any county; and until the general assembly shall make adequate provision therefor, the chief justice of the supreme court of the state shall pass upon the disqualification or disability of any judge of the court of common pleas, and he may assign any judge to any county to hold court therein.

SEC. 4. The jurisdiction of the courts of common pleas, and of the judges thereof shall be fixed by law.

SEC. 5. [*Repealed October* 9, 1883.]

SEC. 6. The circuit court shall have like original jurisdiction with the supreme court, and such appellate jurisdiction as may be provided by law. Such courts shall be composed of such number of judges as may be provided by law, and shall be held in each county, at least once in each year. The number of circuits, and the boundaries thereof, shall be prescribed by law. Such judges shall be elected in each circuit by the electors thereof, and at such time and for such term as may be prescribed by law, and the same number shall be elected in each circuit. Each judge shall be competent to exercise his judicial powers in any circuit. The general assembly may change, from time to time, the number or boundaries of the circuits. The circuit courts shall be the successors of the district courts, and all cases, judgments, records, and proceedings pending in said district courts, in the several counties of any district, shall be transferred to the circuit courts, in the several counties, and be proceeded in as though said district courts had not been abolished, and the district courts shall continue in existence until the election and qualification of the judges of the circuit courts. (As amended October 9, 1883.)

Sec. 6. The state shall be divided into appellate districts of compact territory bounded by county lines, in each of which there shall be a court of appeals consisting of three judges, and until altered by law the circuits in which circuit courts are now held shall constitute the appellate districts aforesaid. The judges of the circuit courts now residing in their respective districts shall be the judges of the respective courts of appeals in such districts and perform the duties thereof until the expiration of their respective terms of office. Vacancies caused by the expiration of the terms of office of the judges of the courts of appeals shall be filled by the electors of the respective appellate districts in which such vacancies shall arise. Until otherwise provided by law the term of office of such judges shall be six years. Laws may be passed to prescribe the time and mode of such election and to alter the number of districts or the boundaries thereof, but no such change shall abridge the term of any judge then in office. The court of appeals shall hold at least one term annually in each county in the district and such other terms at a county seat in the district as the judges may determine upon, and the county commissioners of any county in which the court of appeals shall hold sessions shall make proper and convenient provisions for the holding of such court by its judges and officers. Each judge shall be competent to exercise judicial powers in any appellate district of the state. The courts of appeals shall continue the work of the respective circuit courts and all pending cases and proceedings in the circuit courts shall proceed to judgment and be determined by the respective courts of appeals, and the supreme court, as now provided by law, and cases brought into said courts of appeals after the taking effect hereof shall be subject to the provisions hereof, and the circuit courts shall be merged into, and their work continued by, the courts of appeals. The courts of appeals shall have original jurisdiction in quo warranto, mandamus, habeas corpus, prohibition and procedendo, and appellate jurisdiction in the trial of chancery cases, and, to review, affirm, modify, or reverse the judgments of the courts of common pleas, superior courts and other courts of record within the district as may be provided by law, and judgments of the courts of appeals shall be final in all cases, except cases involving questions arising under the constitution of the United States or of this state, cases of felony, cases of which it has original jurisdiction, and cases of public or great general interest in which the supreme court may direct any court of appeals to certify its record to that court.

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No judgment of a court of common pleas, a superior court or other court of record shall be reversed except by the concurrence of all the judges of the court of appeals on the weight of the evidence, and by a majority of such court of appeals upon other questions; and whenever the judges of a court of appeals find that a judgment upon which they have agreed is in conflict with a judgment pronounced upon the same question by any other court of appeals of the state, the judges shall certify the record of the case to the supreme court for review and final determination. The decisions in all cases in the supreme court shall be reported, together with the reasons therefor, and laws may be passed providing for the reporting of cases in the courts of appeals. The chief justice of the supreme court of the state shall determine the disability or disqualification of any judge of the courts of appeals and he may assign any judge of the courts of appeals to any county to hold court.

SEC. 7. There shall be established in each county, a probate court, which shall be a court of record, open at all times, and holden by one judge, elected by the voters of the county, who shall hold his office for the term of three years, and shall receive such compensation, payable out of the county treasury, or by fees, or both, as shall be provided by law.

Sec. 7. There shall be established in each county, a probate court, which shall be a court of record, open at all times, and holden by one judge, elected by the electors of the county, who shall hold his office for the term of four years, and shall receive such compensation, payable out of the county treasury, as shall be provided by law. Whenever ten per centum of the number of the electors voting for governor at the next preceding election in any county having less than sixty thousand population as determined by the next preceding federal census, shall petition the judge of the court of common pleas of any such county not less than ninety days before any general election for county officers, the judge of the court of common pleas shall submit to the electors of such county the question of combining the probate court with the court of common pleas, and such courts shall be combined and shall be known as the court of common pleas in case a majority of the electors voting upon such question vote in favor of such combination. Notice of such election shall be given in the same manner as for the election of county officers. Elections may be had in the same manner for the separation of such courts, when once combined.

SEC. 8. The probate court shall have jurisdiction in probate and testamentary matters, the appointment of administrators and guardians, the settlement of the accounts of executors, administrators, and guardians, and such jurisdiction in habeas corpus, the issuing of marriage licenses and for the sale of land by exectuors, administrators, and guardians, and such other jurisdiction, in any county or counties, as may be provided by law.

SEC. 9. A competent number of justices of the peace shall be elected by the electors, in each township in the several counties. Their term of office shall be three years, and their powers and duties shall be regulated by law.

SEC. 9. [*Repealed September* 3, 1912.]

SEC. 10. All judges, other than those provided for in this constitution, shall be elected by the electors of the judicial district for which they may be created, but not for a longer term of office than five years.

SEC. 11. [*Repealed October* 9, 1883.]

SEC. 12. The judges of the courts of common pleas shall, while in office, reside in the district for which they are elected; and their term of office shall be for five years.

Sec. 12. The judges of the courts of common pleas shall, while in office, reside in the county for which they are elected; and their term of office shall be for six years.

SEC. 13. In case the office of any judge shall become vacant, before the expiration of the regular term for which he was elected, the vacancy shall be filled by appointment by the governor, until a successor is elected and qualified; and such successor shall be elected for the unexpired term, at the first annual election that occurs more than thirty days after the vacancy shall have happened.

SEC. 14. The judges of the supreme court, and of the court of common pleas, shall, at stated times, receive, for their services, such compensation as may be provided by law, which shall not be diminished, or increased, during their term of office; but they shall receive no fees or perquisites, nor hold any other office of profit or trust, under the authority of this state, or the United States. All votes for either of them, for any elective office, except a judicial office, under the authority of this state, given by the general assembly, or the people, shall be void.

SEC. 15. The general assembly may increase, or diminish, the number of the judges of the supreme court, the number of the districts of the court of common pleas, the number of judges in any district, change the districts, or the subdivisions thereof, or establish other courts, whenever two-thirds of the members elected to each house shall concur therein; but no such change, addition, or diminution, shall vacate the office of any judge.

Sec. 15. Laws may be passed to increase or diminish the number of judges of the supreme court, to increase beyond one or diminish to one the number of judges of the court of common pleas in any county, and to establish other courts, whenever two-thirds of the members elected to each house shall concur therein; but no such change, addition or diminution shall vacate the office of any judge; and any existing court heretofore created by law shall continue in existence until otherwise provided.

Schedule.

If the foregoing amendment shall be adopted by the electors, the judges of the courts of common pleas in office, or elected thereto prior to January first, 1913, shall hold their offices for the term for which they were elected and the additional judges provided for herein, shall be elected at the general election in the year 1914; each county shall continue as a part of its existing common pleas district and sub-division thereof, until one resident judge of the court of common pleas is elected and qualified therein.

SEC. 16. There shall be elected in each county, by the electors theerof, one clerk of the court of common pleas, who shall hold his office for the term of three years, and until his successor shall be elected and qualified. He shall, by virtue of his office, be clerk of all other courts of record held therein; but, the general as-

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sembly may provide, by law, for the election of a clerk, with a like term of office, for each or any other of the courts of record, and may authorize the judge of the probate court to perform the duties of clerk for his court, under such regulations as may be directed by law. Clerks of courts shall be removable for such cause and in such manner as shall be prescribed by law.

SEC. 17. Judges may be removed from office, by concurrent resolution of both houses of the general assembly, if two-thirds of the members, elected to each house, concur therein; but no such removal shall be made, except upon complaint, the substance of which shall be entered on the journal, nor, until the party charged shall have had notice thereof, and an opportunity to be heard.

SEC. 18. The several judges of the supreme court, of the common pleas, and of such other courts as may be created, shall, respectively, have and exercise such power and jurisdiction, at chambers, or otherwise, as may be directed by law.

SEC. 19. The general assembly may establish courts of conciliation, and prescribe their powers and duties; but such courts shall not render final judgment in any case, except upon submission, by the parties, of the matter in dispute, and their agreement to abide such judgment.

SEC. 20. The style of all process shall be "The State of Ohio;" all prosecutions shall be carried on, in the name, and by the authority, of the state of Ohio; and all indictments shall conclude, "against the peace and dignity of the state of Ohio."

SEC. 22. [21]. A commission, which shall consist of five members, shall be appointed by the governor, with the advice and consent of the senate, the members of which shall hold office for the term of three years from and after the first day of February, 1876, to dispose of such part of the business then on the dockets of the supreme court, as shall, by arrangement between said commission and said court, be transferred to such commission; and said commission shall have like jurisdiction and power in respect to such business as are or may be vested in said court; and the members of said commission shall receive a like compensation for the time being with the judges of said court. A majority of the members of said commission shall be necessary to form a quorum or pronounce a decision, and its decision shall be certified, entered, and enforced as the judgments of the supreme court, and at the expiration of the term of said commission, all business undisposed of shall by it be certified to the supreme court and be disposed of as if said commission had never existed. The clerk and reporter of said court shall be the clerk and reporter of said commission, and the commission shall have such other attendants not exceeding in number those provided by law for said court, which attendants said commission may appoint and remove at its pelasure. Any vacancy occurring in said commission, shall be filled by appointment of the governor, with the advice and consent of the senate, if the senate be in session, and if the senate be not in session, by the governor, but in such last case, such appointment shall expire at the end of the next session of the general assembly. The general assembly may, on application of the supreme court duly entered on the journal of the court and certified, provide by law, whenever two-thirds of such [each] house shall concur therein, from time to time, for the appointment, in like manner, of a like commission with like powers, jurisdiction and duties; provided, that the term of any such commission shall not exceed two years, nor shall it be created oftener than once in ten years.

ARTICLE V.

ELECTIVE FRANCHISE.

SEC. 1. Every white male citizen of the United States, of the age of twenty-one years, who shall have been a resident of the state one year next preceding the election, and of the county, township, or ward, in which he resides, such time as may be provided by law, shall have the qualifications of an elector, and be entitled to vote at all elections.

SEC. 2. All elections shall be by ballot.

SEC. 3. Electors, during their attendance at elections, and in going to, and returning therefrom, shall be privileged from arrest, in all cases, except treason, felony, and breach of the peace.

SEC. 4. The general assembly shall have power to exclude from the privilege of voting, or of being eligible to office, any person convicted of bribery, perjury, or other infamous crime.

SEC. 5. No person in the military, naval, or marine service of the United States, shall, by being stationed in any garrison, or military, or naval station, within the state, be considered a resident of this state.

SEC. 6. No idiot, or insane person, shall be entitled to the privileges of an elector.

SEC. 7. All nominations for elective state, district, county and municipal offices shall be made at direct primary elections or by petition as provided by law, and provision shall be made by law for a preferential vote for United States senator; but direct primaries shall not be held for the nomination of township officers or for the officers of municipalities of less than two thousand population, unless petitioned for by a majority of the electors of such township or municipality. All delegates from this state to the national conventions of political parties shall be chosen by direct vote of the electors. Each candidate for such delegate shall state his first and second choices for the presidency, which preferences shall be printed upon the primary ballot below the name of such candidate, but the name of no candidate for the presidency shall be so used without his written authority.

ARTICLE VI.

EDUCATION.

SEC. 1. The principal of all funds, arising from the sale, or other disposition of lands, or other property, granted or entrusted to this state for educational and religious purposes, shall forever be preserved inviolate, and undiminished; and, the income arising therefrom, shall be faithfully applied to the specific objects of the original grants, or appropriations.

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SEC. 2. The general assembly shall make such provisions, by taxation, or otherwise, as, with the income arising from the school trust fund, will secure a thorough and efficient system of common schools throughout the state; but no religious or other sect, or sects, shall ever have any exclusive right to, or control of, any part of the school funds of this state.

SEC. 3. Provision shall be made by law for the organization, administration and control of the public school system of the state supported by public funds: provided, that each school district embraced wholly or in part within any city shall have the power by referendum vote to determine for itself the number of members and the organization of the district board of education, and provision shall be made by law for the exercise of this power by such school districts.

SEC. 4. A superintendent of public instruction to replace the state commissioner of common schools, shall be included as one of the officers of the executive department to be appointed by the governor, for the term of four years, with the powers and duties now exercised by the state commissioner of common schools until otherwise provided by law, and with such other powers as may be provided by law.

Schedule.

If the foregoing amendment be adopted by the electors it shall take effect and become a part of the constitution on the second Monday of July, 1913.

ARTICLE VII.

PUBLIC INSTITUTIONS.

SEC. 1. Institutions for the benefit of the insane, blind, and deaf and dumb, shall always be fostered and supported by the state; and be subject to such regulations as may be prescribed by the general assembly.

SEC. 2. The directors of the penitentiary shall be appointed or elected in such manner as the general assembly may direct; and the trustees of the benevolent, and other state institutions, now elected by the general assembly, and of such other state institutions, as may be hereafter created, shall be appointed by the governor, by and with the advice and consent of the senate; and upon all nominations made by the governor, the question shall be taken by yeas and nays, and entered upon the journals of the senate.

SEC. 3. The governor shall have power to fill vacancies that may occur in the offices aforesaid, until the next session of the general assembly, and, until a successor to his appointee shall be confirmed and qualified.

ARTICLE VIII.

PUBLIC DEBT AND PUBLIC WORKS.

SEC. 1. The state may contract debts to supply casual deficits or failures in revenues, or to meet expenses not otherwise provided for; but the aggregate amount of such debts, direct and contingent, whether contracted by virtue of one or more acts of the general assembly, or at different periods of time, shall never exceed seven hundred and fifty thousand dollars; and the money, arising from the creation of such debts, shall be applied to the purpose for which it was obtained, or to repay the debts so contracted, and to no other purpose whatever.

SEC. 2. In addition to the above limited power, the state may contract debts to repel invasion, suppress insurrection, defend the state in war, or to redeem the present outstanding indebtedness of the state; but the money, arising from the contracting of such debts, shall be applied to the purpose for which it was raised, or to repay such debts, and to no other purpose whatever; and all debts, incurred to redeem the present outstanding indebtedness of the state, shall be so contracted as to be payable by the sinking fund, hereinafter provided for, as the same shall accumulate.

SEC. 3. Except the debts above specified in sections one and two of this article, no debt whatever shall hereafter be created by or on behalf of the state.

SEC. 4. The credit of the state shall not, in any manner, be given or loaned to, or in aid of, any individual association or corporation whatever; nor shall the state ever hereafter become a joint owner, or stockholder, in any company or association in this state, or elsewhere, formed for any purpose whatever.

SEC. 5. The state shall never assume the debts of any county, city, town, or township, or of any corporation whatever, unless such debt shall have been created to repel invasion, suppress insurrection, or defend the state in war.

SEC. 6. The general assembly shall never authorize any county, city, town, or township, by vote of its citizens, or otherwise, to become a stockholder in any joint stock company, corporation, or association whatever; or to raise money for, or loan its credit to, or in aid of, any such company, corporation or association.

SEC. 6. No laws shall be passed authorizing any county, city, town or township, by vote of its citizens, or otherwise, to become a stockholder in any joint stock company, corporation, or association whatever; or to raise money for, or to loan its credit to, or in aid of, any such company, corporation, or association: provided, that nothing in this section shall prevent the insuring of public buildings or property in mutual insurance associations or companies. Laws may be passed providing for the regulation of all rates charged or to be charged by any insurance company, corporation or association organized under the laws of this state, or doing any insurance business in this state for profit.

SEC. 7. The faith of the state being pledged for the payment of its public debt, in order to provide therefor, there shall be created a sinking fund, which shall be sufficient to pay the accruing interest on such debt, and, annually, to reduce the principal thereof, by a sum not less than one hundred thousand dollars, increased yearly, and each and every year, by compounding, at the rate of six per cent. per annum. The said sinking fund shall consist, of the net annual income of the public works and stocks owned by the state, of any other funds or resources that are, or may be, provided by law, and of such further sum, to be raised by taxation, as may be required for the purposes aforesaid.

SEC. 8. The auditor of state, secretary of state, and attorney general, are hereby created a board of com-

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missioners, to be styled, "The Commissioners of the Sinking Fund."

SEC. 9. The commissioners of the sinking fund shall, immediately preceding each regular session of the general assembly, make an estimate of the probable amount of the fund, provided for in the seventh section of this article, from all sources except from taxation, and report the same, together with all their proceedings relative to said fund and the public debt, to the governor, who shall transmit the same with his regular message, to the general assembly; and the general assembly shall make all necessary provision for raising and disbursing said sinking fund, in pursuance of the provisions of this article.

SEC. 10. It shall be the duty of the said commissioners faithfully to apply said fund, together with all moneys that may be, by the general assembly, appropriated to that object, to the payment of the interest, as it becomes due, and the redemption of the principal of the public debt of the state, excepting only, the school and trust funds held by the state.

SEC. 11. The said commissioners shall, semi-annually, make a full and detailed report of their proceedings to the governor, who shall, immediately, cause the same to be published, and shall also communicate the same to the general assembly, forthwith, if it be in session, and if not, then at its first session after such report shall be made.

SEC. 12. So long as this state shall have public works which require superintendence, there shall be a board of public works, to consist of three members, who shall be elected by the people, at the first general election after the adoption of this constitution, one for the term of one year, one for the term of two years, and one for the term of three years; and one member of said board shall be elected annually thereafter, who shall hold his office for three years.

Sect. 12. So long as this state shall have public works which require superintendence, a superintendent of public works shall be appointed by the governor for the term of one year, with the powers and duties now exercised by the board of public works until otherwise provided by law, and with such other powers as may be provided by law.

Schedule.

Section 13 of article VIII is hereby repealed.

SEC. 13. The powers and duties of said board of public works, and its several members, and their compensation, shall be such as now are, or may be, prescribed by law.

SEC. 13. [Repealed September 3, 1912.]

ARTICLE IX.

MILITIA.

SEC. 1. All white male citizens, residents of this state, being eighteen years of age, and under the age of forty-five years, shall be enrolled in the militia, and perform military duty, in such manner, not incompatible with the constitution and laws of the United States, as may be prescribed by law.

SEC. 2. Majors general, brigadiers general, colonels, lieutenant colonels, majors, captains, and subalterns, shall be elected by the persons subject to military duty, in their respective districts.

SEC. 3. The governor shall appoint the adjutant general, quartermaster general, and such other staff officers, as may be provided for by law. Majors general, brigadiers general, colonels, or commandants of regiments, battalions, or squadrons, shall, severally, appoint their staff, and captains shall appoint their non-commissioned officers and musicians.

SEC. 4. The governor shall commission all officers of the line and staff, ranking as such; and shall have power to call forth the militia, to execute the laws of the state, to suppress insurrection, or to repel invasion.

SEC. 5. The general assembly shall provide, by law, for the protection and safe keeping of the public arms.

ARTICLE X.

COUNTY AND TOWNSHIP ORGANIZATIONS.

SEC. 1. The general assembly shall provide, by law, for the election of such county and township officers as may be necessary.

SEC. 2. County officers shall be elected on the first Tuesday after the first Monday in November, by the electors of each county in such manner, and for such term, not exceeding three years, as may be provided by law. (*As amended October* 13, 1885.)

SEC. 3. No person shall be eligible to the office of sheriff, or county treasurer, for more than four years, in any period of six years.

SEC. 4. Township officers shall be elected by the electors of each township, at such time, in such manner, and for such term, not exceeding three years, as may be provided by law; but shall hold their offices until their successors are elected and qualified. (*As amended October* 13, 1885.)

SEC. 5. No money shall be drawn from any county or township treasury, except by authority of law.

SEC. 6. Justices of the peace, and county and township officers, may be removed, in such manner and for such cause, as shall be prescribed by law.

SEC. 7. The commissioners of counties, the trustees of townships, and similar boards, shall have such power of local taxation, for police purposes, as may be prescribed by law.

ARTICLE XI.

APPORTIONMENT.

SEC. 1. The apportionment of this state for members of the general assembly shall be made every ten years, after the year one thousand eight hundred and fifty-one, in the following manner: The whole population of the state, as ascertained by the federal census, or in such other mode as the general assembly may direct, shall be divided by the number "one hundred," and the quotient shall be the ratio of representation in the house of representatives, for ten years next succeeding such apportionment.

SEC. 2. Every county having a population equal to one-half of said ratio, shall be entitled to one representative; every county, containing said ratio, and three-fourths over, shall be entitled to two representatives: every county containing three times said ratio, shall be entitled to three representatives; and so on, requiring after the first two, an entire ratio for each additional

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representative. Provided, however, that each county shall have one representative. (*As amended November 3, 1902.*)

SEC. 3. When any county shall have a fraction above the ratio, so large, that being multiplied by five, the result will be equal to one or more ratios, additional representatives shall be apportioned for such ratios, among the several sessions of the decennial period, in the following manner: If there be only one ratio, a representative shall be allotted to the fifth session of the decennial period; if there be two ratios, a representative shall be allotted to the fourth and third sessions, respectively; if three, to the third, second, and first sessions, respectively; if four, to the fourth, third, second, and first sessions, respectively.

SEC. 4. Any county, forming with another county or counties, a representative district, during one decennial period, if it have acquired sufficient population at the next decennial period, shall be entitled to a separate representation, if there shall be left, in the district from which it shall have been separated, a population sufficient for a representative; but no such change shall be made, except at a regular decennial period for the apportionment of representatives.

SEC. 5. If, in fixing any subsequent ratio, a county, previously entitled to a separate representation, shall have less than the number required by the new ratio for a representative, such county shall be attached to the county adjoining it, having the least number of inhabitants; and the representation of the district, so formed, shall be determined as herein provided.

SEC. 6. The ratio for a senator shall forever, hereafter, be ascertained by dividing the whole population of the state by the number thirty-five.

SEC. 7. The state is hereby divided into thirty-three senatorial districts, as follows: The county of Hamilton shall constitute the first senatorial district; the counties of Butler and Warren, the second; Montgomery and Preble, the third; Clermont and Brown, the fourth; Greene, Clinton, and Fayette, the fifth; Ross and Highland, the sixth; Adams, Pike, Scioto, and Jackson, the seventh; Lawrence, Gallia, Meigs, and Vinton, the eighth; Athens, Hocking, and Fairfield, the ninth; Franklin and Pickaway, the tenth; Clark, Champaign, and Madison, the eleventh; Miami, Darke, and Shelby, the twelfth; Logan, Union, Marion, and Hardin, the thirteenth; Washington and Morgan, the fourteenth; Muskingum and Perry, the fifteenth; Delaware and Licking, the sixteenth; Knox and Morrow, the seventeenth; Coshocton and Tuscarawas, the eighteenth; Guernsey and Monroe, the nineteenth; Belmont and Harrison, the twentieth; Carroll and Stark, the twenty-first; Jefferson and Columbiana, the twenty-second; Trumbull and Mahoning, the twenty-third; Ashtabula, Lake, and Geauga, the twenty-fourth; Cuyahoga, the twenty-fifth; Portage and Summit, the twenty-sixth; Medina and Lorain, the twenty-seventh; Wayne and Holmes, the twenty-eighth; Ashland and Richland, the twenty-ninth; Huron, Erie, Sandusky, and Ottawa, the thirtieth; Seneca, Crawford, and Wyandot, the thirty-first; Mercer, Auglaize, Allen, Van Wert, Paulding, Defiance, and Williams, the thirty-second; and Hancock, Wood, Lucas, Fulton, Henry and Putnam, the thirty-third. For the first decennial period, after the adoption of this constitution, each of said districts shall be entitled to one senator, except the first district, which shall be entitled to three senators.

SEC. 8. The same rules shall be applied, in apportioning the fractions of senatorial districts, and in annexing districts, which may hereafter have less than three-fourths of a senatorial ratio, as are applied to representative districts.

SEC. 9. Any county forming part of a senatorial district, having acquired a population equal to a full senatorial ratio, shall be made a separate senatorial district, at any regular decennial apportionment, if a full senatorial ratio shall be left in the district from which it shall be taken.

SEC. 10. For the first ten years, after the year one thousand eight hundred and fifty-one, the apportionment of representatives shall be as provided in the schedule, and no change shall ever be made in the principles of representation, as herein established, or, in the senatorial districts, except as above provided. All territory, belonging to a county at the time of any apportionment, shall, as to the right of representation and suffrage, remain an integral part thereof, during the decennial period.

SEC. 11. The governor, auditor, and secretary of state, or any two of them, shall at least six months prior to the October election, in the year one thousand eight hundred and sixty-one, and, at each decennial period thereafter, ascertain and determine the ratio of representation, according to the decennial census, the number of representatives and senators each county or district shall be entitled to elect, and for what years, within the next ensuing ten years, and the governor shall cause the same to be published, in such manner as shall be directed by law.

JUDICIAL APPORTIONMENT.

SEC. 12. For judicial purposes, the state shall be apportioned as follows:

The county of Hamilton, shall constitute the first district, which shall not be subdivided; and the judges therein, may hold separate courts or separate sittings of the same court, at the same time.

The counties of Butler, Preble, and Darke, shall constitute the first subdivision; Montgomery, Miami, and Champaign, the second; and Warren, Clinton, Greene, and Clark, the third subdivision, of the second district; and, together, shall form such district.

The counties of Shelby, Auglaize, Allen, Hardin, Logan, Union, and Marion, shall constitute the first subdivision; Mercer, Van Wert, Putnam, Paulding, Defiance, Williams, Henry, and Fulton, the second; and Wood, Seneca, Hancock, Wyandot, and Crawford, the third subdivision, of the third district; and, together, shall form such district.

The counties of Lucas, Ottawa, Sandusky, Erie, and Huron, shall constitute the first subdivision; Lorain, Medina, and Summit, the second; and the county of Cuyahoga, the third subdivision, of the fourth district; and, together, shall form such district.

The counties of Clermont, Brown, and Adams, shall constitute the first subdivision; Highland, Ross, and Fayette, the second; and Pickaway, Franklin, and Madi-

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son, the third subdivision, of the fifth district; and, together, shall form such district.

The counties of Licking, Knox, and Delaware, shall constitute the first subdivision; Morrow, Richland, and Ashland, the second; and Wayne, Holmes, and Coshocton, the third subdivision, of the sixth district; and, together, shall form such district.

The counties of Fairfield, Perry, and Hocking, shall constitute the first subdivision; Jackson, Vinton, Pike, Scioto, and Lawrence, the second; and Gallia, Meigs, Athens, and Washington, the third subdivision, of the seventh district; and, together, shall form such district.

The counties of Muskingum and Morgan, shall constitute the first subdivision; Guernsey, Belmont, and Monroe, the second; and Jefferson, Harrison, and Tuscarawas, the third subdivision, of the eighth district; and, together, shall form such district.

The counties of Stark, Carroll, and Columbiana, shall constitute the first subdivision; Trumbull, Portage, and Mahoning, the second; and Geauga, Lake, and Ashtabula, the third subdivision, of the ninth district; and, together, shall form such district.

SEC. 13. The general assembly shall attach any new counties, that may hereafter be erected, to such districts, or subdivisions thereof, as shall be most convenient.

ARTICLE XII.

FINANCE AND TAXATION.

SEC. 1. The levying of taxes, by the poll, is grievous and oppressive; therefore, the general assembly shall never levy a poll tax, for county or state purposes.

Sec. 1. No poll tax shall ever be levied in this state, or service required, which may be commuted in money or other thing of value.

SEC. 2. Laws shall be passed, taxing by a uniform rule, all moneys, credits, investments in bonds, stocks, joint stock companies, or otherwise; and also all real and personal property according to its true value in money, excepting bonds of the state of Ohio, bonds of any city, village, hamlet, county, or township in this state, and bonds issued in behalf of the public schools of Ohio and the means of instruction in connection therewith, which bonds shall be exempt from taxation; but burying grounds, public school houses, houses used exclusively for public worship, institutions of purely public charity, public property used exclusively for any public purpose, and personal property, to an amount not exceeding in value two hundred dollars, for each individual, may, by general laws, be exempted from taxation; but all such laws shall be subject to alteration or repeal; and the value of all property, so exempted, shall, from time to time, be ascertained and published as may be directed by law. (As amended November 7, 1905.)

Sec. 2. Laws shall be passed, taxing by a uniform rule, all moneys, credits, investments in bonds, stocks, joint stock companies, or otherwise; and also all real and personal property according to its true value in money, excepting all bonds at present outstanding of the State of Ohio or of any city, village, hamlet, county, or township in this state or which have been issued in behalf of the public schools in Ohio and the means of instruction in connection therewith, which bonds so at present outstanding shall be exempt from taxation; but burying grounds, public school houses, houses used exclusively for public worship, institutions used exclusively for charitable purposes, public property used exclusively for any public purpose, and personal property, to an amount not exceeding in value five hundred dollars, for each individual, may, by general laws, be exempted from taxation; but all such laws shall be subject to alteration or repeal; and the value of all property, so exempted, shall, from time to time, be ascertained and published as may be directed by law.

SEC. 3. The general assembly shall provide, by law, for taxing the notes and bills discounted or purchased, moneys loaned, and all other property, effects, or dues, of every description, (without deduction,) of all banks, now existing, or hereafter created, and of all bankers, so that all property employed in banking, shall always bear a burden of taxation, equal to that imposed on the property of individuals.

SEC. 4. The general assembly shall provide for raising revenue, sufficient to defray the expenses of the state, for each year, and also a sufficient sum to pay the interest on the state debt.

SEC. 5. No tax shall be levied, except in pursuance of law; and every law imposing a tax, shall state, distinctly, the object of the same, to which only, it shall be applied.

SEC. 6. The state shall never contract any debt for purposes of internal improvement.

Sec. 6. Except as otherwise provided in this constitution the state shall never contract any debt for purposes of internal improvement.

Sec. 7. Laws may be passed providing for the taxation of the right to receive, or to succeed to, estates, and such taxation may be uniform or it may be so graduated as to tax at a higher rate the right to receive, or to succeed to, estates of larger value than to estates of smaller value. Such tax may also be levied at different rates upon collateral and direct inheritances, and a portion of each estate not exceeding twenty thousand dollars may be exempt from such taxation.

Sec. 8. Laws may be passed providing for the taxation of incomes, and such taxation may be either uniform or graduated, and may be applied to such incomes as may be designated by law; but a part of each annual income not exceeding three thousand dollars may be exempt from such taxation.

Sec. 9. Not less than fifty per centum of the income and inheritance taxes that may be collected by the state shall be returned to the city, village or township in which said income and inheritance tax[es] originate.

Sec. 10. Laws may be passed providing for excise and franchise taxes and for the imposition of taxes upon the production of coal, oil, gas and other minerals.

Sec. 11. No bonded indebtedness of the state, or any political subdivisions thereof, shall be incurred or renewed unless, in the legislation under which such indebtedness is incurred or renewed, provision is made for levying and collecting annually by taxation an amount sufficient to pay the interest on said bonds, and to provide a sinking fund for their final redemption at maturity.

ARTICLE XIII.

CORPORATIONS.

SEC. 1. The general assembly shall pass no special act conferring corporate powers.

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SEC. 2. Corporations may be formed under general laws; but all such laws may, from time to time, be altered or repealed.

Sec. 2. Corporations may be formed under general laws; but all such laws may, from time to time, be altered or repealed. Corporations may be classified and there may be conferred upon proper boards, commissions or officers, such supervisory and regulatory powers over their organization, business and issue and sale of stocks and securities, and over the business and sale of the stocks and securities of foreign corporations and joint stock companies in this state, as may be prescribed by law. Laws may be passed regulating the sale and conveyance of other personal property, whether owned by a corporation, joint stock company or individual.

SEC. 3. Dues from private corporations shall be secured by such means as may be prescribed by law, but in no case shall any stockholder be individually liable otherwise than for the unpaid stock owned by him or her. (As amended November 3, 1903.)

Sec. 3. Dues from private corporations shall be secured by such means as may be prescribed by law, but in no case shall any stockholder be individually liable otherwise than for the unpaid stock owned by him or her; except that stockholders of corporations authorized to receive money on deposit shall be held individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of such corporations, to the extent of the amount of their stock therein, at the par value thereof, in addition to the amount invested in such shares. No corporation not organized under the laws of this state, or of the United States, or person, partnership or association shall use the word "bank", "banker" or "banking", or words of similar meaning in any foreign language, as a designation or name under which business may be conducted in this state unless such corporation, person, partnership or association shall submit to inspection, examination and regulation as may hereafter be provided by the laws of this state.

SEC. 4. The property of corporations, now existing or hereafter created, shall forever be subject to taxation, the same as the property of individuals.

SEC. 5. No right of way shall be appropriated to the use of any corporation, until full compensation therefor be first made in money, or first secured by a deposit of money, to the owner, irrespective of any benefit from any improvement proposed by such corporation; which compensation shall be ascertained by a jury of twelve men, in a court of record, as shall be prescribed by law.

SEC. 6. The general assembly shall provide for the organization of cities, and incorporated villages, by general laws, and restrict their power of taxation, assessment, borrowing money, contracting debts and loaning their credit, so as to prevent the abuse of such power.

SEC. 7. No act of the general assembly, authorizing associations with banking powers, shall take effect until it shall be submitted to the people, at the general election next succeeding the passage thereof, and be approved by a majority of all the electors, voting at such election.

ARTICLE XIV.

JURISPRUDENCE.

SEC. 1. The general assembly, at its first session after the adoption of this constitution, shall provide for the appointment of three commissioners, and prescribe their tenure of office, compensation, and the mode of filling vacancies in said commission.

SEC. 2. The said commissioners shall revise, reform, simplify, and abridge the practice, pleadings, forms, and proceedings of the courts of record of this state; and, as far as practicable and expedient, shall provide for the abolition of the distinct forms of action at law, now in use, and for the administration of justice by a uniform mode of proceeding, without reference to any distinction between law and equity.

SEC. 3. The proceedings of the commissioners shall, from time to time, be reported to the general assembly, and be subject to the action of that body.

ARTICLE XV.

MISCELLANEOUS.

SEC. 1. Columbus shall be the seat of government, until otherwise directed by law.

SEC. 2. The printing of the laws, journals, bills, legislative documents and papers for each branch of the general assembly, with the printing required for the executive and other departments of state, shall be let, on contract, to the lowest responsible bidder, by such executive officers, and in such manner, as shall be prescribed by law.

Sec. 2. The printing of the laws, journals, bills, legislative documents and papers for each branch of the general assembly, with the printing required for the executive and other departments of state, shall be let, on contract, to the lowest responsible bidder, or done directly by the state in such manner as shall be prescribed by law. All stationery and supplies shall be purchased as may be provided by law.

SEC. 3. An accurate and detailed statement of the receipts and expenditures of the public money, the several amounts paid, to whom, and on what account, shall, from time to time, be published, as shall be prescribed by law.

SEC. 4. No person shall be elected or appointed to any office in this state, unless he possesses the qualifications of an elector.

SEC. 5. No person who shall hereafter fight a duel, assist in the same as second, or send, accept, or knowingly carry, a challenge therefor, shall hold any office in this state.

SEC. 6. Lotteries, and the sale of lottery tickets, for any purpose whatever, shall forever be prohibited in this state.

SEC. 7. Every person chosen or appointed to any office under this state, before entering upon the discharge of its duties, shall take an oath or affirmation, to support the Constitution of the United States, and of this state, and also an oath of office.

SEC. 8. There may be established, in the secretary of state's office, a bureau of statistics, under such regulations as may be prescribed by law.

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Sec. 9. License to traffic in intoxicating liquors shall be granted in this state, and license laws operative throughout the state shall be passed with such restrictions and regulations as may be provided by law, and municipal corporations shall be authorized by general laws to provide for the limitation of the number of saloons. Laws shall not be passed authorizing more than one saloon in each township or municipality of less than five hundred population, or more than one saloon for each five hundred population in other townships and municipalities. Where the traffic is or may be prohibited under laws applying to counties, municipalities, townships, residence districts, or other districts now prescribed by law, the traffic shall not be licensed in any such local sub-division while any prohibitory law is operative therein, and nothing herein contained shall be so construed as to repeal, modify or suspend any such prohibitory laws, or any regulatory laws now in force or hereafter enacted, or to prevent the future enactment, modification or repeal of any prohibitory or regulatory laws. License to traffic in intoxicating liquors shall not be granted to any person who at the time of making application therefor is not a citizen of the United States and of good moral character. License shall not be granted to any applicant who is in any way interested in the business conducted at any other place where intoxicating liquors are sold or kept for sale as a beverage nor shall such license be granted unless the applicant or applicants are the only persons in any way pecuniarily interested in the business for which the license is sought and no other person shall be in any way interested therein during the continuance of the license; if such interest of such person shall appear, the license shall be deemed revoked. If any licensee is more than once convicted for a violation of the laws in force to regulate the traffic in intoxicating liquors, his license shall be deemed revoked, and no license shall thereafter be granted to him. License to traffic in intoxicating liquors shall not be granted unless the place of traffic under such license shall be located in the county in which the person or persons reside whose duty it is to grant such license, or in a county adjoining thereto. The word "saloon" as used in this section is defined to be a place where intoxicating liquors are sold, or kept for sale, as a beverage in quantities less than one gallon.

At said election a ballot shall be in the following form:

Intoxicating Liquors.

	For License to traffic in intoxicating liquors.
	Against License to traffic in intoxicating liquors.

The voter shall indicate his choice by placing a cross-mark within the blank space opposite the words "For License," if he desires to vote in favor of the article above mentioned and opposite the words "Against License," within the blank space if he desires to vote against said article. If a cross-mark is placed opposite both phrases or neither phrase, then the vote upon the subject shall not be counted.

If the votes for license shall exceed the votes against license, then the article above mentioned shall become section 9 of article XV of the constitution, and the present section 9 of said article, also known as section 18 of the schedule shall be repealed.

Sec. 10. Appointments and promotions in the civil service of the state, the several counties, and cities, shall be made according to merit and fitness, to be ascertained, as far as practicable, by competitive examinations. Laws shall be passed providing for the enforcement of this provision.

ARTICLE XVI.

AMENDMENTS.

SEC. 1. Either branch of the general assembly may propose amendments to this constitution; and, if the same shall be agreed to by three-fifths of the members elected to each house, such proposed amendments shall be entered on the journals, with the yeas and nays, and shall be published in at least one newspaper in each county of the state, where a newspaper is published, for six months preceding the next election for senators and representatives, at which time the same shall be submitted to the electors, for their approval or rejection; and if a majority of the electors, voting at such election, shall adopt such amendments, the same shall become a part of the constitution. When more than one amendment shall be submitted at the same time, they shall be so submitted as to enable the electors to vote on each amendment, separately.

Sec. 1. Either branch of the general assembly may propose amendments to this constitution; and, if the same shall be agreed to by three-fifths of the members elected to each house, such proposed amendments shall be entered on the journals, with the yeas and nays, and shall be submitted to the electors, for their approval or rejection, on a separate ballot without party designation of any kind, at either a special or a general election as the general assembly may prescribe. Such proposed amendments shall be published once a week for five consecutive weeks preceding such election, in at least one newspaper in each county of the state, where a newspaper is published. If the majority of the electors voting on the same shall adopt such amendments the same shall become a part of the constitution. When more than one amendment shall be submitted at the same time, they shall be so submitted as to enable the electors to vote on each amendment, separately.

SEC. 2. Whenever two-thirds of the members elected to each branch of the general assembly, shall think it necessary to call a convention, to revise, amend, or change this constitution, they shall recommend to the electors to vote, at the next election for members to the general assembly, for or against a convention; and if a majority of all the electors, voting at said election, shall have voted for a convention, the general assembly shall, at their next session, provide, by law, for calling the same. The convention shall consist of as many members as the house of representatives, who shall be chosen in the same manner, and shall meet within three months after their election, for the purpose, aforesaid.

Sec. 2. Whenever two-thirds of the members elected to each branch of the general assembly, shall think it necessary to call a convention, to revise, amend, or change this constitution, they shall recommend to the electors to vote on a separate ballot without party designation of any kind at the next election for members to the general assembly, for or against

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a convention; and if a majority of all the electors, voting for and against the calling of a convention, shall have voted for a convention, the general assembly shall, at their next session, provide, by law, for calling the same. Candidates for members of the constitutional convention shall be nominated by nominating petitions only and shall be voted for upon one independent and separate ballot without any emblem or party designation whatever. The convention shall consist of as many members as the house of representatives, who shall be chosen as provided by law, and shall meet within three months after their election, for the purpose, aforesaid.

SEC. 3. At the general election, to be held in the year one thousand eight hundred and seventy-one, and in each twentieth year thereafter, the question: "Shall there be a convention to revise, alter, or amend the constitution," shall be submitted to the electors of the state; and, in case a majority of all the electors, voting at such election, shall decide in favor of a convention, the general assembly, at its next session, shall provide, by law, for the election of delegates, and the assembling of such convention, as is provided in the preceding section; but no amendment of this constitution, agreed upon by any convention assembled in pursuance of this article, shall take effect, until the same shall have been submitted to the electors of the state, and adopted by a majority of those voting thereon.

Sec. 3. At the general election to be held in the year one thousand nine hundred and thirty-two, and in each twentieth year thereafter, the question: "Shall there be a convention to revise, alter, or amend the constitution[?]" shall be submitted to the electors of the state; and in case a majority of the electors, voting for and against the calling of a convention, shall decide in favor of a convention, the general assembly, at its next session, shall provide, by law, for the election of delegates, and the assembling of such convention, as is provided in the preceding section; but no amendment of this constitution, agreed upon by any convention assembled in pursuance of this article, shall take effect, until the same shall have been submitted to the electors of the state, and adopted by a majority of those voting thereon.

ARTICLE XVII.

ELECTIONS.

SEC. 1. Elections for state and county officers shall be held on the first Tuesday after the first Monday in November in the even numbered years; and all elections for all other elective officers shall be held on the first Tuesday after the first Monday in November in the odd numbered years. (*As amended November 7, 1905.*)

SEC. 2. The term of office of the governor, lieutenant governor, attorney-general, secretary of state and treasurer of state shall be two years, and that of the auditor of state shall be four years. The term of office of judges of the supreme court and circuit courts shall be such even number of years not less than six (6) years as may be prescribed by the general assembly; that of the judges of the common pleas court six (6) years and of the judges of the probate court, four (4) years, and that of other judges shall be such even number of years not exceeding six (6) years as may be prescribed by the general assembly. The term of office of justices of the peace shall be such even number of years not exceeding four (4) years, as may be prescribed by the general assembly. The term of office of the members of the board of public works shall be such even number of years not exceeding six (6) years as may be so prescribed; and the term of office of all elective county, township, municipal and school officers shall be such even number of years not exceeding four (4) years as may be so prescribed.

And the general assembly shall have power to so extend existing terms of office as to affect [effect] the purpose of section 1 of this article.

Any vacancy which may occur in any elective state office other than that of a member of the general assembly or of governor, shall be filled by appointment by the governor until the disability is removed, or a successor elected and qualified. Every such vacancy shall be filled by election at the first general election for the office which is vacant, that occurs more than thirty (30) days after the vacancy shall have occurred. The person elected shall fill the office for the unexpired term. All vacancies in other elective offices shall be filled for the unexpired term in such manner as may be prescribed by law. (*As amended November 7, 1905.*)

SEC. 3. Every elective officer holding office when this amendment is adopted, shall continue to hold such office for the full term for which he was elected, and until his successor shall be elected and qualified as provided by law.

ARTICLE XVIII.

MUNICIPAL CORPORATIONS.

Sec. 1. Municipal corporations are hereby classified into cities and villages. All such corporations having a population of five thousand or over shall be cities; all others shall be villages. The method of transition from one class to the other shall be regulated by law.

Sec. 2. General laws shall be passed to provide for the incorporation and government of cities and villages; and additional laws may also be passed for the government of municipalities adopting the same; but no such additional law shall become operative in any municipality until it shall have been submitted to the electors thereof, and affirmed by a majority of those voting thereon, under regulations to be established by law.

Sec. 3. Municipalities shall have authority to exercise all powers of local self-government and to adopt and enforce within their limits such local police, sanitary and other similar regulations, as are not in conflict with general laws.

Sec. 4. Any municipality may acquire, construct, own, lease and operate wthin or without its corporate limits, any public utility the product or service of which is or is to be supplied to the municipality or its inhabitants, and may contract with others for any such product or service. The acquisition of any such public utility may be by condemnation or otherwise, and a municipality may acquire thereby the use of, or full title to, the property and franchise of any company or person supplying to the municipality or its inhabitants the service or product of any such utility.

Sec. 5. Any municipality proceeding to acquire, construct, own, lease or operate a public utility, or to contract with any person or company therefor, shall

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act by ordinance and no such ordinance shall take effect until after thirty days from its passage. If within said thirty days a petition signed by ten per centum of the electors of the municipality shall be filed with the executive authority thereof demanding a referendum on such ordinance it shall not take effect until submitted to the electors and approved by a majority of those voting thereon. The submission of any such question shall be governed by all the provisions of section 8 of this article as to the submission of the question of choosing a charter commission.

Sec. 6. Any municipality, owning or operating a public utility for the purpose of supplying the service or product thereof to the municipality or its inhabitants, may also sell and deliver to others any transportation service of such utility and the surplus product of any other utility in an amount not exceeding in either case fifty per centum of the total service or product supplied by such utility within the municipality.

Sec. 7. Any municipality may frame and adopt or amend a charter for its government and may, subject to the provisions of section 3 of this article, exercise thereunder all powers of local self-government.

Sec. 8. The legislative authority of any city or village may by a two-thirds vote of its members, and upon petition of ten per centum of the electors shall forthwith, provide by ordinance for the submission to the electors, of the question, "Shall a commission be chosen to frame a charter[?]." The ordinance providing for the submission of such question shall require that it be submitted to the electors at the next regular municipal election if one shall occur not less than sixty nor more than one hundred and twenty days after its passage; otherwise it shall provide for the submission of the question at a special election to be called and held within the time aforesaid. The ballot containing such question shall bear no party designation, and provision shall be made thereon for the election from the municipality at large of fifteen electors who shall constitute a commission to frame a charter; provided that a majority of the electors voting on such question shall have voted in the affirmative. Any charter so framed shall be submitted to the electors of the municipality at an election to be held at a time fixed by the charter commission and within one year from the date of its election, provision for which shall be made by the legislative authority of the municipality in so far as not prescribed by general law. Not less than thirty days prior to such election the clerk of the municipality shall mail a copy of the proposed charter to each elector whose name appears upon the poll or registration books of the last regular or general election held therein. If such proposed charter is approved by a majority of the electors voting thereon it shall become the charter of such municipality at the time fixed therein.

Sec. 9. Amendments to any charter framed and adopted as herein provided may be submitted to the electors of a municipality by a two-thirds vote of the legislative authority thereof, and, upon petitions signed by ten per centum of the electors of the municipality setting forth any such proposed amendment, shall be submitted by such legislative authority. The submission of proposed amendments to the electors shall be governed by the requirements of section 8 as to the submission of the question of choosing a charter commission; and copies of proposed amendments shall be mailed to the electors as hereinbefore provided for copies of a proposed charter. If any such amendment is approved by a majority of the electors voting thereon, it shall become a part of the charter of the municipality. A copy of said charter or any amendment thereto shall be certified to the secretary of state, within thirty days after adoption by a referendum vote.

Sec. 10. A municipality appropriating or otherwise acquiring property for public use may in furtherance of such public use appropriate or acquire an excess over that actually to be occupied by the improvement, and may sell such excess with such restrictions as shall be appropriate to preserve the improvement made. Bonds may be issued to supp the funds in whole or in part to pay for the excess property so appropriated or otherwise acquired, but said bonds shall be a lien only against the property so acquired for the improvement and excess, and they shall not be a liability of the municipality nor be included in any limitation of the bonded indebtedness of such municipality prescribed by law.

Sec. 11. Any municipality appropriating private property for a public improvement may provide money therefor in part by assessments upon benefited property not in excess of the special benefits conferred upon such property by the improvements. Said assessments, however, upon all the abutting, adjacent, and other property in the district benefited, shall in no case be levied for more than fifty per centum of the cost of such appropriation.

Sec. 12. Any municipality which acquires, constructs or extends any public utility and desires to raise money for such purposes may issue mortgage bonds therefor beyond the general limit of bonded indebtedness prescribed by law; provided that such mortgage bonds issued beyond the general limit of bonded indebtedness prescribed by law shall not impose any liability upon such municipality but shall be secured only upon the property and revenues of such public utility, including a franchise stating the terms upon which, in case of foreclosure, the purchaser may operate the same, which franchise shall in no case extend for a longer period than twenty years from the date of the sale of such utility and franchise on foreclosure.

Sec. 13. Laws may be passed to limit the power of municipalities to levy taxes and incur debts for local purposes, and may require reports from municipalities as to their financial condition and transactions, in such form as may be provided by law, and may provide for the examination of the vouchers, books and accounts of all municipal authorities, or of public undertakings conducted by such authorities.

Sec. 14. All elections and submissions of questions provided for in this article shall be conducted by the election authorities prescribed by general law. The

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percentage of electors required to sign any petition provided for herein shall be based upon the total vote cast at the last preceding general municipal election.

Schedule.

If the foregoing amendment to the constitution be adopted by the electors and become a part of the constitution, it shall take effect on November 15th, 1912.

SCHEDULE.

(1851)

SEC. 1. All laws of this state, in force on the first day of September one thousand eight hundred and fifty-one, not inconsistent with this constitution, shall continue in force, until amended, or repealed.

SEC. 2. The first election for members of the general assembly, under this constitution, shall be held on the second Tuesday of October, one thousand eight hundred and fifty-one.

SEC. 3. The first election for governor, lieutenant governor, auditor, treasurer, and secretary of state and attorney general, shall be held on the second Tuesday of October, one thousand eight hundred and fifty-one. The persons, holding said offices on the first day of September, one thousand eight hundred and fifty-one, shall continue therein, until the second Monday of January, one thousand eight hundred and fifty-two.

SEC. 4. The first election for judges of the supreme court, courts of common pleas, and probate courts, and clerks of the courts of common pleas, shall be held on the second Tuesday of October, one thousand eight hundred and fifty-one, and the official term of said judges and clerks, so elected, shall commence on the second Monday of February, one thousand eight hundred and fifty-two. Judges and clerks of the courts of common pleas and supreme court, in office on the first day of September, one thousand eight hundred and fifty-one, shall continue in office with their present powers and duties, until the second Monday of February, one thousand eight hundred and fifty-two. No suit or proceeding, pending in any of the courts of this state, shall be affected by the adoption of this constitution.

SEC. 5. The register and receiver of the land office, directors of the penitentiary, directors of the benevolent institutions of the state, the state librarian, and all other officers, not otherwise provided for in this constitution, in office on the first day of September, one thousand eight hundred and fifty-one, shall continue in office, until their terms expire, respectively, unless the general assembly shall otherwise provide.

SEC. 6. The superior and commercial courts of Cincinnati, and the superior court of Cleveland, shall remain, until otherwise provided by law, with their present powers and jurisdiction; and the judges and clerks of said courts, in office on the first day of September, one thousand eight hundred and fifty-one, shall continue in office, until the expiration of their terms of office, respectively, or, until otherwise provided by law; but neither of said courts shall continue after the second Monday of February, one thousand eight hundred and fifty-three; and no suits shall be commenced in said two first mentioned courts, after the second Monday of February, one thousand eight hundred and fifty-two, nor in said last mentioned court, after the second Monday in August, one thousand eight hundred and fifty-two; and all business in either of said courts, not disposed of within the time limited for their continuance as aforesaid, shall be transferred to the court of common pleas.

SEC. 7. All county and township officers and justices of the peace, in office on the first day of September, one thousand eight hundred and fifty-one, shall continue in office until their terms expire, respectively.

SEC. 8. Vacancies in office, occurring after the first day of September, one thousand eight hundred and fifty-one, shall be filled, as is now prescribed by law, and until officers are elected or appointed, and qualified, under this constitution.

SEC. 9. This constitution shall take effect, on the first day of September, one thousand eight hundred and fifty-one.

SEC. 10. All officers shall continue in office, until their successors shall be chosen and qualified.

SEC. 11. Suits pending in the supreme court in bank, shall be transferred to the supreme court provided for in this constitution, and be proceeded in according to law.

SEC. 12. The district courts shall, in their respective counties, be the successors of the present supreme court; and all suits, prosecutions, judgments, records, and proceedings, pending and remaining in said supreme court, in the several counties of any district, shall be transferred to the respective district courts of such counties, and be proceeded in, as though no change had been made in said supreme court.

SEC. 13. The said courts of common pleas, shall be the successors of the present courts of common pleas in the several counties, except as to probate jurisdiction; and all suits, prosecutions, proceedings, records and judgments, pending or being in said last mentioned courts, except as aforesaid, shall be transferred to the courts of common pleas created by this constitution, and proceeded in, as though the same had been therein instituted.

SEC. 14. The probate courts provided for in this constitution, as to all matters within the jurisdiction conferred upon said courts, shall be the successors, in the several counties, of the present courts of common pleas; and the records, files, and papers, business and proceedings, appertaining to said jurisdiction, shall be transferred to said courts of probate, and be there proceeded in, according to law.

SEC. 15. Until otherwise provided by law, elections for judges and clerks shall be held, and the poll books returned, as is provided for governor, and the abstract therefrom, certified to the secretary of state, shall be by him opened, in the presence of the governor, who shall declare the result, and issue commissions to the persons elected.

SEC. 16. Where two or more counties are joined in a senatorial, representative, or judicial district, the returns of elections shall be sent to the county, having the largest population.

The amendments to the constitution approved September 3, 1912, are printed in bold-faced type. Section amended or superseded are in small type. See note, page 2121.

SEC. 17. The foregoing constitution shall be submitted to the electors of the state, at an election to be held on the third Tuesday of June, one thousand eight hundred and fifty-one, in the several election districts of this state. The ballots at such election shall be written or printed as follows: Those in favor of the constitution, "New Constitution, Yes;" those against the constitution, "New Constitution, No." The polls at said election shall be opened between the hours of eight and ten o'clock A. M., and closed at six o'clock P. M.; and the said election shall be conducted, and the returns thereof made and certified, to the secretary of state, as provided by law for annual elections of state and county officers. Within twenty days after such election, the secretary of state shall open the returns thereof, in the presence of the governor; and, if it shall appear that a majority of all the votes, cast at such election, are in favor of the constitution, the governor shall issue his proclamation, stating that fact, and said constitution shall be the constitution of the state of Ohio, and not otherwise.

SEC. 18. At the time when the votes of the electors shall be taken for the adoption or rejection of this constitution, the additional section, in the words following, to-wit: "No license to traffic in intoxicating liquors shall hereafter be granted in this state; but the general assembly may, by law, provide against evils resulting therefrom," shall be separately submitted to the electors for adoption or rejection, in form following, to-wit: A separate ballot may be given by every elector and deposited in a separate box. Upon the ballots given for said separate amendment shall be written or printed, or partly written and partly printed, the words: "License to sell intoxicating liquors, Yes;" and upon the ballots given against said amendment, in like manner, the words: "License to sell intoxicating liquors, No." If, at the said election, a majority of all the votes given for and against said amendment, shall contain the words: "License to sell intoxicating liquors, No," then the said amendment shall be a separate section of article fifteen of the constitution.

[See section 9, article XV.]

SEC. 19. The apportionment of the house of representatives, during the first decennial period under this constitution, shall be as follows:

The counties of Adams, Allen, Athens, Auglaize, Carroll, Champaign, Clark, Clinton, Crawford, Darke, Delaware, Erie, Fayette, Gallia, Geauga, Greene, Hancock, Harrison, Hocking, Holmes, Lake, Lawrence, Logan, Madison, Marion, Meigs, Morrow, Perry, Pickaway, Pike, Preble, Sandusky, Scioto, Shelby, and Union, shall, severally, be entitled to one representative, in each session of the decennial period.

The counties of Franklin, Licking, Montgomery, and Stark, shall each be entitled to two representatives, in each session of the decennial period.

The counties of Ashland, Coshocton, Highland, Huron, Lorain, Mahoning, Medina, Miami, Portage, Seneca, Summit, and Warren, shall, severally, be entitled to one representative, in each session; and one additional representative in the fifth session of the decennial period.

The counties of Ashtabula, Brown, Butler, Clermont, Fairfield, Guernsey, Jefferson, Knox, Monroe, Morgan, Richland, Trumbull, Tuscarawas, and Washington, shall, severally, be entitled to one representative, in each session; and two additional representatives, one in the third, and one in the fourth session of the decennial period.

The counties of Belmont, Columbiana, Ross and Wayne, shall, severally, be entitled to one representative, in each session; and three additional representatives, one in the first, one in the second, and one in the third session of the decennial period.

The county of Muskingum shall be entitled to two representatives, in each session; and one additional representative, in the fifth session, of the decennial period.

The county of Cuyahoga shall be entitled to two representatives, in each session; and two additional representatives, one in the third, and one in the fourth session of the decennial period.

The county of Hamilton shall be entitled to seven representatives, in each session; and four additional representatives, one in the first, one in the second, one in the third, and one in the fourth session, of the decennial period.

The following counties, until they shall have acquired a sufficient population to entitle them to elect, separately, under the fourth section of the eleventh article, shall form districts in manner following, to-wit: The counties of Jackson and Vinton, one district; the counties of Lucas and Fulton, one district; the counties of Wyandot and Hardin, one district; the counties of Mercer and Van Wert, one district; the counties of Paulding, Defiance, and Williams, one district; the counties of Putnam and Henry, one district; and the counties of Wood and Ottawa, one district; each of which districts shall be entitled to one representative, in every session of the decennial period.

Done in convention, at Cincinnati, the tenth day of March, in the year of our Lord, one thousand eight hundred and fifty-one, and of the independence of the United States, the seventy-fifth.

Schedule.

(1912.)

The several amendments passed and submitted by this convention when adopted at the election shall take effect on the first day of January, 1913, except as otherwise specifically provided by the schedule attached to any of said amendments. All laws then

The amendments to the constitution approved September 3, 1912, are printed in bold-faced type. Section amended or superseded are in small type. See note, page 2121.

in force, not inconsistent therewith shall continue in force until amended or repealed; provided that all cases pending in the courts on the first day of January, 1913, shall be heard and tried in the same manner and by the same procedure as is now authorized by law. Any provision of the amendments passed and submitted by this convention and adopted by the electors, inconsistent with, or in conflict with, any provision of the present constitution, shall be held to prevail.

J. R. Galbraith
Secretary

Herbert S. Bigelow
President

Columbus, Ohio, June 1, 1912

David F. Anderson
Ernest I. Antrim
John L. Baum
Robert A. Beatty
Richard A. Beatty
A. Beyer
Stanley V. Bowdle
Wesley B. Brattain
John Brown
Milton T. Brown
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Eli D Shryer
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Should States Tax Food?

Examining the Policy Issues and Options

CENTER ON BUDGET AND POLICY PRIORITIES

Should States Tax Food?

Examining the Policy Issues and Options

Nicholas Johnson
Iris J. Lav

CENTER ON BUDGET AND POLICY PRIORITIES

The **Center on Budget and Policy Priorities**, located in Washington, D.C., is a non-profit, tax-exempt organization that studies government spending and the programs and public policy issues that have an impact on low-income Americans. The Center is supported by foundations, individual contributors, and publications sales.

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April 1998

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Executive Summary

Of the 45 states that levy general sales taxes, 20 apply their sales taxes to food purchased for home consumption.

States that tax food often cite revenue needs or simplicity of administration as their reasons. Sales taxation of food, however, also has disadvantages that weigh against considerations of revenue or simplicity. Those disadvantages — which include placing a disproportionate burden on lower-income households and lowering the rate of growth of sales tax revenues relative to consumption growth — have led the majority of states to raise revenues and simplify sales tax administration in ways other than taxing food.

Recently, healthy fiscal conditions have led many states to enact tax cuts. These tax cuts have focused largely on reducing income taxes in ways that provide more benefits to higher-income taxpayers than to less affluent state residents. For states that tax sales of food, relieving the tax on food for home consumption can provide substantial benefits to lower-income households. Some states have taken this course.

In January 1996 Georgia became the first state in more than a decade to enact an exemption for food. Georgia's legislation reduced the tax on groceries effective October 1996 and eliminates it fully as of October 1998. In 1996 North Carolina enacted a food tax reduction of one percentage point — effective January 1997 — as a possible first step toward exempting grocery food altogether; a second one-cent reduction goes into effect July 1998. Louisiana reduced its state sales tax on food from four percent to three percent as of July 1997. And Missouri reduced its state sales tax on food from 4.225 percent to 1.225 percent in October 1997. A number of other states are giving serious consideration to similar measures — partially or wholly exempting food from the sales tax or establishing credits to offset the food tax — in 1998.

Drawbacks to the Sales Tax on Food

Taxing food poses two particular problems for states. First, a tax on food falls more heavily on low- and moderate-income families than on better-off families.

- For a family of four that spends the lowest amount considered necessary for a nutritious diet and lives in a typical state that taxes food, sales taxes on food cost some $350 a year. That amount is more than a week's income for a family at the poverty line.

- As a share of income, food taxes are typically four to five times as high for poorer families as for upper-income families. Although other state taxes are levied heavily on the less-advantaged, few are so regressive — that is, absorb such a greater proportion of income for the poor than for the well-off.

- The burdens that state and local taxes place on lower-income families take on added importance at a time when government policies heavily emphasize moving families from welfare to work. Some 1.5 million families in which a parent works full-time remain poor. A reduction in the sales tax on food can make it easier for those families to support themselves on the earnings from a low-wage job.

A second problem is that the inclusion of food in a state's sales tax base contributes to a long-term decline in sales tax revenue as a share of the state's economy.

- The purchase of food for home consumption is a shrinking sector of the economy. In 1960 the average U.S. family spent 17 cents of each consumption dollar on food for home consumption; by 1995 the average family spent only eight cents of each dollar on food eaten at home.

- Revenues from taxing food would have declined in tandem with declining consumption had not sales tax rates been increased. In states with sales taxes, the average state sales tax rate rose from 3.5 percent in 1970 to 5.2 percent in 1996, an increase of nearly 50 percent, while sales tax revenue rose from 1.8 percent to 2.2 percent of personal income, an increase of about one-quarter.

- The declining share of consumption dollars spent on food could be offset in part if states also imposed their sales taxes on the *growing* sectors of consumption and economic activity, especially on purchases of services. Most states, however, exempt most services from their sales tax base. These exemptions often result in a decline in total sales tax revenue as a share of the economy over the long run.

- When major components of revenue decline over time relative to a state's economy, states find it difficult to maintain public services without raising tax rates. The National Governors' Association and the National Conference of

State Legislatures, among others, have identified lagging long-term revenue growth as a major problem confronting state governments.

Food in State Sales Taxes

Forty-five states and the District of Columbia levy general sales taxes. A majority of those states have in some way eliminated, reduced, or offset the tax as applied to food for home consumption. The relief strategies include full or partial exemptions from the sales tax for food purchased for home consumption and credits or rebates to offset the food tax. Of the states with sales taxes:

- Twenty-five states and the District of Columbia exempt most food purchased for consumption at home from the state sales tax.
- Five states tax groceries at lower rates than other goods; they are Georgia, Illinois, Louisiana, Missouri, and North Carolina.
- Six states — Hawaii, Idaho, Kansas, Oklahoma, South Dakota, and Wyoming — tax groceries fully but offer credits or rebates to offset some of the taxes paid on food by some portions of the population. (A seventh state, Georgia, provides both a partial exemption and a credit.) These credits or rebates usually are set at a flat amount per family member. As structured, these credits give eligible households only partial relief from sales taxes paid on food purchases.
- Nine states continue to apply their sales tax fully to food purchased for home consumption without providing any type of relief for low- and moderate-income families. They are Alabama, Arkansas, Mississippi, New Mexico, South Carolina, Tennessee, Utah, Virginia, and West Virginia.

Local governments, which in many states levy their own sales taxes, usually follow state policy on the food exemption. The major exceptions are local governments in Colorado and Arizona. While Colorado and Arizona are among the 25 states that exempt food at the state level, many cities and counties in those states tax grocery food purchases.

Policy Responses

Of the 45 states with general sales taxes, 36 have implemented policies to alleviate one or both of the problems associated with imposing the sales tax on food. Those 36 states have split, however, on the best way to alleviate burdens on low-income households while maintaining sales tax revenue growth.

- One strategy is to exempt food from the sales tax. Twenty-five states exempt grocery food from the sales tax. Five others tax food, but at a reduced rate.

- The other strategy is to offer credits or rebates to offset the sales tax on food. Six states tax food fully but offer credits or rebates. A seventh state — Georgia — both partially exempts food and offers a credit.

Food Exempted from the Sales Tax

The most common response among states to the problems inherent in the tax on food has been to exempt groceries — food purchased for home consumption[1] — from sales taxation.

- Exempting food from the sales tax provides tax relief to all consumers. Low- and moderate-income families, however, spend a larger proportion of their incomes on food than higher-income families and receive proportionately greater tax relief. The benefits from an exemption go directly to families at the checkout line.

  Although purchases made with food stamps are already exempted from sales tax by federal law, families that participate in the food stamp program still benefit substantially from a general food exemption because most families that receive food stamps must also use cash for a significant portion of their grocery purchases. Food stamps are not intended to cover the full cost of a family's basic diet.

- Exempting food helps a state to counteract the gradual decline in sales tax revenues as a share of the state's economy. Except for those very few states that also broadly tax services, states that tax food find that their sales tax revenue grows at a much slower rate than state personal income, requiring either tax rate increases or cuts in public services to compensate for the diminished revenue. States that exempt food, on the other hand, generally find that their sales tax revenue grows more rapidly, in many cases enabling them to maintain public services with less frequent tax increases. Of the 17

[1] The definition of food purchased for home consumption can differ by state.

states that fully taxed food throughout the 1984-to- 1996 period, all but three increased their general sales tax rates. Of the 25 states plus the District of Columbia that maintained sales tax exemptions for food during that time, just half (13 states) raised rates. And while the average rate increase in the 17 states that fully taxed food was 0.8 percentage points, the average increase for the states with food exemptions was less than 0.5 percentage points.

There also are some drawbacks associated with sales tax exemptions for food. The experiences of states with such exemptions during the last three decades, however, suggest that thoughtful design and planning can mitigate those problems.

- A state that exempts food from the sales tax initially gives up a significant amount of revenue — from 5 percent to 30 percent of its total sales tax revenue depending on the breadth of its sales tax base. A state that fully taxes food might find it difficult to forgo that much revenue without making deep cuts in government services. In recent years most states that have implemented sales tax exemptions for food have phased in the exemption over a number of years to allow time for adjustments and, to make up for the reduced revenues, either have gradually shifted reliance to other revenue sources or have increased the general sales tax rate.

- A state's decisions about how to accommodate the loss of revenue from eliminating or reducing the tax on food will, of course, determine how the costs and benefits of exempting food from the sales tax will be distributed across income groups. If a state makes up the lost revenue through a substantial increase in the sales tax rate, it could increase, rather than alleviate, the burden on some low-income households. Similarly, if the forgone revenue is not replaced and the resulting budget reductions fall disproportionately on programs and services for lower-income households, these households could be harmed rather than benefited. On the other hand, if the revenue loss from reducing or eliminating food tax is replaced from more progressive revenue sources such as the income tax, lower-income households are likely to realize the intended tax relief.

- If state policymakers have determined that some type of tax cut is desirable and affordable without spending cuts, eliminating the sales tax on food often will be of greater benefit to low- to moderate- income residents than a general cut in a more progressive tax such as an income tax. (Depending on the circumstances, the tax relief provided to some low-income populations by other forms of *targeted* low-income tax relief, such as a state Earned Income Tax Credit modeled on the federal EITC or a "circuit-breaker" property tax credit, might be as great or greater.[2])

---

[2] A description of the relative advantages of various types of low-income tax relief is available in Center on Budget and Policy Priorities, *State Income Tax Burdens on Low-Income Families in 1997: Assessing*

(continued...)

- Exempting food from the sales tax creates several technical issues that, if not handled properly, can complicate administration of the tax and erode some of the benefits. For instance, creating a definition of "food" purchased for home consumption for purposes of the exemption can complicate the tax code and increase costs both for state administrators and for stores. To overcome this problem, recently enacted state exemptions in Georgia, North Carolina, and Missouri have adopted the definition of "food" used by the federal food stamp program. This definition — which identifies the items that may be purchased with food stamps — is familiar to most food retailers because they must incorporate it into their checkout procedures to comply with the federal food stamp law.

- States that exempt food at the *state* level must decide whether *local* governments will be required to exempt food. Though exemptions are costly to local governments, failing to require local exemption of food can diminish the benefits of a state exemption to low- and moderate-income families and can result in administrative complications. One option is for states to offset local revenue losses with increased state aid or increased authority to raise revenue from other sources.

Credits or Rebates to Offset the Sales Tax on Food

Like an exemption, a credit or rebate to offset the sales tax on food has both strengths and weaknesses. The primary strength of a credit is that it can benefit low- and moderate-income people in ways similar to an exemption but at a much lower revenue cost. It typically accomplishes this dual goal by limiting receipt of the credit to households that meet certain income or other guidelines.

Despite the potential advantages of targeting through a credit or rebate, states have had considerable difficulty implementing and maintaining adequate credit or rebate programs.

- None of the credit/rebate programs operating today fully offset the sales tax on food paid by most impoverished families. States tend to set the amount of the refund well below what a typical poor family is likely to pay in food tax, and they usually restrict eligibility to exclude many families below the poverty line.

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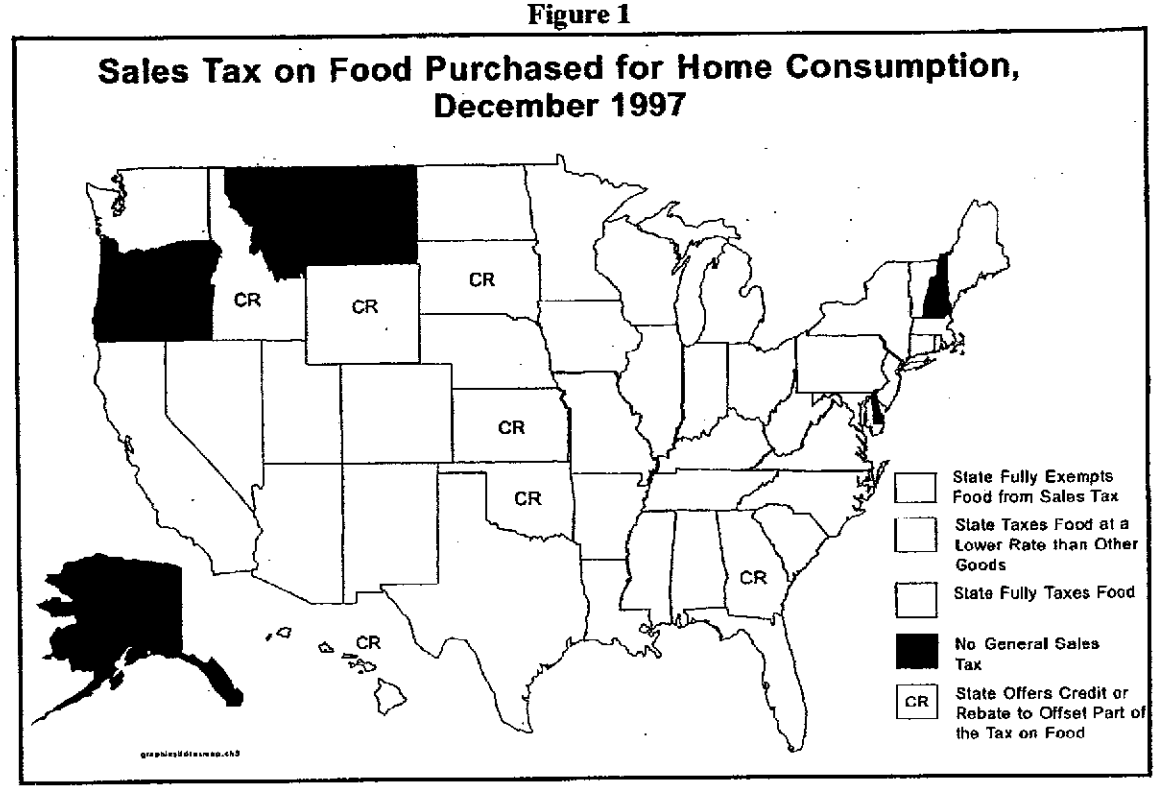
[2] (...continued)
the Burden and Opportunities for Relief (Washington, D.C., April 1998).

Figure 1



- Many eligible families fail to receive credits because states fail to promote the programs to reach the targeted populations. In Kansas, for instance, only about one-third of eligible families in recent years have received the rebates to which they are entitled.

- Credit or rebate programs tend to erode over time, as successive legislatures fail to adjust them for inflation. In addition, state fiscal crises have led legislatures to "raid" these programs for extra revenues — reducing or eliminating such credits — just at the time when relief for low-income households was most needed.

The weaknesses of existing credit and rebate programs do not necessarily mean these programs can never work — only that they must be designed with care.

- A state could design a credit that would fully offset the state and local sales taxes that a typical family at the poverty line might be expected to pay on food purchases. Such a credit would be available to all poor and near-poor families, with phase-out of the credit not beginning until income rises above the poverty line.

- Procedures for claiming the credit could be kept relatively simple. A state could undertake intensive outreach efforts to inform low-income households

of their eligibility for the credit and could make a particular effort to ensure that filing information and procedures were accessible to all eligible residents.

- Income limits for eligibility and the size of the credit could be adjusted for inflation automatically.

There is substantial room for states to improve the way in which food for home consumption is handled under their sales taxes. States that exempt food may be able to simplify the administration of their exemption by defining "exempt food" in conformity with the federal definition of food purchasable with food stamps; this would give merchants a single set of rules to administer. States that provide credits or rebates against the food tax could take several steps. Such states could upgrade those credits so that they cover all low-income households and fully offset state and local sales taxes on a typical market basket for a family at the poverty line. In addition, such states could undertake outreach efforts to inform families of the availability of the credit and could take measures to ensure that the credit or rebate does not erode over time as a result of inflation. Finally, states that neither exempt food nor offer an offsetting rebate or credit could adopt one of those strategies and replace the forgone revenue from a more progressive revenue source.

I. Taxes on Food Affect Revenue Growth and Tax Equity

Sales taxes — whether or not they include food — typically contribute to two fundamental problems with state and local tax systems. One problem is that without periodic tax rate increases, tax revenue in most states tends to decline as a share of the state's economy. Over extended periods of time, this decline forces legislators to choose between cutting public services and raising taxes.

A second fundamental problem is that state tax systems place a disproportionate burden on the poor. According to one leading analysis, U.S. families at the bottom end of the income scale pay, on average, 12.5 percent of their incomes in state and local taxes, while families at the top pay an average of only 7.9 percent of their incomes.[1] Although the distribution of taxes relative to income varies from state to state, very few states tax their wealthy residents as heavily as their poor residents.

Sales taxes are not the only cause of state and local revenue problems. Lagging revenue growth is due partly to other factors, ranging from the structure of state business taxes to reliance on lottery revenues. Heavy taxation of the poor results in part from high property taxes and insufficient use of progressive income taxes. Nevertheless, state and local sales taxes, particularly sales taxes on food, contribute greatly to the structural problems of state revenue systems.

In most states the sales tax is a major source of revenue.

- In the 45 states plus the District of Columbia that levy general sales taxes, receipts from sales taxes in fiscal year 1994 provided an average of 24 percent of state and local government tax revenue. The share of state and local tax revenue provided by sales taxes ranged from less than 15 percent in

[1] These figures apply to families headed by non-elderly married couples. The analysis is discussed further on page 8.

Maryland, Massachusetts, New Jersey, and Vermont to more than 40 percent in Washington, Tennessee, and New Mexico.

- Most sales taxes are levied at the state level, but local governments in 33 states — including Alaska, which has no statewide sales tax — also assess sales taxes.

Lagging Growth of the Sales Tax Base

Because sales tax revenues are so important to state budgets, legislatures since the 1970s have raised sales tax rates to prevent revenue from declining in tandem with declining consumption.[2] In states with sales taxes, the average state sales tax rate increased from 3.5 percent in 1970 to 5.2 percent in 1996. But this increase of nearly 50 percent in sales tax rates yielded only a modest increase in state sales tax revenue, from 1.8 percent of personal income in 1970 to 2.2 percent of personal income in 1996, an increase of about one-fourth.[3]

Why did these repeated increases in sales tax rates not result in a commensurate increase in sales tax revenue relative to economic activity? It is because the amount of tax

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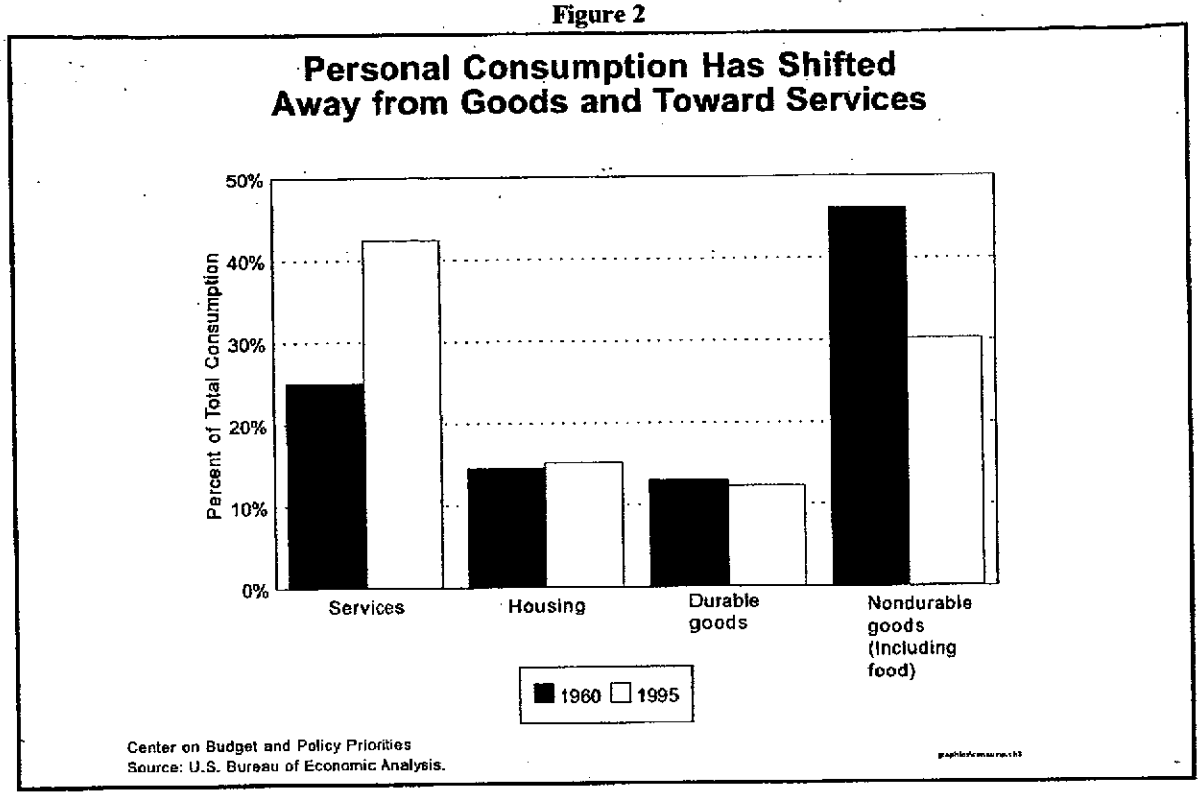
[2] The term "sales tax" in this paper refers to general sales taxes as defined by the U.S. Bureau of the Census in its *Government Finances* series. This definition includes most retail sales and use taxes and taxes on gross income, but it excludes nominal business license taxes as well as taxes that are levied specifically on such items as alcohol, tobacco, insurance products, motor fuels, amusements, and utilities. In several states, the sales tax is known in statute, if not in common parlance, by another name. In Alabama, Arkansas, and New Mexico it is a "gross receipts tax", in Hawaii it is a "general excise tax", and in Arizona it is a "transaction privilege tax." Washington state levies two taxes that the Census Bureau considers sales taxes — a "retail sales tax" and a smaller "business and occupation tax." The retail sales tax exempts food purchases; the business and occupation tax does not. For this analysis, Washington is counted as a state that fully exempts food from the sales tax.

[3] These calculations are based on U.S. Census Bureau data on state tax collections, on U.S. Department of Commerce data on state personal income, and on historic data on state sales tax rates collected by John F. Due and John L. Mikesell in *Sales Taxation: State and Local Structure and Administration*, 2nd ed. (Washington, D.C.: Urban Institute Press, 1994), p. 45, updated to include more recent state sales tax rate changes.

Figure 2



revenue is determined not only by the tax rate but also by the "tax base" — the goods and services subject to taxation. Most states apply their sales taxes not to the full range of goods and services produced by the economy, but only to tangible goods. Most sales of services are untaxed.[4]

Data from the Federation of Tax Administrators show that the median state applies its sales tax to fewer than one-third of 164 potentially taxable categories of services. The disparate treatment of goods and services in many states results in unequal treatment in circumstances where a good and a service are close substitutes for one another. For example, one family may pay a sales tax on its purchase of a lawn mower while its neighbors pay no sales tax on the lawn-care service they hire. A person may pay a sales tax when purchasing exercise equipment but pay no sales tax on the cost of attending an aerobics class. Beyond the inequality, this disparate treatment of goods and services also blunts the effectiveness of the sales tax as a revenue source.

As the United States shifts to a service-oriented economy, the typical state's sales tax base is gradually shrinking as a portion of total consumption. As Figure 2 shows, spending on services has displaced spending on various types of goods. The percentage of consumer

[4] Three states — Hawaii, New Mexico, and South Dakota — do tax most services through their general sales taxes.

dollars spent on services rose from 25 percent in 1960 to 42 percent in 1995. Spending on non-durable goods such as clothing and food fell from 46 percent to 30 percent of total consumption, and spending on durable goods such as cars and furniture declined from 13 percent to 12 percent of total consumption.

Because sales tax bases typically are tied to the declining consumption of tangible goods rather than to the increasing consumption of services, the yield of each percentage point of the sales tax rate has been falling.[5] As a result, without periodic increases in tax rates, sales tax revenues in most states cannot keep pace with the growth in the economy. As the National Conference of State Legislatures and the National Governors' Association note in their 1993 report *Financing State Government in the 1990s*, "The absence of services from the tax base erodes the vitality of the sales tax and confronts state officials with the prospect of increasing tax rates to maintain current levels of revenue."[6] Although states have made incremental improvements in taxing services, political obstacles make it likely that many states will continue to exempt most services for some time.

Taxation of Food Exacerbates Lagging Revenue Growth

A sales tax that excludes services is further vulnerable to erosion when it includes food.[7] Figure 3 shows that during the last few decades, spending on food as a percentage of total consumption fell even more rapidly than spending on other tangible total consumption spending in 1960 to eight percent in 1995, a decline of more than half goods. The decline in purchases of food for home consumption — from 17 percent of — was far more precipitous than the decline of about one-fourth in spending on other non-durable goods and the decline of about one-tenth in spending on durable goods.

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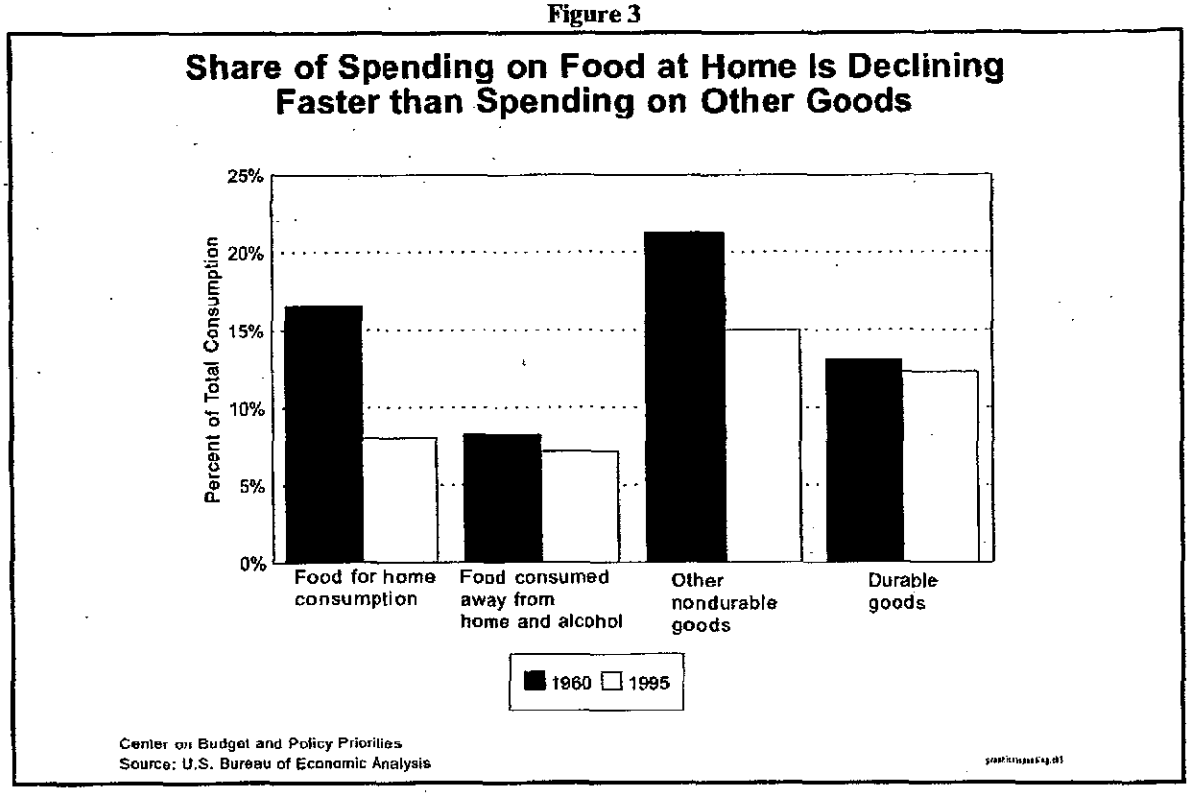
[5] In addition to the shift in consumption patterns from goods to services, a small part of the reduction in yield may be explained by new exemptions created by state legislatures. A few states, for instance, enacted exemptions for food after 1974. But most of the present food exemptions were already in place in 1974. Moreover, several states have broadened their sales tax bases to include a number of specific services since the 1970s.

[6] National Conference of State Legislatures and National Governors' Association, *Financing State Government in the 1990s* (Washington, D.C., 1993), p. 34.

[7] In general "food" in this paper is defined as food purchased for home consumption. Nearly all states tax the purchase of restaurant meals, either through the general sales tax or through separate meals taxes. Most states also tax alcohol. The problems associated with the tax on food do not necessarily apply to taxes on meals or alcohol, so those taxes are not considered in this paper.

Figure 3



Thus, in the absence of increases in a state's sales tax rate, the revenue raised from the portion of a state sales tax levied on food would have declined commensurately, by about one-half as a share of economic activity.

Looking more specifically at the effect of consumption patterns on sales tax revenue, researchers Richard F. Dye and Therese J. McGuire of the University of Illinois used national data to consider how revenue growth would have been affected during a 20-year period if states had taxed various types of consumption under their state sales taxes. Dye and McGuire measured the growth of a "core" sales tax base, which includes the tangible goods taxed by most states but not food for off-premises consumption. They found that, on average, revenues from a sales tax levied on tangible goods without food would have grown by 2.16 percent a year above the rate of inflation. Dye and McGuire then considered how changes to the basic sales tax base would have affected the rate of revenue growth. They estimated that adding services and utilities to the sales tax base of tangible goods would have increased the annual growth rate of the base by 23 percent, bringing the revenue growth up to 2.66 percent after adjustment for inflation. But adding food rather than services would have reduced the growth of the base by 11 percent, reducing growth to an inflation-adjusted 1.93 percent.[8]

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[8] Richard F. Dye and Therese J. McGuire, "Expanding the Sales Tax Base: Implications for Growth and Stability," in William F. Fox, ed., *Sales Taxation: Critical Issues in Policy and Administration:*

(continued...)

Understanding revenue growth is much more than an academic exercise: The erosion of sales tax revenue poses a threat to the ability of state governments to pay for public services. As a state's economy and population grow, so does the cost of providing public services. As *Financing State Government in the 1990s* notes: "If structural problems prevent state tax revenues from growing in proportion to economic and population growth, the state would either have to cut spending repeatedly or raise tax rates to sustain spending in proportion to such growth."[9]

The Sales Tax on Food Places a Disproportionate Burden on Lower-Income Households

Despite the decline over time in the proportion of household income spent on food, food remains a large component of the budgets of the poor. Thus, sales taxes levied on food can impose a surprisingly large burden on poor families.

To purchase a nutritious diet at the grocery store, a family of four in 1997 in the continental United States must spend at least $4,950 per year, according to the U.S. Department of Agriculture. If a state's combined state and local sales tax rates total seven percent — a typical rate in states that tax food — the annual tax bill on that family's grocery purchases would be about $347. For a family at the poverty line, the tax paid on food is equivalent to about a week's wages.[10] Were it not for the tax, the family could buy an additional 3.5 weeks' worth of groceries.

High taxes on poor people are common in state tax systems, particularly in states that rely heavily on sales taxes and other consumption taxes. Consumption taxes are regressive; in other words, they place disproportionately heavy tax burdens on low- and middle-income families. This regressiveness is characteristic of sales taxes and other consumption taxes because as a household's income increases, a smaller

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[8] (...continued)
(Westport, Conn.: Praeger, 1992).

[9] National Conference of State Legislatures and National Governors' Association, p. 7.

[10] This calculation assumes that the family does not receive food stamps, since federal law bars taxation of food purchased with food stamps. See "Food Stamp Purchases Provide Only Partial Exemption from the Sales Tax" on page 7 for fuller discussion of this issue.

Food Stamp Purchases Provide Only Partial Exemption from the Sales Tax

The federal food stamp program provides many low-income families with vouchers or electronic accounts with which to buy groceries. Under federal law, states may not charge sales tax on food purchased with food stamps. The law thus protects many low-income families from some of the tax on food.

For most poor families, however, the food stamp exemption covers only a portion of all grocery purchases; taxable cash expenditures remain a major portion of families' total food spending.

- Food stamp recipients are expected to spend 30 percent of their own income (both earned income and payments like Social Security, minus certain deductions) on groceries. Fewer than one-quarter of food stamp recipients have no "countable" income to spend and thus receive the maximum food stamp benefit amount. For the rest, food stamps cover only the difference between 30 percent of the recipient's income and a specified minimum grocery budget based on family size. Most households participating in the program consequently spend a significant portion of their cash income on food, both because they receive less than the maximum food stamp allotment and because the specified minimum budget may be less than the actual cost of purchasing sufficient food for their families.

- In addition, many poor people sufficiently needy to qualify for food stamps do not receive them because they do not know they are eligible, because they are embarrassed to be seen using food stamps, or for some other reason. According to U.S. Department of Agriculture estimates for 1995, of the 15.5 million households that met the income and asset standards for the program, about 33 percent did not apply. Other families with incomes low enough to qualify for the program may be disqualified because they own cars or other items whose value exceeds the program's strict limit on assets.

In addition, the Congressional Budget Office estimated that the 1996 welfare law would reduce total food stamp benefits by almost one-fifth below what they otherwise would have been by the year 2002. Under the law, food stamps have been denied to more than half a million adults and children who reside legally in the United States. More than 400,000 jobless adults between the ages of 18 and 50 who previously would have been eligible for food stamps are now ineligible. In addition, other changes are gradually reducing food stamp benefits to the working poor, the elderly, and others in poverty. Assuming those families compensate for the lost food stamp benefits by spending more cash on groceries, their exposure to sales taxes on food will increase commensurately.

Federal law also bars taxation of food purchased with vouchers from the Supplemental Nutrition Program for Women, Infants and Children, but these WIC vouchers cover a much smaller share of low-income families' food purchases than do food stamps.

proportion of income is consumed and more is saved and invested. The particular structure of state sales taxes, with high reliance on consumption of tangible goods,

aggravates this problem. Less well-off families spend a higher proportion of their income on tangible (i.e., taxable) goods than do wealthy families. On the other hand, higher-income families not only save more of their income but also spend a higher proportion of their income on some types of services than do families with more modest resources.

A study of the distribution of state and local taxes on non-elderly married couples shows that low-income families pay an average of 12.5 percent of their income in state and local taxes, including 3.5 percent in general sales taxes, while the highest-income families pay an average of 7.9 percent of their income in state and local taxes, including 0.7 percent in general sales taxes. This regressiveness varies considerably by state, however. There are four states in which the overall tax systems are flat or progressive by some measures; in these states higher-income families pay at least as high a percentage of income in state and local taxes as do lower-income families. Two of the states with flat or progressive state and local taxes have no sales taxes at all. These two states are Delaware and Montana. The two other states, California and Vermont, have highly progressive income taxes that largely offset the effects of sales taxes and other regressive state and local taxes.[11]

Consumer Expenditures on Food

Sales taxes are generally the most regressive component of state and local tax systems, and taxation of food heightens the regressivity. To understand the role of food taxes in making the overall sales tax regressive, it is useful to examine how average families in various income brackets spend their money. Data from the U.S. Department of Labor's Consumer Expenditure Survey, the nation's largest survey of consumer spending patterns, show that low-income families spend a higher percentage of their incomes on food than do wealthier families. An average three- or four-person household with income between $10,000 and $19,999 spends about $3,200 a year on food consumed at home, which represents 21 percent of its income. (See Table 1.) A household with income between $30,000 and $39,999 spends about the same $3,200 a year on food, but that expenditure represents only nine percent of its income. A household with income of more than $70,000 spends about $4,500 or four percent of its income on food.

[11] Citizens for Tax Justice and the Institute on Taxation & Economic Policy, *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States* (Washington, D.C., 1996).

Table 1
Annual Consumer Expenditures by Household Income for Households of Three and Four, 1994-95

Household income	$10,000 to $19,999	$20,000 to $29,999	$30,000 to $39,999	$40,000 to $49,999	$50,000 to $69,999	$70,000 and over
Food for home consumption						
Average spending	$3,190	$3,230	$3,240	$3,770	$4,030	$4,460
Percent of income	*21%*	*13%*	*9%*	*8%*	*7%*	*4%*
Other tangible goods						
Average spending	$7,900	$10,100	$12,500	$14,700	$16,600	$22,400
Percent of income	*53%*	*41%*	*36%*	*33%*	*28%*	*21%*

Note. Spending amounts for income groups shown may be underestimated for all income classes; see the Appendix for a discussion of this and other shortcomings in the data source. "Other tangible goods" include purchased meals, alcohol, tobacco, housekeeping supplies, household furnishings and equipment, clothing, vehicle purchases, gasoline and motor oil, televisions and other entertainment equipment, toys and playground equipment, personal care products and reading materials. These line items represent a typical state sales tax base.

Source. U.S. Bureau of Labor Statistics, *1995 Consumer Expenditure Survey* (Washington, D.C., 1997).

Other types of consumption that make up the sales tax base also are distributed unequally between rich and poor, but not as unequally as food purchases. Table 1 shows that spending on non-food tangible goods — the typical components of a sales tax such as clothing, appliances, and household items — rises more rapidly than spending on food as incomes rise. An average household of three or four with income between $10,000 and $19,999 spends 53 percent of its income on non- food tangible goods, while the household with income exceeding $70,000 spends 21 percent of its income on such goods.[12]

[12] The Consumer Expenditure Survey calculates food spending from biweekly surveys and quarterly interviews with a large sample of individual consumers. The data reported in those interviews are subject to a variety of types of error. (See the Appendix for further discussion.) In particular, data for the very lowest income class, covering those with incomes less than $10,000, may be misleading, partly because this class includes households that are temporarily without income — for instance because of layoffs or business losses — but whose spending patterns may reflect the middle- or upper-class incomes to which they are accustomed. The CES also tends to underreport spending by households of all income levels. Nonetheless, the CES is used widely by academics, state research agencies, and others to understand sales tax incidence because it is the only available source of data on consumption patterns

(continued...)

Relative to income, the average family in this low bracket spends five times as heavily on food as the average family in the top bracket but only 2.5 times as heavily on other goods.

Evidence from State Tax Studies

A number of studies examined the potential impact of taxing food in specific states. In Nevada, food and a number of other items are exempt from the sales tax. Bradford Case and Robert D. Ebel, in an analysis performed for a tax study commission in Nevada, found that Nevada households with annual incomes of $5,000 to $9,999 paid 1.2 percent of their income in sales taxes, while residents with income of $40,000 or more paid sales taxes equal to 0.4 percent of income. Case and Ebel also looked at the potential effect of adding food to Nevada's sales tax base. As Table 2 shows, expanding Nevada's sales tax base to include groceries would increase the sales tax burden of the lower-income group by more than half but increase the payments of the wealthier group by only about one-fourth. Case and Ebel studied nine other possible
expansions of the sales tax base and found that none would increase the tax's regressiveness as much as the inclusion of food.[13]

The Nevada analysis did not include the effects of a 1985 federal law barring states from applying the food tax to purchases made with food stamps. Since most recipients of food stamps are poor, some analysts argue that this law reduces the regressiveness of the sales tax on food. The ban on taxation of food purchased with

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[12] (...continued)
by income class. Some analysts adjust the raw data to overcome its flaws and meet the particular needs of their analyses. For example, the comprehensive tax model developed by the Institute on Taxation & Economic Policy uses the CES but makes adjustments to account for the lack of reliable income and consumption data for consumers at the top of the income scale, apparent misreporting of income among consumers at the bottom of the income scale, missing data from consumers who did not participate in the survey for each of the quarterly interviews, and state-by-state variations in consumption of particular items such as utilities and tobacco. Whether or not such adjustments are made, however, published analyses agree that the sales tax on food is more regressive than the sales tax on other goods.

[13] Bradford Case and Robert D. Ebel, "Using State Consumer Tax Credits for Achieving Equity," *National Tax Journal* 42(3) (1989). The percentages reported here actually reflect the combined effect of two independent tax changes: expanding the sales tax base to include food and raising the rate of an existing tax on hotel lodgings. Case and Ebel's analysis did not separate the effects of those two changes. But their data suggest that the hotel tax increase would be paid mostly by tourists, so for typical Nevada residents, except perhaps for those at very high income levels, the cost of the hotel tax would be almost imperceptible. Had Case and Ebel separated the effects of the two taxes, the difference in the effects of the food tax on low- and high-income households would have appeared slightly more dramatic.

Table 2
Potential Effect of Expanding the Nevada Sales Tax to Include Food: Taxes as a Percentage of Income

Gross Income Group	Current Sales Tax Payment (Food Exempt)	Tax on Food	Total Tax (Including Food)
Taxpayers with incomes of $5,000 to $9,999	1.2%	0.7%	1.9%
Taxpayers with incomes of $40,000 or more	0.4%	0.1%	0.5%

Source: Case and Ebel, 1989.

food stamps is not sufficient, however, to alter substantially the regressive effect of the sales tax on food. (See box on page 7.)

A "micro-simulation" model developed by the Institute on Taxation & Economic Policy to evaluate the effects of state tax systems on families at various income levels takes account of untaxed food stamp purchases.[14] A 1997 ITEP study looked at the effect of Arkansas' sales tax, which includes food, on households of different income levels. The ITEP study found that groceries accounted for a much larger share of taxable purchases for low-income than for higher-income Arkansas taxpayers. Groceries accounted for 29 percent of total sales tax liability for the poorest one-fifth of Arkansas households, but just 18 percent of sales tax liability for the wealthiest one-fifth of households.[15] The higher share of consumption devoted to food adds to the tendency of lower-income families to spend a larger share of total income on consumption than higher-income families. As a result of the interaction of these two factors, the sales tax on food absorbs 1.1 percent of income for the poorest one-fifth of Arkansas families but only 0.3 percent of income for the highest-income one-fifth. As Table 3 shows, the general sales tax on individuals is 2.5 times as burdensome on the

[14] ITEP's micro-simulation model includes data on incomes, demographics, consumption patterns, and other attributes of a representative cross-section of actual households in each state. These data are used to simulate the effects of a tax change on the sample households. The effects on the individual sample households are then combined to yield the effect on taxpayers.

[15] Unlike the nationwide ITEP study described on page 8, the Arkansas study describes the tax burdens on all Arkansas taxpayers, including unmarried individuals and the elderly.

Table 3
Potential Effect of Exempting Food from the Arkansas Sales Tax:
Taxes as a Percentage of Income

Arkansas Gross Income Group	Current Sales Tax Payment (Includes Food)	Tax on Food	Sales Tax with Food Exempt
Bottom one-fifth of taxpayers (less than $10,000)	4.5%	1.1%	3.4%
Top one-fifth of taxpayers (more than $47,000)	1.7%	0.3%	1.4%

Source: ITEP, 1997.

poor as on the wealthy, while the tax on food is almost four times as burdensome on the poor as on the wealthy.[16]

Like the studies in Nevada and Arkansas, other state-specific studies have found that expanding the sales tax to include food makes the tax more regressive, while eliminating food from the sales tax makes it less regressive. Examples include the 1988 *Nebraska Comprehensive Tax Study* and the 1986 *Final Report of the Minnesota Tax Study Commission.* The Nebraska study found that a family of four in the second decile of the income distribution would pay an effective sales tax rate on food more than eight times as great as would a comparable family that was among the wealthiest families in the state.[17] By contrast, the existing Nebraska sales tax is only about three times as high on lower-income families as on upper-income families. The Minnesota study similarly found that taxing food would make the state's tax system more regressive.

John F. Due, who co-wrote a portion of the Nebraska study, and John L. Mikesell, who contributed to the Minnesota study, cited those analyses in their 1994 book-length overview of state sales taxes. They concluded that exempting food from the sales tax makes the tax less regressive because "lower-income groups spend relatively higher percentages of their income on food than do those in the upper income groups."[18]

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[16] Robert S. McIntyre, Michael P. Ettlinger, and Robert G. Lynch, *Building a Better Arkansas Tax System: Evaluating the Options,* (Washington, D.C.: Institute on Taxation & Economic Policy, January 1997).

[17] The Nebraska study found that a tax on food would cost a Nebraska family of four in the second-poorest decile of the income distribution an additional 2.51 percent of its income, while it would cost a family in the second-wealthiest decile an additional 0.32 percent of its income.

[18] Due and Mikesell, pp. 77-78.

Looking at all 50 states, a study by Citizens for Tax Justice and the Institute on Taxation & Economic Policy found that sales taxes tended to be more regressive in states that tax food than in states that did not tax food. The study identified 12 states in which the sales tax was particularly regressive in 1995 and found that 10 of those states taxed food. In the remaining 33 states in which the sales tax was somewhat less regressive, only eight taxed food while the other 25 did not.

This analysis highlights the two main reasons that states should consider reducing or eliminating sales taxation on food. If food is included in the sales tax base, the sales tax becomes significantly more regressive. In addition, the taxation of food is a drag on the growth rate of state tax revenue relative to economic growth.

II. Exempting Food from the Sales Tax

The analysis in the preceding chapter suggests that state and local revenue systems could be improved by exempting food from the sales tax. There is, however, considerable controversy over whether an exemption for food is the most effective and efficient way to relieve burdens on lower-income households and maintain adequate revenues.

Doubts typically have centered around three issues.

- Can the state afford to exempt such a large share of consumption purchases — in either the short or the long run — without raising its general sales tax rate?

- Do low- to moderate-income families — including those who receive federal food stamps — reap a significant portion of the benefits from a food exemption? Or does the exemption largely benefit the more expensive food items purchased by higher-income residents (the "caviar effect")?

- Is the exemption worth the administrative difficulties it creates?

Most states do exempt food and generally have found positive answers to these questions.

- As noted in the previous chapter, a sales tax that exempts food tends to grow more rapidly without rate increases than a sales tax that includes food. As a result, the historical record suggests that rate increases have been less frequent in states exempting food than in states taxing food.

- An exemption is the most certain way to provide relief from the food tax to lower-income households, without the barrier of application procedures. As discussed below, states can use income taxes or other taxes to recoup the taxes that higher-income households would have paid on food purchases.

- Finally, all sales tax exemptions create potential problems for tax administration. States can minimize the difficulties of administering a food tax exemption by adopting categories and classifications already in use for the federal food stamp program and by using uniform state and local tax bases.

The Impact on State Revenues and Tax Rates

History shows that at least half of the states have regularly met their revenue needs without taxing food; 25 states plus the District of Columbia have exempted food since the 1970s or earlier. But from the early 1980s until Georgia's 1996 enactment of a phased-in exemption, the movement to exempt food stalled. Indeed, the number of states taxing food increased during this period as three states chose to tax food as a way to plug budget gaps: West Virginia repealed its food tax exemption; Louisiana enacted a series of "temporary" taxes on food; and Illinois instituted a food sales tax at a rate lower than its general sales tax.[19] These additions brought the number of states that tax food at the state level to 20. (In addition to those 20 states, Alaska, Arizona, and Colorado allow local governments to tax food.)

Food purchases remain an important part of many states' actual or potential sales tax bases, and exempting food from the sales tax does take a large bite out of a state's revenue stream. According to a Department of Agriculture estimate, consumers in 1994 paid $4.7 billion in direct state and local sales taxes on food for home consumption — an amount equal to 1.4 percent of all food purchases nationwide that year and, of course, a much larger share of food purchases in the states that tax food.[20] A 1992 National Conference of State Legislatures survey found that in states that taxed food revenue from the food tax equaled anywhere from five percent to 30 percent of a state's total sales tax revenues; on average, food provided about 15 percent of sales tax revenue in states that taxed food. In the states that now tax food, policymakers would have to weigh the substantial revenue loss that would result from the complete exemption of food when choosing strategies to ease the food-tax burden. In states that now exempt food, the amount of revenue that could be gained by reinstating the tax would be somewhere between eight percent and 30 percent of current sales tax revenues and would average about 16 percent of revenue.[21] The cost of the exemption makes adding food to the sales tax a tempting option for legislators seeking new revenues.

Tax Rates and Tax Rate Changes

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[19] In the early 1980s, Illinois set the sales tax rate for food (as well as certain other categories of goods) at zero percent, effectively exempting food. The rate for food was raised to one percent in 1990.

[20] U.S. Department of Agriculture, Economic Research Service, unpublished data from the ERS food expenditures model.

[21] Arturo Perez, "Food Purchases Add Weight to State Sales Tax Collections," *The Fiscal Letter* (National Conference of State Legislatures), May/June 1992.

Some analysts have suggested that the revenue lost by exempting food tends to force the general sales tax rate upward, largely wiping out the benefits of the exemption for low- and moderate-income families.[22] The evidence for such an assertion is mixed, as Table 4 shows.

- States that exempt food do tend to have higher state sales tax rates than states without food exemptions. For 1996, the unweighted average of state sales tax rates for states that tax food was 4.6 percent, as compared with 5.5 percent in states that exempt food, a difference of 0.9 percent. This difference may have reflected states' need to compensate for revenue lost owing to the food exemption. Alternatively, it may have resulted because many of the states that tax food — mostly Southern and mountain states — generally impose relatively low taxes and provide relatively low levels of public services. In these states the lower sales tax rates may have reflected less effort to raise revenues. In addition, the average tax rates exclude local government sales taxes, which are more common and raise relatively more revenue in states that tax food than in states that exempt food.[23]

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[22] See, for example, Roy W. Bahl and Richard Hawkins, "Does a Food Exemption Lead to a Higher State Sales Tax Rate?" *State Tax Notes*, January 5, 1998.

[23] Of the 17 states that fully taxed food at the state level from 1984 to 1996, 14 permitted local sales taxes; in those 14 states, U.S. Census data for 1994 show that the local sales taxes raised about one-third as much revenue as the state taxes. Of the 25 states that fully exempted food at the state level, 15 permitted local sales taxes; in those 15 states, local sales taxes raised about one-fifth as much revenue as the state taxes.

Table 4
State Sales Tax Rates in 1984 and 1996 by Presence of Food in Sales Tax Base

States That Exempt Food	1984	1996	Change	States That Fully Tax Food	1984	1996	Change
Texas	4%		2.25%	Oklahoma	2%	4.5%	2.5%
Michigan	4	6	2	Kansas	3	4.9	1.9
California	4.75	6	1.25	Tennessee	4.5	6	1.5
Rhode Island	6	7	1	New Mexico	3.75	5	1.25
Maine	5	6	1	Mississippi	6	7	1
Kentucky	5	6	1	South Carolina	4	5	1
Florida	5	6	1	Georgia[a]	3	4	1
Vermont	4	5	1	North Carolina[a]	3	4	1
North Dakota	4	5	1	Wyoming	3	4	1
Iowa	4	5	1	Idaho	4.5	5	0.5
Nebraska	4	5	1	Arkansas	4	4.5	0.5
Nevada	5.75	6.5	0.75	Virginia	3	3.5	0.5
Minnesota	6	6.5	0.5	Utah	4.625	4.875	0.2
Washington	6.5	6.5	0	Missouri[a]	4.125	4.225	0.1
Pennsylvania	6	6	0	South Dakota	4	4	0
New Jersey	6	6	0	Hawaii	4	4	0
Wisconsin	5	5	0	Alabama	4	4	0
Ohio	5	5	0				
Indiana	5	5	0				
Arizona	5	5	0				
Maryland	5	5	0				
Massachusetts	5	5	0				
New York	4	4	0				
District of Columbia	6	5.75	-0.25				
Colorado	3.5	3	-0.5				
Connecticut	7.5	6	-1.5				
Average in states that exempt food	5.04	5.52	0.48	Average in states that fully tax food	3.79	4.62	0.82

Note. Not shown are five states (Alaska, Delaware, Montana, New Hampshire, and Oregon) with no state sales taxes and three states (Illinois, Louisiana, and West Virginia) that changed their treatment of food in the general sales tax between 1984 and 1996. Rates and exemptions shown are as of January 1 of each year.

[a] Georgia, Missouri and North Carolina have reduced their sales taxes on food since 1996.

Sources. Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism* (Washington, D.C., 1985); Commerce Clearing House, *State Tax Guide* 1996 (Chicago, Ill).

- Moreover, the sales tax rate gap between states that do and do not tax food is narrowing. In a recent 12-year period, the average food-tax state increased its general sales tax rate more frequently and more steeply than the average state that exempted food. Of the 17 states that fully taxed food throughout the 1984-to-1996 period, all but three increased their general sales tax rates. Of the 25 states plus the District of Columbia that maintained sales tax exemptions for food during that time, just half (13 states) raised rates. And while the average rate increase in the 17 states that fully taxed food was 0.8 percentage points, the average increase for the states with food exemptions was less than 0.5 percentage points.

Why have states that tax food tended to raise their rates more than other states? One possibility is that the rate changes were responses to slow growth in the sales tax base. As discussed in Chapter I, from 1970 to 1996 state sales tax rates nationwide increased from an average of 3.5 percent to more than five percent, but the actual revenue collected rose much more slowly, from 1.8 percent to 2.2 percent of personal income. As noted in Chapter I, research suggests that slow revenue growth is more pronounced in states that tax food because food acts as a drag on the sales tax base.

Many states that tax food recognize the failure of their sales taxes to keep pace with economic growth. State fiscal expert Steven D. Gold asked state tax officials in 1993 to estimate the percentage increase in sales tax revenue, barring legislative action, for every one-percent expansion of the state economy — a statistic that economists call "elasticity." Of the officials that responded, those in states that taxed food generally predicted that their sales tax revenues would grow more slowly than the economy. By contrast, officials in states that exempted food from the sales tax generally predicted that tax revenue would grow at close to the same rate as the economy or faster. Table 5 provides details.[24]

Revenue Stability

Some states may choose to tax food because it adds stability to the sales tax base. Taxing food reduces the extent to which sales tax revenue rises and falls with the business cycle. Hence, the argument goes, including food in the sales tax base reduces the need for tax hikes or program cuts during recessions. Since food is a necessity rather than a luxury, it makes sense that families would make purchases of food a priority even during recessions.

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[24] Steven D. Gold, *The Income Elasticity of State Tax Systems: New Evidence* (Albany, NY: Center for the Study of the States, Nelson A. Rockefeller Institute of Government, State University of New York, 1995).

Table 5
Tax Officials' Estimate of State Sales Tax Growth Relative to Economic Growth, 1993

	Number of States			
State Sales Treatment of Food	Revenue Grows Slower than Economy (Elasticity Below 0.95)	Revenue Grows as Fast as Economy (Elasticity of 0.95 to 1.05)	Revenue Grows Faster than Economy (Elasticity Above 1.05)	Average Elasticity
Tax food	8	2	1	0.87
Exempt food	6	7	4	0.97

Note. Not all states reported results. This table excludes three states (Hawaii, New Mexico, and South Dakota) that tax food and also tax most services; the officials' responses in those states reflect the stronger revenue growth resulting from taxing the services that are the growing sector of consumption.

Source. Center on Budget and Policy Priorities calculations based on survey of state revenue departments and legislative fiscal offices by the Center for the Study of the States.

The stability added by taxing food must be weighed, however, against the additional regressivity from taxing food. High tax burdens on low-income households are particularly problematic during a recession, when more people become unemployed and poor. The added stability obtained during recessions from taxing food must also be weighed against the drag that food taxation exerts on total sales tax revenue growth during healthier economic times.

Taxing food is far from the only way states can weather recessions. States have a number of options for maintaining revenue stability. For instance, states can broaden their sales tax base to include a variety of services and utilities; in general, the more diverse a tax base, the more stable it is during a recession. University of Illinois researchers Richard Dye and Therese McGuire estimated the "variability" of various sales tax bases as a percentage of revenue over a 20-year period in an average state. They found that adding food to a narrow, tangible-goods sales tax base results in about the same improvement in stability as adding services and utilities: both alternatives reduce variability to the same degree. But the impacts on growth are quite different: adding services and utilities to the sales tax base improves sales tax revenue growth, while adding food reduces revenue growth.[25]

States can also make better use of "stabilization" or "rainy-day" funds, in which states save money in good times so that they can withdraw funds to support budgets in future recessions. All but five states and the District of Columbia have such funds, although not

[25] Dye and McGuire, p. 175.

all states maintain the recommended balances of at least five percent of spending in these funds. At the end of fiscal year 1997, following a number of years of strong economic growth, only 11 such funds contained an amount equal to at least five percent of general fund appropriations; the average was 3.5 percent.[26] A state with an appropriately funded stabilization fund can compensate for the somewhat greater variability of sales tax revenues over the business cycle that results from exempting from sales taxation.

Will an Exemption Benefit Low- and Moderate-Income Families?

Chapter I reviewed the evidence that low- and moderate-income families spend higher portions of their income on food than wealthy families. It follows that the largest proportional benefits of a sales tax exemption for food are received by families with low or moderate incomes. As Table 1 in Chapter I shows, an average three- or four-person household with an annual income of $10,000 to $19,999 may be expected to spend about 21 percent of earnings on food, while a family earning more than $70,000 may be expected to spend four percent of income on food. An exemption of food from the sales tax thus would provide five times as much benefit, relative to income, to a lower-income family as to a higher-income family. It should be noted, however, that the full differential would not apply to a poor family that purchased a significant portion of its food using food stamps provided by the federal government because since 1985 Congress has barred states from imposing the sales tax on food stamp purchases. On the other hand, many low-income working families do not receive food stamps, and food stamps do not cover all of a family's food purchases. Despite the federally mandated exemption of food purchased with food stamps, a full exemption of food from state and local sales tax benefits low- and moderate-income working families disproportionately.

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[26] The jurisdictions without stabilization funds are Arkansas, the District of Columbia, Hawaii, Illinois, Montana, and Oregon. Corina Eckl, "States Broaden the Scope of Rainy Day Funds," *The Fiscal Letter*, 17(2), (March/April 1995). The 11 states with five percent or more in their funds in 1997 were Alaska, Delaware, Indiana, Iowa, Maryland, Michigan, Minnesota, Mississippi, Nevada, Ohio, and Oklahoma. National Conference of State Legislatures, *State Budget Actions 1997* (Denver, 1997), p. 35.

Georgia's Food Exemption: Who Will Pay the Price?

Under recent legislation, Georgia reduced its tax on food for home consumption from the four percent general sales tax rate to two percent on October 1, 1996, and then to one percent on October 1, 1997. Taxation of food is scheduled to be eliminated on October 1, 1998. The exemption for food reduced tax receipts by $125 million in fiscal 1997 and will reduce revenue by $500 million annually — about four percent of total state revenue — when fully phased in. Local sales taxes enacted before October 1, 1996, and all special-purpose local sales taxes may follow the exemption at the option of the local government.

The bill was passed partly in response to complaints that Georgia's tax system was highly regressive. Georgia's income tax fails to redress this problem; it has a virtually flat rate structure and offers only a modest credit to offset the burden of other taxes on low-income taxpayers.

During the last two years, the state considered several ways to cut taxes other than exempting food from the sales tax. A legislative study commission recommended raising the personal exemption and standard deduction for the income tax; this change would have distributed the tax cut relatively evenly among families earning more than $15,000 but would have provided no relief to most families earning less than $11,000. (The personal exemption was increased in 1998.) The commission also recommended expanding the sales tax to include more services. A proposal to offer tax credits to property owners of up to $250 for property taxes paid to local governments passed the legislature in 1995 but was vetoed on the grounds that it violated the state constitution.

The exemption of food will make Georgia's tax structure somewhat less regressive and compares favorably with the alternatives considered at the time by the legislature. However, neither the governor nor legislative leaders have indicated how they will compensate for the $500 million in lost revenue. Even without the tax cut, the legislative study commission predicted in 1995 that revenues will grow more slowly than government expenditures for the rest of the decade, resulting in a $2.2 billion deficit — 14 percent of revenues — in the year 2000 unless changes are made.

The fiscal 1997 budget financed the initial reduction in sales tax revenue in part with large cuts to the state's Department of Human Resources, including cuts to programs for low-income families. Further cuts in these and other programs so far have been averted by unusually strong economic growth and caseload decline, circumstances that may or may not continue in future years. Unless the state finds other ways to compensate for the revenue loss, the effectiveness of the food exemption in providing relief to low-income households could be blunted.

Sources. "Final Report of the Joint Study Commission on Revenue Structure," reprinted in *State Tax Notes*, April 10, 1995. *Atlanta Journal and Constitution*, various articles.

A sales tax exemption is well targeted toward lower-income families in another way as well. To receive a tax reduction, a family need not file any forms. As discussed n the

next chapter, a filing requirement poses a significant barrier to lower-income families that are eligible to receive tax relief. In addition, with a sales tax exemption, a family need not wait for a refund to be processed; the benefits show up immediately in reduced weekly grocery bills. For families struggling to make ends meet or to remain off welfare, immediate tax relief may be more useful than a lump-sum credit that is received once a year.

Critics of a food-tax exemption note that because well-off families spend more *absolute* dollars on food than poor families — purchasing steak, exotic produce, and fancy cheese in addition to milk and bread — the majority of the benefits from a tax exemption go to families earning above the median income.[27] This criticism is true to some degree. The data in Table 1 show that an average family of three or four with income of at least $70,000 spent about $4,500 on food for home consumption, while a family with income between $20,000 and $29,999 spent less than $3,300. There are a variety of ways other than taxing food, however, in which a state can recover some or all of the income lost by exempting higher-income households from the food tax. For example, states can adjust their income tax rates or can tax services used primarily by higher-income residents.

Finally, the extent to which an exemption for food purchases under the sales tax benefits low- and moderate-income families may depend on how the state budget accommodates the revenue lost by exempting food. (See "Georgia's Food Exemption: Who Will Pay the Price?" on page 22.) If the revenue is replaced by making the income tax more progressive, for example, the exemption will benefit the low-income population. Similarly, if the lower revenue resulting from a food exemption is accommodated by reducing spending on programs that do not primarily assist low- and moderate-income households, it is likely that low-income households will receive the intended benefits of the food exemption.

Caution should be exercised, however, in considering proposals to pay for a food exemption by raising the general sales tax rate on the remaining items covered by the sales tax. Although states vary in the specific consumption items they tax, all state sales taxes — with or without a food tax — are regressive. The primary reason is that households at higher incomes levels tend to save more and consume less as a proportion of their income than do families at lower income levels. As a result, a dollar-for-dollar swap of a food exemption for a rate hike would lighten the tax load on low- and moderate-income families only slightly. If the revenue loss cannot be offset through substitution of income tax revenues or other progressive means, it might be possible to offset the revenue loss by broadening the tax base to include more services. Depending on the services included, expanding the sales tax base to include services could be a less regressive choice than raising the sales tax rate, and it would have the added benefit of increasing revenue growth.

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[27] Efforts to narrow the exemption to food "necessities" have tended to focus on taxing snack foods, a focus that creates administrative problems without necessarily improving the distributional consequences.

With most states in relatively solid fiscal condition, many state policymakers believe that tax cuts can be enacted without the need to enact offsetting tax increases or spending cuts. In effect, these states have already made the decision to cut taxes and are in the process of deciding which tax to cut. The taxes chosen for reduction will have a major impact on whether the resulting tax relief is targeted toward low- and moderate-income taxpayers or toward higher-income taxpayers. The tax systems of most states are already significantly regressive; that is, they take a larger proportion of the income of lower-income families than of more affluent families. This regressivity is largely because states derive about half of their revenues — 49 percent in 1995 — from sales and excise taxes. States that choose to cut top income tax rates or reduce income tax rates across the board will benefit higher-income taxpayers disproportionately and will exacerbate the regressive nature of state and local taxes. Alternatively, eliminating the sales tax on food can provide some tax relief to all taxpayers while giving low- and moderate-income taxpayers a higher proportion of benefits relative to income.

Administrative Issues

Difficulty of administration is a third issue sometimes cited as a problem associated with exempting food from the sales tax. Sales tax exemptions can create headaches for tax administration because they lead to classification and compliance problems. For example, New York (like many other states) exempts food but taxes candy and many soft drinks. State administrators have interpreted this law to mean that chocolate-covered peanuts and large marshmallows are taxed but plain peanuts and small marshmallows are not.[28] Retailers often object to enforcing such fine distinctions. Similar problems arise from the need to differentiate food for home consumption from take-out meals, particularly since many grocery stores now offer take-out food.

One solution to this problem — the approach selected by Georgia, Missouri, and North Carolina — is to follow the classification system set up by the U.S. Department of Agriculture to identify items eligible for purchase under the federal food stamp program. Under federal law, food stamps may be used only to purchase "food," and the Department of Agriculture defines such items broadly to include most edible grocery store items, including snack food and non-alcoholic drinks but excluding prepared meals. The vast majority of grocery stores accept food stamps, and in most cases have programmed their store scanners to recognize which items are defined by the federal government as "food" and which are not. By piggybacking on the federal definition, states should find it

[28] Steven D. Gold, "Simplifying the Sales Tax: Credits or Exemptions?" in William F. Fox, ed., *Sales Taxation: Critical Issues in Policy and Administration* (Westport, Conn: Praeger, 1992), p. 162.

relatively easy to determine what counts as food and what does not, and most stores should find it relatively easy to determine which purchases to tax and which not to tax.[29]

Another practical barrier to exempting food is the practice in most states of "piggybacking" local sales taxes onto the state-defined sales tax base. Of the 20 states that tax food at the state level, 17 allow local governments to levy sales taxes. In 13 of those states, the local sales tax base is required by law to conform to the state tax base. In the other four states, conformity is the traditional practice but is not required by state law. (See Table 6.) Conformity makes the sales tax easier to administer and easier for retailers to collect.

But conformity also means that if a state chooses to exempt food, local governments stand to lose a significant amount of revenue. In many of the states that tax food, local governments depend heavily on sales taxes; the average city or county in Alabama, Oklahoma, and Louisiana, for instance, derives over one-third of its tax revenue from general sales taxes. Those local governments may object vigorously to losing the portion of tax revenue that comes from taxing food, especially because state law often constrains the revenue options available to localities.

At the same time, high local sales taxes mean that a state-only exemption would go only partway toward lifting the food-tax burden on residents. In some places (certain cities in Alabama and Louisiana, for instance), a state exemption would eliminate less than half of the total tax on food. Exempting food at the state level thus often requires a legislature to weigh carefully the fiscal difficulty of lost revenue for local governments, the practical difficulty of administering different state and local sales tax bases, and the possibility that a state-only exemption might reduce benefits to families.

One compromise to the state/local dilemma — the alternative selected by Georgia — is to allow local governments to choose as a local option whether to tax groceries. Such a compromise, however, may provide more relief to the wealthy than to the poor. Localities with low-income residents may be unable to absorb the revenue loss and thus may keep the food tax, while those with wealthier residents may have a

[29] Georgia and Missouri are including some minor modifications to the food stamp rules. For instance, vending-machine food may not be purchased with food stamps but is covered by the Georgia and Missouri exemptions; on the other hand, vegetable seeds for gardening are eligible for food stamps but will continue to be taxed in Georgia.

Table 6
State and Local Sales Taxes and Exemptions for Food

	No State Sales Tax	State Sales Tax — Food Exempt	State Sales Tax — Food Not Exempt
No local sales tax	Delaware Montana New Hampshire Oregon	Connecticut Indiana Kentucky Maine Maryland Massachusetts Michigan New Jersey Rhode Island Vermont	Hawaii Mississippi West Virginia
Local sales taxes follow state law on food exemption		California Florida Iowa Minnesota Nebraska Nevada New York North Dakota Ohio Pennsylvania Texas Washington Wisconsin	Arkansas Georgia (until 1998[e]) Illinois[a] Kansas Missouri[b] New Mexico North Carolina[b] Oklahoma South Carolina Tennessee Utah Virginia Wyoming
Local governments have option to tax food	Alaska	Arizona Colorado Georgia (beginning in 1998)[e]	Alabama[c] Idaho[d] Louisiana[f] South Dakota[g]

Note. The District of Columbia has a sales tax that exempts food.
[a] Illinois taxes food at the state level at a lower rate than other goods. State law excludes food from the sales tax base for some local governments and includes it for others.
[b] Missouri and North Carolina tax food at lower rates than other goods. Food remains fully taxable under local sales taxes.
[c] Alabama cities must follow state law on exemptions. Counties may follow their own enabling legislation, but most follow state law.
[d] In Idaho the three cities with general sales taxes are not required to tax all goods taxed by the state sales tax, but none have specific food exemptions.
[e] Georgia taxes food at a lower rate than other goods. As of October 1, 1998, Georgia will exempt food from the state sales tax and from newly enacted local taxes. Local governments may choose whether to exempt food from sales taxes enacted before October 1, 1996.
[f] Louisiana taxes food at the state level at a lower rate than other goods. Local governments set their own sales taxes, but most tax food at the same rate as other goods.
[g] In South Dakota cities that choose to tax food are subject to a lower tax limit for food for consumption at home (one percent) than for other items (two percent).

Sources. Commerce Clearing House, *State Tax Guide.* Individual state revenue departments.

stronger tax base and therefore can afford to exempt food. An example is provided by Arizona, where three-fourths of the 81 cities tax food as a local option. A 1991 study showed that Arizona cities with lower per capita incomes were more likely to tax food. Thus, if an option is provided, cities with the largest concentrations of residents likely to benefit from a food exemption could be the least likely to choose the exemption.[30]

A better solution to the problem of local exemptions might be for the state to require exemption of food at the local level but to replace lost local revenue with increased state aid or to authorize an additional source of revenue for local governments, such as a sales tax on services or a local income tax.

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[30] Helen F. Ladd and Dana Weist, "General Sales Taxes," in Theresa J. McGuire and Dana Wolfe Naimark, eds., *State and Local Finance for the 1990s: A Case Study of Arizona* (Tempe, AZ: School of Public Affairs, Arizona State University, 1991).

III. Tax Credits to Offset the Sales Tax on Food

Despite the benefits of sales tax exemptions for food noted in the previous chapters, the public finance literature often views such exemptions as an expensive and ill-targeted instrument by which to improve the sales tax. The alternative most commonly suggested by tax experts is a targeted, refundable food-tax credit for low-income consumers. Credits do little or nothing to improve the growth of sales tax revenue over time. Instead, they address the second major problem with the sales tax on food — its regressiveness.

In theory, a food-tax credit can provide comparable benefits to low-income families at a substantially lower cost than a food exemption. A study in Minnesota, for instance, found that the state could create a broad sliding-scale credit, targeted to low-income families, for one-third the cost of its food exemption.[31] For practical reasons, it generally is not recommended that such a credit be tied to actual food purchases. Rather, credits generally are based on a fixed per-family or per-person amount, sometimes adjusted the basis of family income. Even so, the ability to target can provide substantial benefits to low- and moderate-income families at a relatively low cost.

Credits can have other benefits. A credit for groceries can be targeted directly to residents of a state, while an exemption for groceries may provide benefits to a significant number of out-of-state visitors as well (especially in a major tourist state). Furthermore, a credit avoids the complication of ensuring that retail stores properly distinguish between food and non-food items.

States' Experiences with Credits to Offset the Food Tax

In practice, credits have performed less well than their theoretical promise. Four states — Georgia, Hawaii, Idaho, and Oklahoma — now offer modest credits on income tax

[31] Steven D. Gold, "Simplifying the Sales Tax: Credits or Exemptions?" p. 160.

returns designed explicitly to offset some part of the grocery sales tax; the credits are "refundable" so that families with no income tax liability may nonetheless claim the credits.[32] Three other states — South Dakota, Wyoming, and Kansas — offer direct rebates that are administered outside of an income tax. Table 7 shows the structures of these credits. The experiences of states that have created credits or rebates to offset the sales tax on food have raised a number of issues.

- Will a state structure the credit to provide significant relief to low-income households?
- Will the credit reach all or nearly all of its intended recipients, including households that otherwise would not be required to file income tax returns?
- Can the credit be sustained over time, including periods in which tight fiscal conditions make it an attractive target for cutbacks?

Structuring the Credit

Existing credits and rebates designed to offset the sales tax often fail to provide significant relief for many low-income families. To offset fully the sales tax on food for the low- and moderate-income families on which it imposes a significant burden, a credit or rebate should meet two tests. First, it should be available to all poor and near-poor individuals and families who are exposed to the tax. Second, it should be large enough to offset the sales tax on a family's grocery purchases. None of the seven states now administering sales tax credits or rebates meet these two tests.

Credits Are Not Available to All Low- and Moderate-Income Households

In five of the seven states, the credit or rebate is so narrowly targeted that it is unavailable to many needy families; the exceptions are Hawaii, where all residents are

[32] Until recently, New Mexico and Vermont also had tax credits designed to offset sales taxes, but these have been repealed in both states. Louisiana has had a provision on the books since 1984 providing a $50 per person credit or rebate to those deemed "certified poor," but this provision has never taken effect; see Steven D. Gold and David S. Liebschutz, *State Tax Relief for the Poor*, 2nd ed., (Albany, NY: Nelson A. Rockefeller Institute of Government, 1996), p. 88.

Table 7
States with Refundable Credits or Rebates to Offset Food or Other Sales Taxes, Tax Year 1995

State (General Sales Tax Rate)	Rebate or Income Tax Credit	Amount of Credit	Major Eligibility Requirements	Annual Cost to State
Hawaii (4%)	Credit	$27 per exemption	Available to all residents	$24 million (calendar year 1995)
Oklahoma (4.5%)	Credit	$40 per exemption	Gross household income < $12,000; for welfare recipients, credit is folded into monthly payment	$13.4 million[a] (calendar year 1995)
Idaho (5%)	Credit	$15 per individual ($30 for elderly)	Available to all residents *except* non-elderly households with income lower than state income tax filing requirement ($5,400 for married filing jointly)	$18.2 million (calendar year 1996 estimate)
Georgia (4%)	Credit	$5 to $26 per exemption	Income < $20,000	$15 million (fiscal year 1995-96)
South Dakota (4%)	Rebate (state has no income tax)	$46 to $258 for individual, $74 to $581 for household.	Elderly or disabled persons with household income < $12,000	$1.4 million (fiscal year 1995-96)
Wyoming (4%)	Rebate (state has no income tax)	Up to $500 for individual, $600 for married couple	Elderly or disabled persons with limited assets and with household income < $11,000 for joint filers, $7,500 for single.	$1.7 million (fiscal year 1995-96)
Kansas (4.9%)	Rebate (separate from state income tax)	Up to $40 per head of household, $30 per dependent.	Families with children and elderly or disabled persons; income < $13,000.	$2.2 million (fiscal year 1994-95)

Note. Tax rates shown do not include local sales taxes.
[a] Includes $5.6 million paid directly to families through the tax system and $7.8 million distributed to low-income households by the Department of Human Services.

Sources. State revenue and human services departments; Steven D. Gold and David S. Liebschutz, *Sales Tax Relief for the Poor* (1996).

eligible for the credit, and Georgia, where most low-income families are eligible for the credit.[33]

- Two states, Wyoming and South Dakota, offer rebates only to the impoverished elderly; other poor individuals and families are not eligible.

- The other three states — Kansas, Oklahoma, and Idaho — make credits or rebates available to non-elderly persons but exclude many needy families from receiving the credit. The Kansas rebate is available only to families with children, the elderly, and the disabled.[34] Kansas and Oklahoma each has an income ceiling for the credit that is well below the poverty line for families of four. And Oklahoma bans low-income families from receiving the credit if they receive certain forms of public assistance — even if that assistance is a small part of a family's income or is received for only part of the year.[35] Idaho provides the credit only to families that meet the state's minimum income tax filing requirement ($5,400 for married couples filing jointly); this eliminates working and non-working poor families with incomes below this threshold.

Credits Tend to Be Inadequate

South Dakota and Wyoming offer substantial rebates to low-income elderly households; these rebates are intended to offset not only the sales tax on groceries but also other sales taxes and, in the case of Wyoming, property taxes as well. In the five states in which the credit or rebate is not restricted to the elderly, however, the amount of the credit

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[33] Until 1997, Georgia state law denied the credit to families that received food stamps, but this restriction has been removed.

[34] This chapter describes the structure of the Kansas food tax rebate as it existed in March 1998. At the time this report was completed, the Kansas legislature had passed an expansion of its food tax rebate. If signed by the governor, this legislation will increase the amount of the rebate, expand its availability to more poor and near-poor families, and allow eligible families to claim the rebate on their income tax forms. However, the amount of the credit will remain insufficient to offset the full sales tax on food for a typical family with poverty-level income.

[35] Oklahoma denies the credit to families that receive welfare through Temporary Assistance to Needy Families (the successor to Aid to Families with Dependent Children) for any part of the year, thus increasing the cost of living for families on welfare and diminishing the effectiveness of that program in bringing children out of poverty. The source of this provision was a 1992 decision to offset a proposed cut in benefits by folding the sales tax credit for welfare recipients into the welfare payment. By cutting the credit rather than the welfare benefit, the state avoided a loss of federal matching funds.

is inadequate to offset the sales tax on food paid by a typical family. On average, only half of the sales tax on food paid by eligible families is rebated in these states.

The federal government each year estimates the bare minimum amount of spending necessary for a family to purchase what the government considers an adequate diet. In 1995 for a family of four, the cost of this diet — known as the "Thrifty Food Plan" — was about $382 per month, or nearly $4,600 per year. (The cost of the Thrifty Food Plan in Hawaii, where food prices are dramatically higher than in the continental United States, was estimated at $7,950.) State sales tax rates in the five states with general sales tax credits or rebates range from four percent to five percent, so a household of four following the Thrifty Food Plan (in a state other than Hawaii) would pay about $180 to $230 per year in sales on food ($4,600 x .04 = $184; $4,600 x .05 = $230). But the maximum available credit or rebate in the five states ranges from $60 to $160, generally much less than needed to offset the cost of the sales tax on food. As Table 8 shows, the credit or rebate available to a "thrifty" family of four in any of the states offering credits in 1995 offset only between one-quarter and three-quarters of the state tax on groceries.

Moreover, none of the sales taxes on food that are levied by *local* governments in four of the five states were offset or rebated. Local sales taxes on food are as high as two percent in Kansas, Georgia, and Idaho and four percent in Oklahoma. (Hawaii has no local sales tax.)

Some states offer credits on a sliding scale — that is, credits that decline in value as incomes rise. The practice of offering sliding-scale credits that begin to phase out at relatively low income levels tends to erode further the value of the offsets available to low- and moderate-income families. Thus, poor families with incomes over $6,000 in Georgia or over $5,000 in Kansas are eligible for only a portion of the maximum credit, which itself covers less than the full amount of the food tax. As a result, a family of four with an income of $10,000 in Kansas receives a credit of just $65, one-half the maximum credit. For that family, the credit could have offset only 29 percent of taxes paid on groceries.

Credits Diminish or Erode over Time

At times in the last 15 years, a few states offered exemplary credits. Notable among these states were Hawaii, until 1995, and New Mexico, until 1986. Hawaii has a broad four percent sales tax that covers not just food and tangible goods but also medical and other services. For several years, the state offered a credit of $55 per family member to offset the tax on food, providing substantial relief. In 1991 the credit covered 80 percent of the tax on groceries paid by a family of four abiding by the Thrifty Food Plan for Hawaii, despite the extraordinarily high cost of groceries in that state. The food credit, along with other sales tax credits for medical services and other necessities, cost the Hawaii treasury about $85 million, or 6.7 percent of the state's sales tax revenue in 1991. Of that amount, about $18

Table 8
Food Sales Tax Credits/Rebates Available and Actual Sales Taxes Paid by a "Thrifty" Family of Four in 1995

State	Maximum Available Credit or Rebate	State Sales Tax on Groceries[a]	Portion of Tax Offset by Credit or Rebate
Idaho	$60	$229	26%
Hawaii	$108	$318	34%
Georgia[b,c]	$104	$183	57%
Kansas[b]	$130	$224	58%
Oklahoma	$160	$206	78%
Average	$112	$232	51%

Note. This table excludes the effects of local sales taxes on food. Local sales taxes are as high as four percent in parts of Oklahoma and two percent in parts of Kansas, Georgia, and Idaho, and they are not offset by credits or rebates. Hawaii has no local sales tax.
[a] Based on the federal government's "Thrifty Food Plan" for a family of four, which for 1995 was $4,584 ($7,950 in Hawaii).
[b] Figures reflect the maximum credit amounts, which in 1995 were available only to families with very low income (below $6,000 in Georgia, below $5,000 in Kansas). Other eligible families received smaller amounts.
[c] Georgia taxed food fully at the general four percent rate in 1995 but reduced the rate in 1996.

million was targeted directly to the poor.[36] Unfortunately, these credits were scaled back sharply beginning in the 1995 tax year. (See discussion at the end of this chapter.)

New Mexico, which like Hawaii has a broad four percent sales tax on goods and services, also used to have an exemplary credit program. The state offered two excise tax rebate programs, one for medical and dental expenses and one for food. The credit for food purchases was $45 per exemption for residents with incomes up to $30,000 and smaller amounts for residents with incomes between $30,000 and $45,000. Because of fiscal

[36] State of Hawaii, Department of Taxation, *Tax Credits Claimed by Hawaii Residents, 1991* (Honolulu, 1992) and U.S. Department of Commerce, Bureau of the Census, *State Government Finances: 1991* (Washington, D.C., 1993).

problems, the food credit was suspended in 1986 for all families with incomes above $10,000 and was repealed in 1993.[37] (See discussion below.)

New Mexico continues to have a "Low-Income Comprehensive Tax Rebate" that is intended to offset the burden of all state and local taxes on the poor. The rebate is limited in scope. In March 1998, the state enacted the first expansion of the rebate in a number of years, increasing the credit to $85 for a family of three at the poverty line and to $80 for a family of four at the poverty line. The credit is not adjusted for inflation automatically, so it is likely to erode in value over time.

In any state, credits that are not automatically adjusted for inflation fail to keep up with the sales tax burdens they were intended to offset. For example, from 1987 to 1998 Kansas failed to adjust for inflation either its $13,000 household income limit or the amount of the refund. As a result, the eligibility limit — once 12 percent *higher* than the federal poverty threshold for a family of four — fell to 19 percent *lower* than the federal poverty threshold, resulting in the exclusion of increasing numbers of poor households from the program. For households that still qualified, the value of the rebate eroded as a result of food price inflation and a general increase in the sales tax rate in the early 1990s. In 1987, the maximum refund offset about 95 percent of the state sales tax that a family of four would pay if they purchased the U.S. Department of Agriculture's minimally adequate Thrifty Food Plan; in 1995 the credit offset about 58 percent of the tax on that family's groceries. As a result of the failure to adjust either the income eligibility criteria or the value of the credit for inflation, the total amount of rebates provided to Kansas residents declined steadily from $3.8 million in 1988 to about $2.2 million in 1995. The amount of state funds devoted to the credit declined even though both the number of Kansans in poverty and the amount of food taxes paid by each Kansas household increased.

In theory a credit can be designed and funded at a level sufficient to offset the cost of the sales tax on food for low- and moderate-income households. Nevertheless, experience suggests that credits of this level either are not enacted or cannot be sustained. The difficulty in sustaining credits is discussed further below.

Reaching the Intended Recipients of a Credit or Rebate

Another challenge to the success of a credit or rebate in offsetting the sales tax on food is the difficulty in reaching the intended recipients. Rebates are administered outside existing tax systems and thus depend wholly on public awareness. Tax credits are easier to bring to the attention of potential recipients because they are typically administered through the income tax, which most people file anyway. Many poor families who are

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[37] Steven D. Gold, *State Tax Relief for the Poor*, (Denver: National Conference of State Legislatures, 1987), pp. 76-77.

among the intended beneficiaries of the credits, however, do not normally file state income tax returns because their incomes are too low.

To be successful, therefore, a credit or rebate generally has to be large enough to be worth the effort of filing a tax return or rebate claim and has to be accompanied by an aggressive outreach campaign that publicizes the availability of the credit and the method by which it can be claimed. The contrast between participation in the Kansas rebate and in the New Mexico and Hawaii credits illustrates the importance of these two features.

- The Kansas credit to offset sales tax paid on food is a classic example of failure to achieve participation. Since 1986, the Kansas Food Sales Tax Refund Program has covered households that have income less than $13,000 and that contain at least one child under the age of 18 or an elderly, blind, or disabled person. The refunds are administered separately from the state income tax, so that anyone who qualifies must file separately. Kansas officials originally estimated that 38 percent of the 246,000 eligible households would participate. Even this conservative estimate proved too high. After three years, only 34 percent of eligible households were claiming the credit. Participation rates rose modestly during the recession of the early 1990s but then fell again, to about 33 percent in 1994.[38]

- New Mexico and Hawaii, on the other hand, had considerable success encouraging participation in their rebate programs. New Mexico estimates that between 85 percent and 95 percent of the eligible population receive the Low-Income Comprehensive Tax Rebate, the state's only remaining credit. New Mexico officials attribute their success to extensive outreach efforts, including the maintenance of 10 field offices throughout the state to assist residents in filing for the rebates. This participation rate was achieved after 16 years of experience with the Low-Income Comprehensive Tax Rebate in a relatively small state. It is unclear whether the larger excise tax credits that were formerly available along with the rebate also played a role in attracting participation.

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[38] The Kansas Department of Revenue reports that 47,000 households filed for refunds in 1994. A Center on Budget and Policy Priorities analysis of microdata from the federal Current Population Survey shows that about 143,000 Kansas households in 1994 met the eligibility standards, for a 1994 participation rate of about 33 percent. Comparable analyses of data for 1990 and 1992 show participation rates of 44 percent and 46 percent respectively. Since Current Population Survey data are subject to substantial sampling error, the apparent fluctuation might be simply the result of such errors. In any case, the actual participation rate clearly remains well below 50 percent. The participation rate will likely increase in future years as a result of new legislation increasing the size and scope of rebates and allowing taxpayers to claim the rebate as a credit on their income tax forms.

- Hawaii conducts an extensive outreach and information campaign for its credits. For the tax year 1994, the latest year for which data are available, Hawaii's tax department reported 92-percent participation in its food credit, which was the refundable $55 credit per exemption available to all residents (since reduced to $27 per exemption). That participation rate reflects the percentage of income tax filers that claimed the credit. A more accurate estimate might be obtained by dividing the total number of credits claimed, about 950,000, by the state's 1994 civilian population of 1.13 million, for a participation rate of 84 percent. Analyst Steven D. Gold points out, however, that the non-participants were likely to be found disproportionately among lower-income groups because lower-income households are not required to file tax returns.[39] In addition, although data are not yet available, the reduction of this credit and the elimination of the other two credits effective in tax year 1995 probably reduced the financial incentives for low-income people who did not owe taxes to file returns to claim the credit. As a result, participation is likely to have declined.

- The experience with the federal Earned Income Tax Credit, which is claimed by about 80 percent to 85 percent of eligible families, is also instructive. This high participation rate results largely from extensive outreach efforts over many years by the Internal Revenue Service and an annual outreach campaign conducted by more than 6,000 nonprofit and business organizations nationwide. The number of families with children receiving the credit nearly doubled from 1988 to 1995, partly owing to expansions of the credit and increases in the number of working poor families, but also owing in large part to expanded outreach efforts.

These examples suggest that unless a state is willing to make a commitment to aggressive outreach and promotion of a credit, the credit is unlikely to act as an effective offset to the sales tax on food.

Credits Are Vulnerable During Fiscal Crises

Another issue is whether credits will be sustained or cut when a state faces fiscal difficulties. States have a history of frequently modifying tax credits. During periods of fiscal stress, such as when revenues decline in a recession, credits often have been suspended, reduced, or eliminated as a readily available means of increasing revenues. Although the repeal of a food exemption would require a long lead time to allow retailers to reprogram their equipment and would impose costs of adjustment on state businesses, a

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[39] Gold, "Simplifying the Sales Tax," pp. 162-167.

credit could simply be suspended any time before the filing season begins. Furthermore, since credits generally are claimed in the year following the one in which expenditures were made, suspension of a credit late in the year still would yield revenue equivalent to the entire year's intended tax relief. In contrast, an exemption may be repealed only prospectively.

The sales tax credit programs in Hawaii and New Mexico in the 1980s were in many ways models for the nation, as was a comparable property tax credit for renters in California. All three, however, have now largely fallen victim to fiscal stress.

- New Mexico's tax credits were broadly targeted in the 1980s to families of modest means but were narrowed in 1986 to apply to only the poorest families. The limited medical and food credits were fully repealed during the fiscal crisis in 1993; the money saved was said to be used to finance Aid to Families with Dependent Children and health programs.

- California's property tax credit for renters provides another example of repeal or suspension during times of fiscal distress. The renters' credit program, a refundable tax credit intended to offset the cost of property taxes passed from landlords to tenants through rents, was limited to low- and moderate-income households in fiscal years 1991 and 1992 and has been suspended entirely since fiscal year 1993.

- Hawaii, unlike the other two states, expanded its credits in the late 1980s to cover more taxpayers. But in 1995, facing fiscal strain, Hawaii eliminated two of its tax credits (the credit for medical services and the low-income excise tax credit) and halved the food credit from $55 to $27 per family member.[40]

The examples of New Mexico and California suggest that narrowly targeted credits may not have sufficient political support to be sustained during a fiscal crisis. The experience of Hawaii, however, shows that even broad-based credits are not immune to fiscal pressures.

Designing a Credit That Works

States have confronted substantial problems in implementing sales tax credits. But these problems are not insurmountable. A model credit to offset the sales tax on groceries would have the following features:

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[40] The credit for medical services was maintained for nursing facility care only.

- The credit would be either (a) available to all households or (b) available in the full amount to households with incomes below 150 percent or 200 percent of the poverty line, and would be phased out gradually as household income increased above 200 percent of the poverty line.

- The credit would vary with the number of individuals in a household to reflect the greater amount of food purchased by large families.

- If possible, the credit would be administered through a state income tax and would be fully refundable to offset the sales tax on groceries for all eligible families. (A credit that is not refundable would offset only income tax liability, not sales tax payments.) A rebate program outside of an income tax is also a viable option.

- Intensive outreach efforts would accompany the credit.

- The credit would be large enough to offset the full amount of state and local food taxes paid by a family at the poverty line and would be adjusted automatically each year to reflect food cost inflation. These goals would be accomplished by linking the credit to the federal government's Thrifty Food Plan, which computes the lowest possible cost of a nutritious diet for a family of a given size and composition. (In 1997, the Thrifty Food Plan for a two-parent family of four in the lower 48 states cost $4,950 per year; for a single person it cost $1,400.) Since the Thrifty Food Plan is adjusted annually for changing food prices, such links would prevent inflation from eroding the credit's value.

- The credit would be built on a strong base of political support to ensure it survives in the long run.

- Since the credit would not alleviate the drag on revenue growth created by the food tax, other steps to improve revenue growth — such as broadening the sales tax base to include services — would be considered as well.

IV. Comparing an Exemption with a Credit

We can compare a food-tax exemption with a food-tax credit by considering the effects of alternative approaches on typical families. The comparison below considers a hypothetical food-taxing state with a five percent state sales tax and a two percent local sales tax that taxes food in the same manner as the state tax, for a total sales tax rate of seven percent. Three possible legislative proposals to ease the burden of the sales tax on food are examined.

- *Proposal One* would exempt food from state and local sales taxes altogether.

- *Proposal Two* would enact a targeted tax credit that resembles the credits now available to families in Georgia, Idaho, Kansas, and Oklahoma, the four states with tax credits targeted to low-income elderly and non- elderly families. Such a credit is assumed here to equal $30 per person, available to taxpayers with incomes of $15,000 or less.

- *Proposal Three* would offer a credit to low- and moderate-income families based on the federal government's Thrifty Food Plan and on the state's sales tax rate of seven percent. The full credit would equal $350 for a family of four ($4,950 x .07) and $100 for a single person ($1,400 x .07). Families with incomes below 150 percent of the poverty line would be eligible for the full credit. Half of the credit would be available to families between 150 and 300 percent of the poverty line, and no credit would be available to families above 300 percent of the poverty line. This proposal is designed to overcome the shortcomings of existing credits.

Table 9 shows the effects these proposals would have on five households of varying size and income levels.

- To a family of four with an income of $15,000 and a yearly grocery bill of $4,900, an exemption from the sales tax on food would provide an annual tax break of $343. That benefit would be comparable to the value of the model credit ($350) but well above the value of a credit similar to those existing in other states ($120).

- Moderate-income families also would benefit from either the exemption or the model credit; a family of four with an income of $30,000 (about 180 percent of poverty) would receive a tax break of about $364 from an exemption and about $175 from a model credit. A moderate-income family would receive no food-tax offset from a credit that resembled the credits now available in other states.

- An exemption would provide the largest benefit, in dollar terms, to the highest-income family — giving nearly $500 to a family earning $100,000, as compared with nearly $350 to the family earning $15,000. As a percentage of income, however, the benefit from an exemption would be greater for a poor family than for a higher-income family.

The different benefit patterns provided by an exemption and a credit must be weighed in tandem with the other advantages and disadvantages of each strategy. A tax exemption is less well targeted and more expensive, but it reaches all intended consumers. Furthermore, relative to income, the tax relief it provides is proportionally greatest for lower-income households. Exempting food also improves the long-term growth of sales tax revenue by removing a declining segment of consumption from the sales tax base. A tax credit or rebate can target benefits closely to a specific population and costs less than an exemption, but existing credits are inadequate to offset the full food costs of poor families and may not reach all of the intended recipients. In addition, history suggests that states will allow credits or rebates to erode in value with inflation and will reduce or repeal credits during times of fiscal shortfalls.

Table 9
How a Food Sales Tax Exemption or a Credit
Would Affect Families of Different Sizes and Income Levels in 1997

	Family of Four			Single Person	
Income	**$15,000**	**$30,000**	**$100,000**	**$7,500**	**$45,000**
Food spending (cash)	$4,900	$5,200	$7,000	$1,600	$1,840
Current tax on food @ 7 percent	$ 343	$ 364	$ 490	$ 112	$ 129
Tax saving from:					
Proposal 1 (exemption)	$ 343	$ 364	$ 490	$ 112	$ 129
Tax cut as percent of income	*2.3%*	*1.2%*	*0.5%*	*1.5%*	*0.3%*
Proposal 2 (typical credit)	$ 120	$ 0	$ 0	$ 30	$ 0
Tax cut as percent of income	*0.8%*	*0.0%*	*0.0%*	*0.4%*	*0.0%*
Proposal 3 (model credit)	$ 350	$ 175	$ 0	$ 100	$ 0
Tax cut as percent of income	*2.3%*	*0.6%*	*0.0%*	*1.3%*	*0.0%*

Note. Estimates of food spending are drawn from 1994-95 Consumer Expenditure Survey data, adjusted upwards to reflect systematic underreporting of food purchases in the survey (see Appendix for discussion of the underreporting issue) and adjusted for inflation to 1997.

V. Conclusion

State tax systems typically have two major shortcomings. First, they place an unnecessarily heavy tax burden on low- and moderate-income households. Second, in many states the revenue they generate does not grow at an adequate pace without periodic increases in tax rates. These shortcomings are exacerbated in states that levy their sales taxes on the purchase of grocery food because food consumption as a percentage of income is particularly high among the poor and because food purchases in the economy as a whole are declining as a share of total consumer spending.

Many states have addressed these shortcomings by exempting food from the sales tax or taxing it at a lower rate. Such exemptions make tax systems less regressive and improve revenue growth. Although full exemptions are not simple to implement, especially given the large loss of revenue associated with such a tax cut, the experiences of the 25 states that have full exemptions for food and the five that have lower rates for food suggest that the barriers to implementation may be overcome. Once sales tax exemptions for grocery food are enacted, they are not often repealed.

An alternative method of relieving the food tax is for a state to offset the tax payments with credits or rebates. Although this alternative does not improve revenue growth, it can reduce the regressiveness of state taxes and would cause less loss of revenue to the state than would an exemption. In practice, however, state credits and rebates have often been too small and too narrowly targeted to relieve the food tax on the poor fully. Credits and rebates are also less effective than exemptions because of low participation rates and because they have proved vulnerable to elimination in times of fiscal crisis. After more than a decade of experiments in more than half a dozen states, no state has yet developed and maintained a credit that even comes close to fully offsetting the food tax for all or most poor residents.

Appendix: Sources of Data on Food Expenditures

Data on food expenditures in this report are drawn from three major sources: the U.S. Department of Agriculture's annual publication *Food Consumption, Prices and Expenditures;* the U.S. Department of Commerce's National Income and Product Accounts; and the U.S. Department of Labor's Consumer Expenditure Survey. The Agriculture Department uses a detailed model, based on surveys of food producers and retailers plus Census Bureau data, to compute total food expenditures nationwide. The Commerce Department relies on similar sources. The Agriculture Department's aggregate results are probably the most reliable available, but they lack consumer-level detail that would show the differences in spending patterns by different groups of consumers; they also lack state-by-state breakdowns.

The Consumer Expenditure Survey calculates food spending from interviews with individual consumers. The CES is thus the only reliable source of information on how different households choose to spend their money, and almost all studies of food- spending patterns rely on CES data. A further advantage for state-level analysis is that CES data are available broken down by four regions. Nonetheless, the CES has some significant drawbacks.

- *The CES underreports income.* Because CES income estimates are drawn from interviews with individual households, income tends to be underreported. Compared with the Census Bureau's Current Population Survey, generally a more reliable source for income data, the CES understates income by 10 percent to 15 percent.

- *Expenditures may appear greater than income.* In the low-income ranges of the CES, the average family spends more money than it has in income, which

seems illogical. Besides underreporting of income, there are several possible explanations. Households going through a period of unemployment or business losses may be spending down their savings. Students may be living off college loans. And retirees may be drawing down their pension funds.

- *Food purchases are underreported.* The CES asks households to keep a diary of food and other purchases over a two-week period. These diaries may vary in reliability, and they tend to understate total food purchases. For instance, the CES estimates that in 1993 100 million U.S. consumer units spent an average of $2,735 on food consumed at home (excluding alcohol); this implies nationwide food spending of $274 billion. The Department of Agriculture, using mostly producer and retailer sources of data, estimates that 1993 expenditures on food for consumption at home totaled $339 billion. The U.S. Department of Commerce's National Income and Product Accounts, from the *Survey of Current Business*, estimates 1993 food spending — food purchased for off-premises consumption, excluding alcohol and pet food — at $368 billion; the Commerce data are derived from Census Bureau surveys conducted every five years. The CES underestimates most other categories of spending as well.[41]

For purposes of understanding the relationships between food, other expenditures, and income, these shortcomings of the CES do not really matter, because the underestimations of income and food spending generally cancel each other out. The basic conclusions about food spending are not affected significantly. These conclusions are that food spending is a higher portion of income for low-income families than for high-income families and two, that the difference between the consumption patterns of low- and high-income families is greater for food than for other goods.

For calculating absolute dollar amounts — for instance, the appropriate size of a food-tax credit — the weaknesses of the CES data do matter. To design a state credit, it might be more appropriate to offset not what a typical family *reports* spending but rather what it *needs* to spend to purchase a nutritious diet. The federal Thrifty Food Plan estimates the minimum spending for a nutritious diet. As it turns out, the adjusted CES estimate of actual spending by low- to moderate-income families, adjusted upward to account for

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[41] The Department of Agriculture figure includes purchases with food stamps. Other estimates of food purchases vary even more widely and are based on varying sources and methodologies. Two supermarket trade publications, *Supermarket Business* and *Progressive Grocer*, estimated 1993 food spending at $242 billion and $224 billion respectively, figures that do not include purchases at small food stores. See E. Raphael Branch, "The Consumer Expenditure Survey: A Comparative Analysis," *Monthly Labor Review*, December 1994; and *Consumer Expenditure Survey Bulletin* No. 2462 (September, 1995), pp. 10-11.

systematic underreporting in the CES, is not very different from the Thrifty Food Plan's recommended minimum spending. Food spending for the average low- to moderate-income family of four in 1994-95, estimated from the adjusted CES, was about $4,400; the Thrifty Food Plan for a family of four in the continental United States was $4,600.

EXHIBIT

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U.S. Bureau of the Census

Government Finance and Employment

Classification Manual

Covering the activities of the Federal, state, and local governments.

Effective with the fiscal year 2005 finance and 2006 employment surveys.

October 2006

Chapter 4. Revenue

Introduction

This chapter explains the concept of revenue as it is used in the government finance statistics. This includes the concepts of governmental revenue, revenue transactions between governments, and funds of the same government. This chapter also contains the complete definition of revenue categories used in the classification system. Chapters 8 and 9 contain topics related to the structure and purpose of "receipts" for retirement and social insurance trust systems.

4.1 Revenue Definition

Revenue is defined as all amounts of money received by a government from external sources (i.e., those originating from "outside the government"), net of refunds and other correcting transactions, proceeds from issuance of debt, the sale of investments, agency or private trust transactions, and intragovernmental transfers.

4.1.1 Coverage Issues: Revenue

Revenue comprises amounts received by all agencies, boards, commissions, or other organizations categorized as dependent on the government concerned (see Chapter 1). Stated in terms of the accounting procedures from which these data originate, revenue covers receipts from all accounting funds of a government, other than intragovernmental service (revolving), agency, and private trust funds.

4.1.2 Measurement Issues: Revenue

The methodology used to measure revenue involves addressing four issues: refunds and correcting transactions; timing; aggregation and tabulation; and government enterprise activities. Each is explained below.

4.1.2.1 Measurement Issues: Refunds and Correcting Transactions

Revenue data are adjusted for refunds and other correcting transactions. However, the rules for refunds of taxes differ from those for other revenues. See Section 4.3.1.2 for details.

4.1.2.2 Measurement Issues: Timing

Revenue is measured over the full fiscal year of the government (see Section 3.2). Revenue received at any time during the fiscal year is included in the measurable amounts reported. Thus total property tax revenue reflects such tax collections received by the government over the full twelve months of its fiscal year. As discussed in Chapter 3, governments often report revenue, and keep their official accounting records, in terms of a modified accrual form of accounting. Where this happens, Census Bureau statistics reflect this accounting approach, even though it does not correspond exactly to the concept of cash received during the fiscal year.

4.1.2.3 Measurement Issues: Aggregation and Tabulation

Aggregate statistics for an individual government reflect the revenue of the parent government and all of its dependent agencies. However, flows of funds between these entities are considered

internal transfers and are excluded, by definition, from revenue totals. These are treated as intragovernmental revenue and are excluded in much the same way as most intragovernmental service (revolving) funds.

Tabulated statistics on revenue for multiple governments reflect the fiscal years of the governments being summed. Since these fiscal years differ, total statistics (such as for all local government in a state, or all townships nationally) reflect a mix of fiscal periods. For the annual surveys of government finance, the Census Bureau makes no effort to adjust aggregates so that they represent a standard time period. The Quarterly Summary of State and Local Tax revenue is an exception, however. For this survey, statistics represent calendar year quarters and are also aggregated for twelve month periods, rather than government fiscal years.

4.1.2.4 Measurement Issues: Government Enterprises Activities

Revenue of business-type activities of governments (utilities and other commercial or auxiliary enterprises) is reported on a gross basis. That is, related expenditures are not deducted from their revenues to derive net revenue amounts.[1] In this regard, the Census Bureau uses a methodology that differs from that used by some other statistical agencies. The most notable of these is the Bureau of Economic Analysis (BEA) and its treatment of government enterprise activities for purposes of the National Income and Product Accounts (NIPAs). The BEA essentially reports government enterprise activities on a net basis.

4.1.3 Exclusions from the Revenue Definition

The definition used for revenue, in combination with coverage and measurement issues, leaves certain types of government revenue to be out-of-scope for Census Bureau surveys. The following types of receipts are excluded from revenue:

- Taxes and other amounts paid under protest and held in suspense accounts subject to possible refund. Such amounts are not reported as revenue unless and until the protest is decided in the government's favor (see Section 3.11.1).

- Proceeds from borrowing, whether short- or long-term, except contingent loans and advances which are reported as intergovernmental revenues (see Section 3.7.1).

- Recoveries or refunds of amounts spent in the same fiscal year, which are deducted from expenditures (see Section 3.10.4).

- Proceeds from the sale of investments and the repayment of loans, except for contingent loans as mentioned above. Any recorded profit or loss from the sale of investments, however, is reported as revenue or expenditure, respectively.

- Transfers from agencies or funds of the same government (see Section 3.9).

- Agency or private trust transactions, where the government is acting on behalf of others (see Section 3.10).

[1] An exception exists for *Net Lottery Revenue*, code U95, for which the costs of prizes are deducted from gross receipts. See Section 4.9 and the explanation of code U95 for details.

- Noncash transactions, such as receipt of technical services, commodities, property, noncash gifts or bequests, and other "receipts-in-kind."

4.2 The Four Sectors of Government – Revenue Issues

All government finance statistics, including revenue, are categorized within the four basic sectors of government, as explained in Chapter 2. As a result, there are four basic categories of revenue, as shown below with their subcategories (referred to as type of revenue in Census Bureau statistics):

- General Revenue – pertains to the general government sector and is classified by Type
  - Taxes
  - Intergovernmental Revenue
  - Current Charges
  - Miscellaneous General Revenue

- Utility Revenue – pertains to the utility sector and is classified by utility (Type = Current Charges, by definition)

- Liquor Stores Revenue – pertains to the liquor stores sector (Type = Current Charges, by definition, except for exhibit codes)

- Social Insurance Trust Revenue – pertains to social insurance trust systems and is classified by system and by Type.

Sections 4.3 through 4.6 contain explanations of how revenue statistics are categorized in accordance with these four sectors, by type of revenue.

4.3 General Revenue

General revenue comprises all revenue except that classified as liquor store, utility, or insurance trust revenue. The basis for this distinction is the nature of the revenue source involved, not the fund or administrative unit established to account for and control a particular activity.

There are four types of revenue within general revenue sector: taxes, intergovernmental revenue, current charges, and miscellaneous general revenue.

4.3.1 Taxes

Taxes are compulsory contributions exacted by a government for public purposes, other than for employee and employer assessments and contributions to finance retirement and social insurance trust systems and for special assessments to pay capital improvements. Tax revenue comprises gross amounts collected (including interest and penalties) minus amounts paid under protest and amounts refunded during the same period. It consists of all taxes imposed by a government whether the government collects the taxes itself or relies on another government to act as its collection agent.

4.3.1.1 Special Topics: Assignment of Tax Revenue

For classification decisions involving the assignment of taxes, the Census Bureau typically

examines three factors – imposition, collection, and retention (or distribution) of tax proceeds. The general rule is that tax collection amounts are assigned to the government controlling two of the three factors. In determining the assignment of taxes, the Census Bureau gives primary consideration to the government actually imposing the tax and usually credits that government with the tax collection. The government imposing a tax is the jurisdiction whose governing body adopts the legislation or ordinance specifying the type of tax, scope, and rate and requiring its payment. Generally, if another government collects a tax for the levying unit, then that government is considered to be acting as a collecting agent and is credited only with any amount it retains as reimbursement for administration or other costs. These guidelines apply to all taxes, whether levied under general municipal powers, charter powers, or specific state legislative authority.

The following examples are relevant.

- A locally-imposed and collected tax whose ordinance or statutory authorization specifies a distribution of funds to other jurisdictions (either mandatory or optional) is credited to the imposing government. In such cases, payments to the other units are treated as intergovernmental transfers.

- Taxes adopted by a government in response to requests from other jurisdictions who may then share in the proceeds also are credited to the imposing government, the distribution being treated as intergovernmental transfers.

- A state-mandated tax required to be levied by a local government and collected by that government is credited to the local government imposing the tax.

- Similarly, that portion of a state-enacted tax which is locally collected and retained is credited as a tax of the collecting agency. This is true even if there is a voluntary sharing of the tax collections, and these transactions are classified as intergovernmental transfers. State or local government legislation which provides that the imposing government waive credit for part or all of the amounts transferred to other jurisdictions does not alter these guidelines.

- A state tax collected locally, and redistributed in accordance with state statute or administrative directive, is the most complex of taxes to assign. In recent years, several states have used their authority to redistribute or redirect property taxes designated for educational purposes. If the state imposes the tax, such as establishing a base millage for a property tax dedicated to public schools, AND there is a mandatory redistribution to other local governments of the taxes collected based on a state-controlled formula, the Census Bureau assigns the tax to the state government. In this example, the state controls two of the three factors used by the Census Bureau to determine tax assignment – imposition and distribution. The local collection of the tax is merely an agency transaction.

The examples below illustrate the various types of arrangements and how they are handled in this classification scheme:

- For a state government, local collection of state-imposed taxes is classified as state tax revenue.

- State government distribution of its tax proceeds to local governments (e.g., on a formula basis) is treated as intergovernmental expenditure of the state and as intergovernmental revenue of the local governments. This is true even for amounts designated as the "local share" of state-imposed taxes so long as the tax proceeds are collected by the state or transferred to the state by local government collection agents before their distribution.

- On the other hand, if the state collects a tax imposed by local governments, the collection and distribution to the imposing local governments is treated as an agency transaction; that is, the receipts are reported entirely as tax revenue of the local governments and not as either a state tax or state intergovernmental expenditure. These situations occur where a local government might impose a "piggyback" tax (always with state approval) onto a state tax of same type. Common examples are local option sales taxes and local option income taxes.

- Proceeds from taxes imposed by one local government but collected for it by another are reported as tax revenue of the imposing government, not the collecting one. Monies retained as a collection fee, however, are reported as tax revenue of the collecting government.

4.3.1.2 Refunds of Taxes

Refunds for taxes originally paid in either the current or prior fiscal years are deducted from gross collections in the same year refunded. Discounts to taxpayers for prompt payment or for collecting consumer taxes also are deducted from gross tax revenue. The cost of collecting and administering taxes, however, is reported as an expenditure, not as an offset to taxes.

4.3.1.3 Taxes on Government Utilities

Taxes usually are imposed on publicly-owned utilities, as well as on private ones. These amounts are reported as tax revenue for Census Bureau purposes. Payments-in-lieu-of-taxes from a utility operated by another government, however, are treated as intergovernmental revenue. (Payments-in-lieu-of-taxes from a private utility are reported under *Miscellaneous General Revenue, NEC*, code U99.) Both taxes and payments-in-lieu-of-taxes received by a government from a utility it operates are treated as an interfund transfer and are not reported as either revenue or utility expenditure.

4.3.2 Intergovernmental Revenue

Intergovernmental revenue comprises monies from other governments, including grants, shared taxes, and contingent loans and advances for support of particular functions or for general financial support; any significant and identifiable amounts received as reimbursement for performance of governmental services for other governments; and any other form of revenue representing the sharing by other governments in the financing of activities administered by the receiving government. All intergovernmental revenue is reported in the general government sector, even if it is used to support activities in other sectors (such as utilities).

Intergovernmental revenue excludes amounts received from the sale of property, commodities, and utility services to other governments (which are reported in different revenue categories). It also excludes amounts received from other governments as the employer share or for support of public employee retirement or other insurance trust funds of the recipient government, which are treated as

insurance trust revenue (see Chapter 8).

Intergovernmental revenue is classified by function and by the level of government where it originated (i.e., Federal, state, or local). The transfer of Federal aid through the state government to local governments is reported as state intergovernmental revenue at the local level.

4.3.3 Current Charges

This category comprises charges imposed for providing current services or for the sale of products in connection with general government activities. Amounts designated as current charges are reported on a gross basis without offsetting the cost to produce or buy the commodities or services sold. Utility service charges are excluded here and reported under *Utility Revenue*.

For the Federal Government, this category includes revenue from premiums related to non-social insurance programs such as crop and farm mortgage insurance, home mortgage insurance, and the like.

4.3.4 Miscellaneous General Revenue

This category comprises all other general revenue of governments from their own sources (i.e., other than liquor stores, utilities, and social insurance trust revenue).

Effective with the 1988 survey, interest revenue necessary to pay the interest expenditure on all public debt for private purposes is now reported under *Interest Earnings*, code U20. Previously, this treatment was limited to mortgage revenue bonded debt and was classified under *Rents*, code U40.

4.4 Liquor Stores Revenue

Liquor store revenue comprises only receipts from sales and associated services or products of liquor stores owned and operated by state and local governments. It excludes any application of general revenue for liquor store operations as well as receipts from licenses or other liquor taxes collected by liquor stores or systems (including general sales tax collections). All taxes collected through liquor store operations are classified as tax revenue.

4.5 Utility Revenue

Utility revenue comprises receipts from sales and directly related services and by-products of the four types of state and local government utilities recognized by the Census Bureau: water supply, electric power, gas supply, and public mass transit systems. Utility revenue is reported on a gross amount without deducting its related expenditures. Utility revenue is categorized according to the type of utility involved – water supply, electric power, gas supply, and public mass transit systems.

Utility revenue includes contributions from other governments for construction of a joint utility project ("payments-in-aid-of-construction") or for debt service of a utility consortium IF the contributions are treated as part of the utility's basic rate structure. (These situations generally arise when a governments electric power utility is a major provider of electricity to other utilities who redistribute it to the ultimate consumers.) If not, then the revenue is reported under intergovernmental revenue.

Utility revenue excludes any identifiable amounts received from sales to the parent government. Assessments or contributions of utility employees that are received by public employee retirement

systems are classified as social insurance trust revenue.

Utility revenue also does not reflect any application of general revenue to utility purposes nor does it include any of the following receipts even when received by utility agencies or funds: interest on investments; rents from leases and other earnings from nonoperating property; grants, shared taxes, or any other form of intergovernmental aid (not to be confused with sales to other governments as customers); taxes imposed by public utilities; and special assessments for utility capital improvements. These are classified in other revenue categories.

4.5.1 Special Topics: Intergovernmental Revenue Codes for Utilities

Effective with fiscal year 1988 data, the Census Bureau created intergovernmental revenue codes for utilities. Despite the fact that these categories possess utility function codes (*91, *92, *93, *94), they are classified as general revenues. Note that these categories are used to record intergovernmental transactions that were being reported previously under other intergovernmental revenue codes (i.e., B47, B89, C47, C89, D47, or D89). Sale of utility services or commodities to other governments continues to be recorded as utility revenue (i.e., A91, A92, A93, or A94).

4.6 Social Insurance Trust Revenue

Social insurance trust revenue consists of two major types: a) contributions distinctively imposed for the support of public employee retirement and social insurance systems, and b) net earnings on investments

Insurance trust revenue excludes contributions from the government which administers the system, whether they are paid on behalf of its employees covered by the plan or for supplemental support.[2] Also excluded from insurance trust revenue and classified as general revenue are tax receipts credited directly to insurance trust funds and intergovernmental aid, such as grants and shared taxes for support of insurance trust activities.[3] Excluded entirely as revenue (insurance trust or general) are proceeds from borrowing for insurance trust purposes.

Social insurance trust revenue is classified according to the major types of insurance trust systems recognized by the Census Bureau and by type of receipt (contribution or investment earnings).

4.7 Exhibit Statistics for Revenue – Revenue versus Receipts

As noted in Chapter 2, the Census Bureau uses special exhibit codes and derived statistics in its classification system. These provide additional detail about financial transactions that are used to develop special tabulations of government activities.

These special codes are labeled "receipts" to distinguish them from the "revenue" categories used in the Census Bureau's classification system. These receipt codes are explained briefly in this chapter under their related revenue category. Additional information is contained in Sections 8.2, 9.3, and 10.4.

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[2]Such contributions by the administering government, however, are recorded under special exhibit codes and included in insurance trust revenue when data are published solely for insurance trust systems.

[3]On the other hand, funds from other governments which represent the latter's employer share of contributions to an insurance trust system to which their employees are members are classified as insurance trust revenue.

The exhibit codes and derived statistics related to revenue are noted in the description sheets for revenue categories (Section 4.9), as well as in the tables that accompany this chapter.

4.8 Explanation of Statistical Codes Used to Identify Revenue Categories

A three character code is used to identify revenue codes. The first character is alphabetic and designates the sector and type of revenue. The second two characters are generally numeric and designate the specific revenue item within the sector and type category. In the key below, "nn" refers to the numeric code assigned to each type of revenue.

- General revenue
  - Taxes = Tnn
  - Intergovernmental Revenue (includes such revenue for utility purposes)
    - From Federal Government = Bnn
    - From state governments = Cnn
    - From local governments = Dnn
  - Current Charges = Ann
  - Miscellaneous General Revenue = Unn (for regular statistics)
    Znn or Cnn (for exhibit statistics)

- Utility Revenue = Ann (since all utility revenue represents charges for services rendered, by definition)

- Liquor Stores Revenue = Ann (for regular statistics)
  Znn (for exhibit statistics)

- Social Insurance Trust Systems Revenue
  - Federal Systems = Xnn or Ynn
  - Employee Retirement = Xnn or Znn
  - Unemployment Compensation = Ynn
  - Workers' Compensation = Ynn
  - Other Federal and State Social Insurance Trust = Ynn

4.9 Description Pages for Revenue Categories

The following pages contain the detailed revenue code categories used in the Census Bureau's statistical program on government finances. They include definitions, references, and explanations, plus examples where appropriate. Codes representing exhibit statistics or derived statistics are labeled appropriately. Otherwise, all items listed are regular codes.

GENERAL REVENUE BY TYPE: TAXES

In Census Bureau statistics on government finances, taxes are compulsory contributions exacted by a government for public purposes, other than from special assessments for capital improvements and from employee and employer contributions or "taxes" for retirement and social insurance systems.

Comprises amounts received (including interest and penalties) from taxes (1) imposed by a government and collected by that government or (2) collected on its behalf by another government serving as its agent. See Section 4.3.1 for additional explanations.

Excludes protested amounts and discounts; special assessments for property improvements (use *Special Assessments*, code U01); compulsory contributions to social insurance systems even if labeled a tax – e.g., Federal Social Security tax, unemployment insurance and workers' compensation payroll taxes, etc. (report at appropriate *Insurance Trust Revenue* code); taxes collected by a government as an agent for another government which actually imposed the tax (agency transaction) except amounts retained as a fee or shared tax.

Refunds of taxes paid are deducted from gross tax receipts even if they were reported as tax revenue in a prior fiscal year.

Taxes are classified according to the type of tax imposed. Unlike most other Census Bureau finance statistics, they are not categorized along any functional lines.

CATEGORY **PROPERTY TAXES**

Code T01 Property Taxes

Taxes imposed on ownership of property and measured by its value.

Definition: Three types of property taxes, all having in common the use of value as a basis for the tax:

- General property taxes, relating to property as a whole, taxed at a single rate or at classified rates according to the class of property. Property refers to real property (e.g., land and structures) as well as personal property; personal property can be either tangible (e.g., automobiles and boats) or intangible (e.g., bank accounts and stocks and bonds).
- Special property taxes, levied on selected types of property (e.g., oil and gas properties, house trailers, motor vehicles, and intangibles) and subject to rates not directly related to general property tax rates.
- Taxes based on income produced by property as a measure of its value on the assessment date.

Includes: Penalties and interest on delinquent property taxes; proceeds of tax sales and tax redemptions, up to the amount of taxes due plus penalties and interest (report any excess receipts as follows: report amounts retained by the taxing government at *Miscellaneous General Revenue, NEC*, code U99, and exclude any amounts held for or returned to original property owner(s)). For governments collecting taxes as agents for another, includes any commissions, fees, or other items representing collection expenses retained from tax proceeds.

Code T01 Property Taxes - continued

Excludes:

- Discounts to taxpayers for prompt payment of their tax bill.
- Taxes or other charges on property measured by any basis other than its value, such as area, front footage, or other "special assessments" (use *Special Assessments*, code U01) as well as such measures as corporate stock, bank deposits, or "per head" taxes (see description under *License Taxes*, codes T20 – T29).
- Taxes measured by taxpayer's income from intangible property (report at *Income Taxes*, codes T40 and T41).
- Taxes paid in protest and held by government in a suspense fund (report as property tax revenue if dispute is settled in government's favor; do not report as tax revenue any amounts returned to taxpayer). See Section 3.11.1.
- Taxes from utility owned by the taxing government (nonrevenues).
- Payments-in-lieu-of-taxes (if paid by another government, report at *Intergovernmental Revenue*; if paid by a private organization, use *Miscellaneous General Revenue, NEC*, code U99; and if paid by another agency or utility of the same government, exclude entirely from revenue).

CATEGORY **SALES AND GROSS RECEIPTS TAXES**

Taxes on goods and services, measured on the basis of the volume or value of their transfer, upon gross receipts or gross income therefrom, or as an amount per unit sold (gallon, package, etc.); and related taxes based upon use, storage, production, importation, or consumption of goods and services. Includes licenses levied at more than minor rates.

Excludes dealer discounts or "commissions" allowed to merchants for collecting taxes; taxes on the severance of natural resources, measured by value or quantity severed (report at *Severance Taxes*, code T53), except when imposed as a part of and at the same rate as general sales or gross receipts taxes.

Code T08 Federal Customs Duties

Definition: Taxes levied on the importation or exportation of goods and services.

Special Consideration:
This tax category applies only to the Federal Government. State and local governments are excluded by definition.

Code T09 General Sales and Gross Receipts Taxes

Definition: Taxes applicable with only specified exceptions (e.g., food and prescribed medicines) to sales of all types of goods and services or to all gross receipts, whether at a single rate or at classified rates; and sales use taxes.

Code T09 General Sales and Gross Receipts Taxes - continued

Includes: This includes sales or gross receipts taxes on the purchase or lease of motor vehicles, if there is no specific and separate tax law covering this activity.

Excludes: Taxes imposed distinctively on sales of or gross receipts from selected commodities, services, or businesses (report at appropriate *Selective Sales and Gross Receipts Taxes*, codes T10 - T19). If a sales tax on vehicles is authorized by a law distinctly separate from a general sales tax law, use *Other Selective Sales and Gross Receipts*, code T19.

SUB-CATEGORY SELECTIVE SALES AND GROSS RECEIPTS TAXES

Taxes imposed on the sale of particular commodities or services or on gross receipts of particular businesses separately and apart from General Sales or Gross Receipts Taxes; and licenses measured by sales or gross receipts and producing more than minor amounts of revenue.

Excludes license fees for commodity inspections at a rate per unit of commodity inspected that produces only minor revenue (report at appropriate *License Taxes*, codes T20 – T29).

Code T10 Alcoholic Beverages Sales Tax

Definition: Taxes on sale of alcoholic beverages, whether collected through government-operated liquor stores or through private outlets.

Code T11 Amusements Sales Tax

Definition: Taxes on admission tickets or admission charges and on gross receipts of all or specified types of amusement businesses.

Code T12 Insurance Premiums Sales Tax

Definition: Taxes imposed distinctively on insurance companies and measured by gross premiums or adjusted gross premiums.

Code T13 Motor Fuels Sales Tax

Definition: Taxes on gasoline, diesel oil, aviation fuel, "gasohol," "ethanol," and any other fuels used in motor vehicles or aircraft.

Excludes: Taxes on sale of fuels other than motor fuels – e.g., for heating, lighting, cooking, etc. (report at *Other Selective Sales Taxes*, code T19); and refunds of fuel taxes (deduct from gross tax proceeds).

GENERAL REVENUE BY TYPE: TAXES

Code T14 Pari-mutuels Sales Tax

Definition: Taxes measured by amounts wagered or bet on horse-racing, dog racing, jai-lai, etc., including "breakage" collected by the government.

Excludes: Race track licenses not based on amounts wagered (report at *Amusement License Taxes*, code T21); sales taxes on race track admissions (use *Amusements Sales Tax*, code T11).

Code T15 Public Utilities Sales Tax

Definition: Taxes imposed distinctively on public utilities, and measured by gross receipts, gross earnings, or units of service sold, either as a direct tax on consumers or as a percentage of gross receipts of utility.

Includes: Public utilities include passenger and freight transportation companies; telephone (land based and mobile), telegraph, cable television providers, and Internet service providers, in addition to the electric power, gas, mass transit, and water supply utilities defined separately for Census Bureau statistics on government-operated utilities.

Excludes: Payments-in-lieu-of-taxes from utilities operated by other governments (report at *Intergovernmental Revenue*); any tax or payment-in-lieu-of-taxes imposed on a government's own utility gross receipts (interfund transfer); taxes levied on such companies on any other basis (report at appropriate tax related to the type of measurement concerned).

Special Considerations:

1. Report here taxes imposed by a government on its own utility <u>if</u> they are billed directly to consumers on a percentage or flat rate base <u>and</u> are clearly visible to the consumer as a tax separate from the utility charges. Do not include taxes on the gross receipts of its own utilities.
2. The term "public utility" is applied broadly within this category and is not limited to the four public utility types used in the Census Bureau classification system to define government-operated utilities.

Code T16 Tobacco Products Sales Tax

Definition: Taxes on tobacco products and synthetic cigars and cigarettes, including related products like cigarette tubes and paper.

Code T19 Other Selective Sales and Gross Receipts Taxes

Definition: Taxes on specific commodities, businesses, or services not reported separately above (e.g., on contractors, hotel/motel, lubricating oil, fuels other than motor fuel, motor vehicles, meals, soft drinks, margarine, etc.). For state governments, includes sales or use taxes based on sales price, where the authorizing legislation is separate from the state's general sales and use tax law.

Code T19 Other Selective Sales and Gross Receipts Taxes – continued

Examples: For state governments, includes the following:
- Special taxes on car rentals, such as Florida's Motor Vehicle Car Rental Surcharge.
- State medical provider taxes, such as New Hampshire's Medicaid Assessment Program and West Virginia's Health Care Provider Tax.
- If a motor vehicle sales tax is based on the sales price of the vehicle and the authorizing legislation is separate from the general sales tax law, it is coded at T19.

CATEGORY **LICENSE TAXES**

Taxes exacted (either for revenue raising or for regulation) as a condition to the exercise of a business or nonbusiness privilege. Can be levied at a flat rate or by such bases as capital stock or surplus, number of business units, or capacity. Generally, includes taxes on property levied on some basis other than assessed value (e.g., on corporate stock or bank deposits). Also includes "fees" related to licensing activities as well as license taxes producing substantial revenues.

Excludes taxes measured directly by transactions, by gross or net income and receipts, or by value of property, except those with only minor rates (report at appropriate *Tax* code related to the type of measurement concerned).

Code T20 Alcoholic Beverages License

Definition: Licenses for manufacturing, importing, wholesaling, and retailing of alcoholic beverages.

Excludes: Taxes based on volume or value of transactions (report at *Alcoholic Beverage Sales Taxes*, code T10) or on assessed value of property (report at *Property Taxes*, code T01); and Federal customs duties on alcoholic beverage imports (use *Federal Customs Duties*, code T08).

Code T21 Amusements License

Definition: Licenses on amusement businesses generally and on specific types of amusement enterprises or devices (e.g., race tracks, movie theaters, athletic events, pinball and video game machines, etc.).

Excludes: "Licenses" based on value or number of admissions (report at *Amusements Sales Taxes*, code T11), on amount of wagers (report at *Pari-mutuels Sales Taxes*, code T14), or on gross or net income and receipts (use code T11).

Code T22 Corporations in General License

Definition: Franchise license taxes; organization, filing and entrance fees; taxes on property measured by amount of corporate stock, debt, or other basis besides assessed value of property; and other licenses applicable with few, specified exceptions to all corporations.

Excludes: Taxes on corporations based on value of property (use *Property Taxes*, code T01), on net income (report at *Corporation Net Income Taxes*, code T41), or on gross receipts from sales, other than at minor rates (use *General Sales and Gross Receipt Taxes*, code T09); and taxes distinctively imposed on particular kinds of businesses, such as public utilities, insurance companies, etc. (report at appropriate *Selective Sales Tax*, codes T10 – T19).

Code T23 Hunting and Fishing License

Definition: Licenses for commercial and noncommercial hunting and fishing permits.

Code: T24 Motor Vehicles License

Definition: Licenses imposed on owners or operators of motor vehicles for the right to use public highways, such as fees for title registration, license plates, vehicle inspection, vehicle mileage and weight taxes on motor carriers, highway use taxes, and off-highway fees.

Excludes: Personal property taxes on motor vehicles (use *Property Taxes*, code T01); sales or gross receipts taxes on the sale of motor vehicles (use *General Sales and Gross Receipts Taxes*, code T09); taxes on motor carriers based on assessed value of property (use code T01), gross receipts (use code T09), net income (use *Corporation Net Income Taxes*, code T41); and other taxes on the business of motor transport (use *Occupation and Business Licenses, NEC*, code T28).

Code T25 Motor Vehicle Operators License

Definition: Licenses for the privilege of driving motor vehicles, both commercial and private.

Code T27 Public Utilities License

Definition: Licenses distinctively imposed on public utilities, whether privately- or publicly-owned.

Includes: Public utilities include passenger and freight transportation companies; telephone (land based and mobile), telegraph, cable television providers, and Internet service providers, in addition to the electric power, gas, mass transit, and water supply utilities defined separately for Census Bureau statistics on government-operated utilities.

Code T27 Public Utilities License - continued

Excludes: Taxes measured by gross or net income, units of service sold, value of property (report previous items at appropriate *Tax* code related to the type of measurement concerned); and payments-in-lieu-of-taxes received from other government-owned utilities (report at *Intergovernmental Revenue*).

Code T28 Occupation and Businesses License, NEC

Definition: Licenses (including examination and inspection fees) required of persons engaged in particular professions, trades, or occupations; taxes on insurance companies based on value of their policies; such taxes on businesses not elsewhere classified; and charges or fees relating to the inspection and marketing of commodities (e.g., seed, feed, fertilizer, gasoline, oil, citrus fruit, etc.).

Code T29 Other License Taxes

Definition: Licenses not listed separately above (e.g., animal licenses including "per head" levies on livestock, health permits, marriage licenses, building and equipment permits, individual permits to purchase liquor, registration fees on aircraft and pleasure boats, impact fees paid in connection with issuance of building permits, and other nonbusiness privileges).

CATEGORY **INCOME TAXES**

Taxes levied on the gross income of individuals or on the net income of corporations and businesses (i.e., after allowable deductions).

Deduct refunds of taxes from gross collections even if they were recorded as tax revenue in a previous fiscal year.

Code T40 Individual Income Taxes

Definition: Taxes on individuals measured by net income and taxes on special types of income (e.g., interest, dividends, income from intangible property, etc.).

Includes: For local governments, includes wages, salaries, and other compensation earned by both residents and nonresidents, that are subject to tax collections by the reporting government.

Excludes: Taxes using income from intangible property as a measure of its value as of assessment date (report at *Property Taxes*, code T01); income taxes on unincorporated businesses (report at *Corporation Net Income*, code T41); payroll taxes to finance insurance trusts programs, such as Social Security taxes (report at appropriate *Social Insurance Trust Revenue* code); and city gross earnings taxes (report at *Taxes, NEC*, code T99).

Code T40 Individual Income Taxes - continued

Special Consideration:
This category includes combined individual and corporation income taxes where proceeds could not be separated in older, historical data.

Code T41 Corporation Net Income Taxes

Definitions: Taxes on corporations and unincorporated businesses (when taxed separately from individual income), measured by net income, whether on corporations in general or on specific kinds of corporations, such as financial institutions.

Excludes: Income taxes on gross income or receipts of corporations (report at *Sales and Gross Receipts Taxes*, codes T09 – T19) and combined corporation and individual income taxes not separable by type in older, historical data (report at *Individual Income Taxes*, code T40).

Examples: State governments – Michigan's VAT tax (Single Business Tax) is classified here.

Special Consideration:
Although such taxes may be called "license" or "franchise taxes," they are classified here if measured by net income.

CATEGORY **OTHER TAXES**

Code T50 Death and Gift Taxes

Definition: Taxes imposed on the transfer of property at death, in contemplation of death, or as a gift (e.g., inheritance and estate taxes).

Code T51 Documentary and Stock Transfer Taxes

Definition: Taxes on the recording, registration, and transfer of documents, such as mortgages, deeds, and securities.

Excludes: Taxes on recording or transfer of motor vehicle titles (report at *Motor Vehicle Licenses*, code T24).

Code T53 Severance Taxes

Definition: Taxes imposed distinctively on removal (severance) of natural resources (e.g., oil, gas, coal, other minerals, timber, fish, etc.) from land or water and measured by the value or quantity of products removed or sold.

Code T99 Taxes, NEC

Definition: Taxes not listed separately or provided for in categories above, such as taxes on land at a specified rate per acre (rather than on assessed value).

Examples: Local governments – Pennsylvania townships commonly impose a "Per Capita Tax" that is based strictly on residency within a community

Special Consideration:
For local governments, this category includes local "gross earnings" taxes, which are paid by employers' based on their total payroll (not to be confused with individual income taxes imposed on employees and reported at *Individual Income Taxes*, code T40).

GENERAL REVENUE BY TYPE: INTERGOVERNMENTAL REVENUE

The intergovernmental revenue category consists of amounts received from other governments, whether for use in performing specific activities, for general financial assistance, or as a share of tax proceeds.

This category includes the following types of transactions:

- Grants-in-aid
- Shared taxes
- Payments-in-lieu-of-taxes on public property exempt from taxation
- Contingent loans and advances (see Section 3.7.1)
- Significant and identifiable reimbursements from other governments for performing governmental functions
- Aid from other governments representing their share of the costs to finance activities administered by the receiving government

The intergovernmental revenue category can be further characterized by the types of transactions that are excluded. Two general types of financial transactions between governments are excluded from intergovernmental revenue:

1) Transactions that represent money exchanged in business-type activities. Type 1 transactions are amounts received from sale of buildings, property or commodities (report at appropriate *Miscellaneous General Revenue* code) and charges for utility services to other governments (report at appropriate *Utility Revenue* code).

2) Transactions involving the receipt of funds in an agency capacity. Type 2 transactions are the retention of taxes collected on behalf of another government which actually imposed the tax (report at appropriate *Tax* code), transactions between governments involving marketable securities or debt instruments (nonrevenues except for earnings, reported at *Interest Earnings*, code U20), and contributions received from other governments for employee retirement and other insurance trust funds (report at appropriate *Social Insurance Trust Revenue* code).

All intergovernmental revenue, regardless of its use, is classified as general revenue. Thus, the intergovernmental revenue codes for utilities that were added to the classification system effective with fiscal year 1988 data are treated as general revenue.

Intergovernmental revenue is classified two ways: (1) by the type of government from which the money is received, and (2) by its purpose or function.

GENERAL REVENUE BY TYPE: INTERGOVERNMENTAL REVENUE

CATEGORY INTERGOVERNMENTAL REVENUE FROM FEDERAL GOVERNMENT

Amounts received directly from the Federal Government. For states, this includes Federal grants and aid, payments-in-lieu-of-taxes on Federal property, reimbursements for state activities, and revenue received but later transmitted through the state to local governments. For local governments, includes only direct aid from the Federal Government. Report Federal grants "passed-through" the states as *Intergovernmental Revenue from State Governments* at the local government level.

Excludes amounts received by state governments that are distributed to individuals without discretion as to how they are disbursed (e.g., certain veterans benefits); rental or sale of buildings, property, or commodities to the Federal Government (report at appropriate *General Charges* or *Miscellaneous General Revenue* code); taxes on Federal property (report at *Property Taxes*, code T01); and proceeds from sale, liquidation, or earnings of Federal securities (nonrevenues except for earnings, reported at *Interest Earnings*, code U20).

Also excludes charges for utility services to Federal Government (report at appropriate *Utility Revenue* code); payments-in-lieu-of-taxes from independent special district housing authorities even though they may be designated locally as "Federal" agencies (report at *Intergovernmental Revenue from Local Governments*); and value of noncash assistance (e.g., gifts of food, property, land, etc.).

Code B01 Air Transportation

Definition: Federal aid for construction, operation, and support of public airports; and other distributions from the Federal Airport and Airway Trust Fund.

Code B21 Education

Definition: Federal aid for Federally-impacted areas; migrant and bilingual education; Indian education; Head Start program; Federal grants for school nutrition and milk programs (use B21 for state and *Intergovernmental Revenue From State Government*, code C21, for local and special districts); and grants and contractual amounts received by institutions of higher education for education or for research and development programs.

Excludes: Grants for agricultural experiment stations and extensions (use *Natural Resources*, code B59) and aid for library services (use *All Other*, code B89).

Code B22 Employment Security Administration

Definition: Federal aid for administration of the cooperative Federal-state unemployment compensation system, public employment offices and related services, and veterans' readjustment allowances; and determination of eligibility for Social Security disability benefits.

Code B22 Employment Security Administration – continued

Excludes: Workforce Investment Act - WIA (formerly the Job Training Partnership Act - JTPA) and Federal grants for occupational health and safety (use *All Other*, code B89, for both).

Special Consideration:
Valid for statistics on state governments and Washington, DC, only.

Code B30 General Local Government Support

Definition: Federal aid which may be applied at the discretion of the receiving government to any of its basic functions or purposes; payments-in-lieu-of-taxes; and aid received distinctively as reimbursement for Federal programs or facilities which have resulted in loss of state or local tax revenue.

Excludes: School aid in Federally-affected areas (use *Education*, code B21) and shared revenues from national forests, grazing lands, mineral leases, etc. (use *All Other*, code B89).

Special Consideration:
Effective with fiscal year 1988 data, includes amounts for Federal tax relief programs previously reported at code B28.

Code B42 Health and Hospitals

Definition: Federal aid for alcohol, drug abuse, and mental health; communicable disease control; maternal and child health; special supplemental food program (WIC); environmental health; and care of veterans in state hospitals, including construction of facilities.

Excludes: Federal aid for medical care under public assistance programs such as Medicaid even if received by a public hospital, for care in nursing homes not associated with hospitals, or for payments to vendors for medical care in public assistance cases (use *Public Welfare*, code B79); and hospital charges received on behalf of individuals under Medicare or other Federal insurance-type arrangements (report at *Public Hospital*, code A36).

Examples: Federal EPA Superfund grants.

Code B46 Highways (including roads and streets)

Definition: Federal aid distributed from the Federal Highway Trust or other funds for approved projects and for highway safety.

Excludes: Federal grants for urban mass transit (use *Public Mass Transit Systems*, code B94).

GENERAL REVENUE BY TYPE: INTERGOVERNMENTAL REVENUE

Code B50 Housing and Community Development

Definition: Federal aid for construction or operation of public housing; rent subsidy programs (e.g., "Section 8" funds); and rural, urban, and community development.

Code B59 Natural Resources

Definition: Federal aid for forests and grasslands; soil, water, and energy conservation; flood prevention and drainage; fish and wildlife management; and mine reclamation and safety.

Includes: Federal aid for agricultural experiment stations and extension services; inspection of meat, poultry, and other agricultural products; and agricultural research.

Excludes: Federal aid for parks and recreation and shared revenue from national forests, grazing lands, mineral leasing, flood control lands, etc. (use *All Other*, code B89 for both). Also excludes Federal grants for school nutrition and milk programs (use *Education*, code B21, for states and *Education*, code C21, for local and special district governments); special supplemental food program, or WIC (use *Health and Hospitals*, code B42); food stamp program (use *Public Welfare*, code B79); and value of food commodities distributed to states.

Special Consideration:
Effective 2005, this category includes transactions formerly reported under code B54, Agriculture.

Code B79 Public Welfare

Definition: Federal aid for categorical programs – Temporary Assistance for Needy Families - TANF (formerly Aid to Families with Dependent Children - AFDC); medical assistance programs (Medicaid) <u>even if</u> received by a public hospital; care in nursing homes not associated with hospitals; food stamp administration; child welfare services; low-income energy assistance; social and community services block grants; refugee assistance; work incentives program (WIN); and related administration.

Excludes: Federal aid for school nutrition and milk programs (use *Education*, code B21, for states and *Education*, code C21, for local and special district governments) and special supplemental food program, or WIC (use *Health and Hospitals*, code B42).

Code B80 Sewerage

Definition: Federal aid for construction, operation, and maintenance of sanitary and storm water sewer systems, and sewage disposal and treatment facilities.

GENERAL REVENUE BY TYPE: INTERGOVERNMENTAL REVENUE

Code B89 All Other

Definition: Federal aid for specified purposes other than categories shown above (e.g., economic development, libraries, civil defense and militias, disaster assistance, public broadcasting, parks and recreation, water transportation) and for multipurpose activities.

Examples:

- Workforce Investment Act (formerly the Job Training Partnership Act - JTPA).
- Shared revenue from national forests, grazing lands, mineral leasing, and flood control lands, even though such funds must be spent on specified types of activities, such as schools and roads.
- Disaster Assistance (FEMA).

SUB-CATEGORY **UTILITIES**

Federal aid received in support of utility projects, other than receipt of charges for utility services and commodities provided to the Federal Government, which are classified as *Utility Charges* (A91 - A94).

These codes were added to the *Classification Manual* effective with fiscal year 1988 data, as a service to users who wanted to track the fiscal activities of utilities. They represent items previously classed at other codes under this same category (i.e., *All Other*, B89 and Public Transportation, code B47). Despite their utility suffixes, however, these codes continue to be classified as general revenue.

Code B91 Water Supply Systems

Definition: Federal aid for maintenance, operation, and construction of public water supply systems, whether for distribution of water to the general public or to other public or private utilities.

Excludes: Reimbursements for sale of water to Federal Government as a regular utility customer (use *Water Supply Systems*, code A91) and grants related to water irrigation, conservation, and management even if project is designed for future water supply uses (use *Natural Resources*, code B59).

Code B92 Electric Power Systems

Definition: Federal aid for maintenance, operation, and construction of public electric power generating plants and related transmission systems.

Excludes: Reimbursements for sale of electric power to Federal Government as a regular utility customer (use *Electric Power Systems*, code A92) and grants for water development projects which have an electricity generating component (use *Natural Resources*, code B59).

Code B93 Gas Supply Systems

Definition: Federal aid for maintenance, operation, and construction of public natural gas supply and distribution systems.

Excludes: Reimbursements for sale of natural gas to Federal Government as a regular utility customer (use *Gas Supply Systems,* code A93).

Code B94 Public Mass Transit Systems

Definition: Federal aid for maintenance, operation, and construction of public mass transit systems (buses, subways, commuter railroads, urban mass transit, and the like).

Excludes: Grants for other modes of transportation, such as airports (use *Airports*, code B01) and highways (use *Highways*, code B46).

Special Consideration:
Prior to fiscal year 1988, these revenues were classified at Public Transportation, code B47.

GENERAL REVENUE BY TYPE: INTERGOVERNMENTAL REVENUE

CATEGORY **INTERGOVERNMENTAL REVENUE FROM STATE GOVERNMENTS**

Amounts received directly from the state government, including Federal aid passed through the state government and state aid channeled through intermediate local governments (e.g., counties), which have no discretion as to its distribution.

Includes state grants-in-aid, regardless of basis of distribution; local share of state-collected taxes (see Section 4.3.1.1); payments-in-lieu-of-taxes on state property; and reimbursement for services performed for state government (e.g., care of state prisoners in local jails, construction or maintenance of state highway facilities, etc.).

Excludes proceeds from sale of buildings, property, or commodities (report at appropriate *Miscellaneous General Revenue* code); charges for utility services to state government (report at appropriate *Utility Revenue* code); taxes on state government facilities (use *Property Taxes*, code T01); contributions from state for locally-administered employee retirement systems (use *Contributions From Other Governments*, code X05); and retained share or collection "fee" on state-imposed taxes collected by local governments (report at appropriate *Tax* code).

Also excludes proceeds from the sale, liquidation, or earnings of state government securities held by local governments (nonrevenues except for earnings, reported at *Interest Earnings*, code U20); receipt of locally-imposed taxes collected by the state acting as an agent for local governments (report at appropriate *Tax* code); agency receipts (i.e., amounts received for transmittal to other governments or individuals without discretion as to how they are disbursed by the agent government); and value of noncash assistance (e.g., gifts of property, commodities, etc.).

This category applies only to Federal and local government finances. The Census Bureau's classification system does not recognize state-to-state payments as intergovernmental transactions.

Code C21 Education

Definition: State aid for support of local schools; redistribution of Federal aid for education; handicapped, special, and vocational education and rehabilitation; student transportation; equalization aid; school health; local community colleges; adult education; school buildings; and property tax relief related strictly to school funding.

Excludes: State grants for libraries (use *All Other*, code C89); state expenditures on behalf of local schools for textbooks, buses, school buildings, etc. (report as state direct expenditure for education); and value of donated food commodities (nonrevenue).

Examples: Federal pass-through programs – Chapter 1, Individuals with Disabilities Education Act, Eisenhower Math and Science, Safe and Drug Free Schools, Chapter 2 Block Grants, and Child Nutrition Act funds.

GENERAL REVENUE BY TYPE: INTERGOVERNMENTAL REVENUE

Code C30 General Local Government Support

Definition: State aid which may be applied at the discretion of the receiving government to any of its basic functions or purposes; local share of state-imposed taxes or of profits from alcoholic beverage monopolies; per capita aid; state revenue sharing; payments-in-lieu-of-taxes; and aid received distinctively as reimbursement for state-mandated tax relief programs or for facilities which have resulted in loss of local tax revenue (e.g., property tax relief, homestead exemptions, etc.).

Excludes: Amounts received as reimbursement for services performed by local governments for the state government (report at appropriate *Intergovernmental Revenue from State Government* code); shared state taxes or property tax relief related strictly to school funding (use *Education*, code C21); shared state taxes with specific uses, such as gasoline taxes designated for highway purposes (report those with single uses at appropriate *Intergovernmental Revenue from State Government* code and those with multipurpose uses at *All Other*, code C89); and share of state taxes expressly for local employee retirement systems even if they are first passed through the parent government (report at *Contributions from Other Governments*, code X05).

Special Consideration:
Effective with fiscal 1988 data, includes amounts for state tax relief programs previously reported at code C28.

Code C42 Health and Hospitals

Definition: State aid for local health programs; maternal and child health; alcohol, drug abuse, and mental health; environmental health; superfunds; nursing aid; hospital financing (including construction); and hospitalization of patients in local government hospitals.

Excludes: State aid for medical care under public assistance programs such as Medicaid <u>even if</u> received by a public hospital, for care in nursing homes not associated with hospitals, and for payments to vendors for medical care in public assistance cases (use *Public Welfare*, code C79); and hospital charges received on behalf of individuals under state insurance-type arrangements (use *Public Hospitals*, code A36).

Code C46 Highways

Definition: State aid for construction, improvement, or maintenance of streets, highways, bridges, tunnels, etc.; distribution of state fuel taxes; and aid for debt service on local highway debt.

Excludes: State grants for urban mass transit (use *Public Mass Transit Systems*, code C94).

GENERAL REVENUE BY TYPE: INTERGOVERNMENTAL REVENUE

Code C50 Housing and Community Development

Definition: State aid for construction or operation of public housing; rent subsidy programs; repair and renovation of existing houses; and rural, urban, and community development.

Code C79 Public Welfare

Definition: State aid for public welfare purposes; medical care and related administration under public assistance programs (including Medicaid) even if received by a public hospital; care in nursing homes not associated with hospitals; Federal categorical assistance; noncategorical assistance (e.g., home relief, emergency assistance); and administration of local welfare programs. For Federal Government (intergovernmental revenue from the states), this category includes revenue from state governments for increased benefits under the Supplemental Security Income program (SSI).

Examples: Federal pass-through categorical assistance programs, such as Temporary Assistance to Needy Families - TANF (formerly Aid to Families with Dependent Children, AFDC).

Code C80 Sewerage

Definition: State aid for construction, operation, and maintenance of sanitary and storm water sewer systems, and sewage disposal and treatment facilities.

Code C89 All Other

Definition: State aid for specific purposes other than categories shown above and for multipurpose activities, such as public works in general.

Excludes: State aid (other than shared taxes reported at *General Local Government Support*, code C30) expressly for local employee retirement systems even if they are first passed through the parent government (report at *Employee Retirement Contributions from Other Governments*, code X05).

SUB-CATEGORY **UTILITIES**

State aid received in support of utility projects other than receipt of charges for utility services and commodities provided to the state government.

Excludes contributions from parent government (interfund transfers) and contributions from other participating public utilities for the construction of a joint utility project or for debt service on such a project IF the monies are treated as part of the recipient utility's basic rate structure (report at appropriate *Utility Revenue* code).

GENERAL REVENUE BY TYPE: INTERGOVERNMENTAL REVENUE

These codes were added to the Classification Manual, effective with fiscal year 1988 data, as a service to users who wanted to track the fiscal activities of utilities. They represent items previously classed at other codes under this same category (i.e., *All Other*, code C89, and Public Transportation, code C47). Despite their utility suffixes, however, these codes continue to be classified as general revenue.

Code C91 Water Supply Systems

Definition: State aid for maintenance, operation, and construction of public water supply systems, water purification plants, etc.

Excludes: Reimbursements for sale of water to state government as a regular utility customer (use *Water Supply Systems*, code A91) and water conservation unrelated to utility operations (use *All Other*, code C89).

Code C92 Electric Power Systems

Definition: State aid for maintenance, operation, and construction of public electric power generating plants and related transmission systems.

Excludes: Reimbursements for sale of electric power to state government as a regular utility customer (use *Electric Power Systems*, code A92).

Code C93 Gas Supply Systems

Definition: State aid for maintenance, operation, and construction of public natural gas supply and distribution systems.

Excludes: Reimbursements for sale of natural gas to state government as a regular utility customer (use *Gas Supply Systems*, code A93).

Code C94 Public Mass Transit Systems

Includes: State aid for maintenance, operation, and construction of public mass transit systems (buses, subways, commuter railroads, urban mass transit, and the like).

Excludes: Grants for other modes of transportation, such as airports (use *All Other*, code C89) or highways and ferries (use *Highways*, code C46); and for pupil transportation (use *Education*, code C21).

Special Consideration:
Prior to fiscal year 1988, these revenues were classified at Public Transportation, code C47.

GENERAL REVENUE BY TYPE: INTERGOVERNMENTAL REVENUE

CATEGORY INTERGOVERNMENTAL REVENUE FROM LOCAL GOVERNMENTS

Amounts received from local governments for use in performing specific functions, for general financial assistance, or as share of tax proceeds.

For state governments, includes local government share of state-administered programs requiring local financial participation; reimbursements from locals for services provided to them by the state, such as auditing local accounts; monies from localities to pay debt service on state debt issued for the benefit of local governments; and repayments of contingent loans and advances previously extended to local governments.

For state governments, excludes monies received from local governments and held in an agency capacity on their behalf (e.g., to repay interest and principal on local debt); receipt of state-imposed taxes or other state revenues collected by local governments acting as agents for state (report at appropriate *Tax* code); taxes on local government facilities (report at appropriate *Tax* code); proceeds from the sale, liquidation, or earnings of local government securities held by the state (nonrevenues except for earnings, reported at *Interest Earnings*, code U20); proceeds from sale of buildings, property, or commodities (report at appropriate *Miscellaneous General Revenue,* code U99); charges for utility services to local governments (report at appropriate *Utility Revenue* code); and contributions from local governments for employee retirement or other insurance trust systems (report at appropriate *Social Insurance Trust Revenue* code).

For local governments, includes financial support from other local governments for activities administered by recipient locality, including its dependent agencies; state aid channeled through other local governments which have some discretion as to its distribution; reimbursements for services provided to other local governments (other than for utility services); and payments-in-lieu-of-taxes on other local governments' property.

For local governments, excludes state grants or shared taxes to be transmitted through government with no discretion as to their distribution (report at *Intergovernmental Revenue From State Governments* for final recipient local government); receipt of taxes or other charges collected by another local government acting as the receiving government's agent (report at appropriate *Tax* code); proceeds from sale, liquidation, or earnings of local government securities held by other localities (nonrevenues except for earnings, reported at *Interest Earnings*, code U20); taxes on facilities of other local governments (use *Property Tax*, code T01); proceeds from sale of buildings, property, or commodities (report at appropriate *Miscellaneous General Revenue* code); charges for utility services to other local governments (report at appropriate *Utility Revenue* code); and payments-in-lieu-of-taxes from private organizations like private colleges (use *Miscellaneous General Revenue, NEC*, code U99).

Code D11 Interschool System Revenue

Definition: Local aid received by a school district from other school districts.

Special Considerations:

1. This category applies only to the finances of individual independent school districts. It is not used for other types of governments, but is necessary for accurate measurement of totals for individual units.

GENERAL REVENUE BY TYPE: INTERGOVERNMENTAL REVENUE

Code D11 Interschool System Revenue - continued

Special Considerations: (continued)

2. Similarly, this category is not included in any Census Bureau statistics that present totals for more than a single government, such as state area or national totals (tabulated or estimated). The exclusion is conceptual, reflecting the fact that this is an intergovernmental code.

Code D21 Education

Definition: For state governments, rental on school buildings constructed by state school building authorities and leased to local governments; and local share of school building construction projects.

Excludes: Local aid received by an independent school district from other school systems (use *Interschool System Revenue*, code D11) and contributions from parent government of a dependent school system (nonrevenues).

Code D30 General Local Government Support

Definition: Local aid that may be applied at the discretion of the receiving government to any of its basic functions or purposes, including payments-in-lieu-of-taxes.

Code D42 Health and Hospitals

Definition: Local aid for hospitalization of patients in other government hospitals and local share of state or other local government-administered programs.

Excludes: Care in nursing homes not associated with hospitals (use *Public Welfare*, code D79) and payments from parent government of a dependent hospital (nonrevenues).

Code D46 Highways

Definition: Local aid as reimbursement for signals and traffic lights maintenance and for share of costs of joint highway projects.

Code D50 Housing and Community Development

Definition: Local aid as share of joint housing projects, and intergovernmental payments for community development projects.

Special Consideration:

This code is valid for state governments in fiscal year 2006.

Code D79 Public Welfare

Definition: Local aid as share of state-administered welfare programs.

Code D80 Sewerage

Definition: Local aid as contributions or share of joint sewer projects; and charges for sewer services provided to local governments.

Code D89 All Other

Definition: Local aid received for specific purposes other than categories shown above and for multipurpose activities, such as public works in general and share of costs for courts, central computer services, etc.

Excludes: Aid received for public utility purposes, use *Utility*, codes D91 – D94.

SUB-CATEGORY **UTILITIES**

Local aid received in support of utility projects other than receipt of charges for utility services and commodities provided to local governments.

Excludes contributions from parent government (interfund transfers) and contributions from other participating public utilities for the construction of a joint utility project or for debt service on such a project IF the monies are treated as part of the recipient utility's basic rate structure (report at appropriate *Utility Revenue* code).

These codes were added to the Classification Manual, effective with fiscal year 1988 data, as a service to users who wanted to track the fiscal activities of utilities. They represent items previously classed at other codes under this same category (i.e., *All Other*, code D89, and Public Transportation, code D47). Despite their utility suffixes, however, these codes continue to be classified as general revenue.

Code D91 Water Supply Systems

Definition: Local aid for maintenance, operation, and construction of public water supply systems, water purification plants, etc.

Excludes: Reimbursements for sale of water to local governments as regular utility customers (use *Water Supply Systems*, code A91).

Code D92 Electric Power Systems

Definition: Local aid for maintenance, operation, and construction of public electric power generating plants and related transmission systems.

Excludes: Reimbursements for sale of electric power to local governments as regular utility customers (use *Electric Power Systems*, code A92).

GENERAL REVENUE BY TYPE: INTERGOVERNMENTAL REVENUE

Code D93 Gas Supply Systems

Definition: Local aid for maintenance, operation, and construction of public natural gas supply and distribution systems.

Excludes: Reimbursements for sale of natural gas to local governments as regular utility customers (use *Gas Supply Systems*, code A93).

Code D94 Public Mass Transit Systems

Definition: Local aid for maintenance, operation, and construction of public mass transit systems (buses, subways, commuter railroads, urban mass transit, and the like).

Excludes: Grants for other modes of transportation, such as airports (use *All Other*, code D89) and highways (use *Highways*, code D46).

Special Consideration:
Prior to fiscal year 1988, these revenues were classified at Public Transportation, code D47.

GENERAL REVENUE BY TYPE: CURRENT CHARGES

The concept of current charges covers amounts received from the public for performance of specific services which benefit the person charged and from the sale of commodities or services other than utilities and liquor stores. Includes fees, maintenance assessments, and other reimbursements for current services; rents and sales derived from commodities or services furnished incident to the performance of particular functions; gross income of commercial enterprises; and the like. Charges are distinguished from license taxes, which are privileges granted by a government or fees collected to finance regulatory activities.

The category of current charges excludes special assessments (use *Special Assessments*, code U01), amounts received from other governments in return for services provided (report at appropriate *Intergovernmental Revenue* code), and interdepartmental charges and intragovernmental transfers within the same government (see Section 3.9).

Report current charges on a gross basis without deducting the cost of providing related services.

Code A01 Air Transportation (Airports)

Definition: Hangar rentals, landing fees, terminal and concession rents, sale of aircraft fuel and oil, parking fees at airport lots, and other charges for use of airport facilities or for services associated with their use.

Code A03 Miscellaneous Commercial Activities

Definition: Charges of publicly-owned commercial enterprises not classified elsewhere, such as markets, cement plants, cemeteries, etc.

Excludes: Charge revenues from utilities (use *Utility Revenue*, codes A91 – A94); liquor stores (use *Liquor Store Revenue*, code A90); sewerage facilities (use *Sewerage*, code A80); and landfills, garbage collection, and other solid waste management activities (use *Solid Waste Management*, code A81).

Code A06 Federal National Defense and International Relations

Definition: Proceeds from the sale of defense materials and stocks to non-Federal sources.

Code A09 Elementary-Secondary Education School Lunch

Definition: Gross receipts from sale of milk and school lunches.

Code A10 Elementary-Secondary Education School Tuition

Definition: Amounts from pupils and parents for tuition and transportation.

Excludes: Tuition received from other governments (report at appropriate *Education* code, B21, C21, or D21).

GENERAL REVENUE BY TYPE: CURRENT CHARGES

Code A12 Other Elementary-Secondary Education

Definition: Revenues from athletic contests, sale or rental of textbooks, student activity funds, and the like.

Code A14 Federal Postal Service

Definition: Sale of postage and commemorative stamps, postal insurance fees, fees for certified and registered mail, and other charges by the U.S. Postal Service.

Code A16 Higher Education Auxiliary Enterprises

Includes: Gross receipts from sales and charges by dormitories, cafeterias, athletic contests, lunchrooms, student activities, bookstores, and similar commercial activities financed wholly or largely through these charges.

Excludes: Receipts from sale of products incidental to operation of a higher education program (use *Other Higher Education Charges*, code A18).

Code A18 Other Higher Education Charges

Includes: Tuition, laboratory fees, and other charges of higher education facilities other than auxiliary enterprises.

Excludes: Charges of hospitals for general public operated by universities (use *Public Hospitals*, code A36).

Code A21 Federal and State Education Charges, NEC

Definition: Fees of state schools for blind, deaf, and handicapped; and tuition and fees of state vocational-technical schools which award certificates equal to less than two years of college.

Excludes: Library charges and fees (use *All Other*, code A89); payments from local governments for state school building authorities (use *Education*, code D21); and charges of university-operated hospitals and of handicapped institutions primarily for physical rehabilitation or care (use *Public Hospitals*, code A36).

Special Considerations:
This code applies to Federal and state governments. Allocate all local government education charges among *Elementary-Secondary School Lunch*, code A09, *Elementary-Secondary School Tuition*, code A10, *Other Elementary-Secondary Education*, code A12, and *Other Higher Education*, code A18.

GENERAL REVENUE BY TYPE: CURRENT CHARGES

Code A36 Public Hospitals

Definition: Charges from patients, private insurance companies, and public insurance programs (such as Medicare) of public hospitals and of institutions for care and treatment of the handicapped; and receipts of hospital canteens, cafeterias, gift shops, etc.

Excludes: Revenues received from other governments for care of patients (report at health and hospitals *Health and Hospitals*, codes B42, C42, or D42); fees of state schools for blind, deaf, or handicapped (use *Federal and State Education Charges, NEC*, code A21); and health clinics operating on outpatient basis only (use *All Other*, code A89).

Special Consideration:
As of fiscal year 1974 data, intergovernmental aid for hospital medical care under public assistance programs (such as Medicaid) has been reported at *Public Welfare*, code B79 or C79, rather than code A36; all other intergovernmental aid for hospital medical care should be reported at *Health and Hospitals*, code B42, C42, or D42. Other than insurance-type programs cited above, do not report payments from other governments at this code.

Code A44 Regular Highways

Definition: Reimbursements for street construction and repairs; fees for street cuts and special traffic signs; and maintenance assessments for street lighting, snow plowing, and other highway or street services unrelated to toll facilities.

Excludes: Excludes special assessments levied on homeowners who benefit from specific street or sidewalk improvements and impact fees to build roads in new developments (use *Special Assessments*, code U01).

Code A45 Toll Highways

Definition: Fees from turnpikes, toll roads, bridges, ferries, and tunnels; rents and other revenue from concessions (service stations, restaurants, etc.); and other charges for use of toll facilities.

Includes: Lease of toll roads.

Code A50 Housing and Community Development Charges

Definition: Gross rentals, tenant charges, and other revenue from operation of public housing projects; and fees for housing mortgage insurance (e.g., FHA-insured loans).

Excludes: Receipts from sale of property (use *Sale of Property*, code U11) and payments-in-lieu-of-taxes from housing projects operated by other governments, whether independent housing authorities (special districts) or dependent housing agencies of general purpose governments (report at *Housing and Community Development*, codes B50, C50, or D50).

GENERAL REVENUE BY TYPE: CURRENT CHARGES

Code A56 Federal and State Forestry

Definition: Sale of timber, nursery stock, and other products from Federal and state forests; and reimbursements for forest fire suppression services.

Code A59 Other Natural Resources

Definition: Sale of minerals and other natural products (other than forestry products) from public lands. For Federal Government also includes fees and rentals from public grazing and grasslands, fees for uranium enrichment, and sale of electric power (e.g., by Bonneville Power Administration and Tennessee Valley Authority).

Includes: Receipts from sale of products from agricultural experiment station farms; revenue from agricultural fairs and shows; agricultural laboratory charges (such as milk testing fees); Federal Government sale of surplus crops and commodities; and other related agricultural charges.

Excludes: Royalties for privilege of developing public land (use *Royalties*, code U41); and taxes on the removal (severance) of natural resources measured by value or quantity (use *Severance Taxes*, code T53). Revenue from the sale of forestry products (report at *Federal and State Forestry*, code A56). Also excludes fees related to regulation or inspection activities (report at *Occupation and Businesses License Taxes, NEC*, code T28); and special assessments for capital outlay improvements benefiting specific agricultural land owners (use *Special Assessments*, code U01).

Code A60 Parking Facilities

Definition: Revenue from on-street and off-street parking meters and charges and rentals from government-owned parking lots or public garages.

Special Consideration:
Effective 2005, this code is valid for state governments.

Code A61 Parks and Recreation

Definition: Gross revenue of facilities operated by a government (swimming pools, recreational marinas and piers, golf courses, skating rinks, museums, zoos, etc.); auxiliary facilities in public recreation areas (camping areas, refreshment stands, gift shops, etc.); lease or use fees from stadiums, auditoriums, and community and convention centers; and rentals from concessions at such facilities.

GENERAL REVENUE BY TYPE: CURRENT CHARGES

Code A80 Sewerage

Definition: Charges for sewage collection and disposal, including sewer connection fees.

Excludes: Impact fees to build sewers in new developments (use *Special Assessments*, code U01).

Special Considerations:
For combined water-sewer system, include segregable amounts derived from sewerage activities.

Code A81 Solid Waste Management

Definition: Fees for garbage collection and disposal; operation of landfills; sale of recyclable materials; cleanup of hazardous wastes; and sale of electricity, gas, steam, or other by-products of waste resource recovery or cogeneration facilities.

Excludes: Fees related to regulation or inspection activities (report at *Occupation and Businesses License Taxes, NEC*, code T28).

Special Consideration:
Effective with 1988 data, this category was expanded to include the Federal and state governments, formerly classed at *All Other*, code A89, and renamed from "Other Sanitation Charges."

Code A87 Sea and Inland Port Facilities

Definition: Canal tolls, rents from leases, concession rents, and other charges for use of commercial or industrial water transport and port terminal facilities and related services.

Excludes: Fees and rents related to water facilities provided for recreational purposes, such as marinas, public docks, etc. (use *Parks and Recreation*, code A61); and toll ferries (use *Toll Highways*, code A45).

Special Consideration:
Effective 2005, the title of this category was changed from Water Transport and Terminals.

GENERAL REVENUE BY TYPE: CURRENT CHARGES

Code A89 All Other General Current Charges

Definition: Charges not covered by any of the above categories, such as those derived from court and recording fees, police, fire, correction, defense, public welfare, public nursing homes, public libraries, and health activities. For Federal Government also includes fees on utilities for nuclear waste disposal and assessments on banks and savings and loans institutions for insurance on savers' deposits.

Excludes: Reimbursements and special assessments for capital outlay improvements which benefit specific property owners (use *Special Assessments*, code U01) and sale of used vehicles, surplus equipment, scrap materials, etc., which do not relate to any specific function or service (report at *Sale of Property,* code U11, or *Miscellaneous General Revenue,* code U99).

GENERAL REVENUE BY TYPE: MISCELLANEOUS GENERAL REVENUE

Miscellaneous General Revenue is comprised of general revenue that does not fall into one of the above *Tax*, *Intergovernmental Revenue*, or *Current Charges* categories.

Code U01 Special Assessments

Definition: Compulsory contributions and reimbursements from owners of property who benefit from specific public improvements; and impact fees to fund extension of water, sewer, roads, and other infrastructure facilities in new developments. These contributions and reimbursements are designed to defray all or part of the cost of such improvements, either directly or through payment of principal and interest on debt issued to finance them. Generally, special assessments are apportioned according to assumed benefits to the property affected by the improvements. They cover not only general improvements – such as street paving, sidewalks, highway construction, sewer lines, drainage and irrigation projects – but also utility improvements, such as water lines.

Excludes: Proceeds from sale of special assessment bonds (report at appropriate *Debt* code); maintenance assessments for recurrent services such as street lighting, leaf removal, and weed control (report at appropriate *Current Charges* code); and reimbursements or contributions for capital outlays incurred under voluntary agreements, such as cooperative state government construction projects (use *Miscellaneous General Revenue, NEC*, code U99) and joint state-local or local-local construction projects (report at appropriate *Intergovernmental Revenue* code).

Special Considerations:

1. Special assessments and property taxes are distinguished from each other by these features: taxes are levied on all property owners on the basis of the property's assessed value and are generally used to support a wide range of public activities. In contrast, special assessments are levied on just certain property owners who have benefited from specific public improvements and are used to fund or repay their costs.

2. Special assessments and current charges are distinguished from each other by these features: special assessments are generally for one-time capital improvements, such as paving a street, installing street lights or sidewalks, etc. Current charges, on the other hand, are for ongoing, recurrent services such as street cleaning, street lighting, leaf removal, etc., even though they may be labeled as "maintenance assessments" or even just "assessments."

3. This code does not apply to Federal Government financial statistics.

Code U11 Sale of Property

Definition: Amounts received from sale of real property, buildings, improvements to them, land easements, rights-of-way, and other capital assets (buses, automobiles, etc.), including proceeds from sale of operating and nonoperating property of utilities.

Includes: Proceeds from sale of land and improvements associated with housing and community development programs, proceeds from sale of toll roads. Includes sale of property to other governments.

Code U11 Sale of Property - continued

Excludes: Excludes proceeds from sale of securities (nonrevenues); sale of property to meet delinquent taxes or tax liens (report at *Property Tax*, code T01); and sale of commodities, unclaimed or confiscated property, and minor personal property (use *Miscellaneous General Revenue, NEC*, U99).

Special Consideration:
Prior to the 2005 fiscal year, the Census Bureau classification system included two categories for sale of property. Code U10 was Housing and Community Development and represented revenue from the sale of property associated with housing and community development programs only. Code U11 was All Other and represented revenue from the sale of all other types of government owned land or property. These two categories were merged, effective with fiscal year 2005.

Code U20 Interest Earnings

Definition: Amounts from interest on all interest-bearing deposits and accounts; accrued interest on investment securities sold; interest on funds held for construction; and interest related to public debt for private purposes.

Excludes: Interest on deposits and investments of employee retirement and other insurance trust funds (report at appropriate *Social Insurance Trust Revenue* code); dividends from investments (use *State Government Other Dividends*, code U21, for state governments and *Miscellaneous General Revenue, NEC*, code U99 for local governments); accrued interest on bonds issued by the government (deduct from *Interest on Debt*, codes I89 or I91 - I94); recorded profits on sale of investments (use code U99 except for profits from sale of investments by Social Insurance Trust Systems); and accrued interest on the purchase of investments (deduct from *Interest Earnings* reported for those investments).

Special Consideration:
Effective with fiscal year 1988 data, the treatment of interest revenue related to public debt for private purposes was changed. Now, report interest revenue in an amount equal to the interest payments (*Interest on Debt*, code I89) on this type of debt. Previously, this treatment was limited to mortgage revenue bonds and was classified at *Rents*, code U40.

Code U21 State Government – Other Dividends

Definition: Revenue from the distribution of earnings by a corporation for which the government has an ownership claim, based on the purchase of investments (such as stocks) in that corporation.

Excludes: Interest earnings (report at U20, *Interest earnings*).

Code U21 State Government – Other Dividends - continued

Special Considerations:

1. This classification category was introduced effective with fiscal year 2005. Previously, dividends were reported at *Miscellaneous General Revenue NEC*, code U99.
2. This code applies only to state governments.
3. This code applies to general sector dividends only. For Public Employee Retirement Systems, dividends are reported at code Z72.

Code U30 Fines and Forfeits

Definition: Revenue from penalties imposed for violations of law; civil penalties (e.g., for violating court orders); court fees if levied upon conviction of a crime or violation; court-ordered restitutions to crime victims where government actually collects the monies; and forfeits of deposits held for performance guarantees or against loss or damage (such as forfeited bail and collateral).

Excludes: Penalties relating to tax delinquency (report at appropriate *Tax* code); library fines (report at *All Other General Current Charges*, code A89); and sale of confiscated property (use *Miscellaneous General Revenue, NEC*, code U99).

Code U40 Rents

Definition: Revenue from allowing temporary possession of government-owned buildings, land, or other fixed properties, such as from grazing fees, timberland leases, rental of unused land or property (including nonoperating property of a government utility), and revenue from leases (or lease bonus payments) of land relating to natural resource exploration and production.

Excludes: Rental revenue from functionally classified facilities, such as rent of airport hangars, or where the government provides services in return, such as public housing rents (report at appropriate *Current Charge* code); and rental revenue from other governments (report at appropriate *Intergovernmental Revenue* code).

Special Considerations:

1. Prior to FY 1988 data, this code included interest on mortgage revenue bonds equal to the amount reported for interest payments on this type of debt. (See note under *Interest Earnings*, code U20.)
2. Rents reported here are revenues for which there are little or no related services provided by the government.
3. This code does not apply to Federal Government financial statistics, nor to special district or school district governments.

Code U41 Royalties

Definition: Compensation or portion of proceeds received by a state or local government for granting the privilege of using or developing property or operating under a right, primarily those related to natural resources, such as oil, gas, and mineral rights.

Excludes: Sale of timber and other forestry products from state forests (report at *Federal and State Forestry Charges*, code A56).

Special Considerations:

1. Prior to 2005, this code applied only to state governments. Local government royalties were reported at *Rents*, code U40.
2. Rents and royalties are distinguished from each other by these features: rents are compensation for the temporary possession of a building, land, or some other fixed or immovable object, usually with specific payments over a specified period of time. Royalties are compensation for the use or development of land and property or for operating under a right (such as a mineral right) and are usually based on a share of the proceeds the payer earns from these.
3. This code does not apply to Federal Government financial statistics.

Code U50 Donations from Private Sources

Definition: Gifts of cash or securities from private individuals or corporations.

Excludes: Noncash gifts and donations, such as food, property, buildings, land, commodities, etc. (nonrevenues).

Special Considerations:

1. Report the entire receipt of nonexpendable bequests even if only the interest income from it can be spent at the government's discretion.
2. This code does not apply to Federal Government financial statistics.

Code U95 Net Lottery Revenue

Definition: Proceeds from the operation of government-sponsored lotteries after deducting the cost of prizes.

Special Considerations:

1. In terms of lottery exhibit codes, this item is computed by subtracting *Prizes Awarded*, exhibit code Z52 from *Total Ticket Sales*, exhibit code Z51. Thus, it includes amounts used for administration that are reported at *Administrative Expenses*, exhibit code Z53.
2. This code does not apply to Federal Government financial statistics.

Code U95 Net Lottery Revenue - continued

Special Considerations: (continued)

3. Note that the list of exhibit codes below includes those related to receipts and to expenses. The latter are included here because there is no equivalent lottery expenditure code, since U95 is a net amount that already takes into account the lottery costs and expenditures.

Exhibit Code Statistics Related to Lottery Revenue
(Summarized – see Chapter 10 for detail)

Code and Description		Formula, If Calculated
Code Z51	Total Ticket Sales	
Code Z52	Prizes Awarded	
Code Z53	Administrative Expenses	
Code Z54	Proceeds Available	+Z51 - (Z52 + Z53)

Special Considerations:

1. Codes Z51 and Z54 pertains to "receipts," while Z52 and Z53 pertain to "expenses."
2. These exhibit codes are valid for state governments and Washington, DC only.
3. See Chapter 10 for full definitions and additional explanations of these lottery exhibit codes.

Code U99 Miscellaneous General Revenue, NEC

Definition: Recovery of losses charged off in a prior fiscal year; insurance adjustments; payments-in-lieu-of-taxes from private sources; voluntary contributions or reimbursements to defray construction costs of capital improvement projects such as in joint state construction projects; premiums on bonds issued; revenues from sponsorship agreements; unemployment compensation contributions from employers for servicing debt issued to cover deficits in these trust funds; recoveries of expenditures made in a prior fiscal year; receipts from escheats and other unclaimed monies; recorded profits from sale of investments; and any other receipts within the definition of general revenue but not classifiable as a *Tax, Intergovernmental Revenue*, or *Current Charge*.

Includes: Tobacco Lawsuit Settlement revenue or proceeds of bond sales made by a private corporation, IF the government has entered into a Tobacco Securitization Agreement with the private corporation (see also *Tobacco Lawsuit Settlements - Receipts*, exhibit code CGR); dividends for local governments.

Excludes: Proceeds from borrowing (report at appropriate *Debt* code); sale of investment securities (nonrevenue); interfund transfers or loans (nonrevenue); transfers from other agencies of same government (nonrevenue); and discounts on bonds issued (noncash transaction).

Code U99 Miscellaneous General Revenue, NEC - continued

Special Consideration:
Prior to fiscal year 2005, this category included dividends earned by a state government (except for dividends earned by a public employee retirement system). Effective 2005, dividends of state governments are reported at *State Government – Other Dividends*, code U21.

Exhibit Codes Related to Miscellaneous General Revenue

Code and Description

CGR Tobacco Lawsuit Settlement – Receipts

Definition: Total amount received during the fiscal year, from proceeds of master settlement agreement between the state governments' and the major tobacco manufacturers, pursuant to Federal judicial proceedings.

Includes: Total amount received, regardless of whether such receipts were expended during the fiscal year.

Special Considerations:

1. All amounts reported here also are reported at *Miscellaneous General Revenue, NEC*, code U99, except annual payments for securitization through a private corporation.
2. This exhibit code applies only to state governments and to Washington, DC, by definition. The Census Bureau does not track the total amount of lawsuit proceeds expended at the local government level, but rather reports such expenditure by function only.
3. Excludes the lump sum proceeds from tobacco securitization IF handled via a private corporation. Continue to report at code U99.
4. The related expenditure exhibit code for these receipts is *Tobacco Lawsuit Settlement – Expenditure of Proceeds*, code CGE. See Chapter 5 for details.

LIQUOR STORES REVENUE BY TYPE: REGULAR AND EXHIBIT

CATEGORY **LIQUOR STORES**

Liquor stores revenue comprises only receipts from sales and associated services or products of liquor stores owned and operated by state and local governments. It excludes any application of general revenue for liquor store operations as well as receipts from licenses or other liquor taxes collected by liquor stores or systems (including general sales tax collections). All taxes collected through liquor store operations are classified as *Tax Revenue*.

Code A90 Liquor Stores Revenue - Current Charges

Definition: Gross receipts (less discounts and any sales taxes included in receipts) from sale of alcoholic beverages and related operations revenue of publicly-owned and operated liquor stores, Alcoholic Beverage Control (ABC) stores, and their variously-named equivalents.

Excludes: Sales and license taxes on alcoholic beverages collected through these stores (report at *Alcoholic Beverages Sales Tax*, code T10, or at *Alcoholic Beverages License Tax*, code T20); contributions from parent government (nonrevenues); receipt of state liquor store profits distributed to local governments (if unrestricted in use, report at *General Local Government Support*, code C30).

Examples: State governments – West Virginia Alcohol Beverage Control Administration, which controls the wholesale distribution of alcoholic beverages in that state. Pennsylvania Liquor Control Board, which controls the sale of alcoholic beverages in that state.

Special Consideration:
The exhibit codes and derived statistics shown below apply only to state government liquor stores. There are no such codes reported for local governments.

Exhibit Codes and Derived Statistics Related to Liquor Stores Revenue (Summarized – see Chapter 10 for detail)

Code and Description		Formula, If Calculated
Z41	Net Sale of Goods	
Z44	Other Income	
Z48	Receipts from Sales Taxes, Licenses, and Permits	
....	Gross Profit on Sales	+ Z41 - Z42
....	Net Operating Revenue	+ Z41 - (Z42 + Z43)
....	Net Income	+ Z41 - (Z42 + Z43) + Z44 - Z45

UTILITY REVENUE BY TYPE: REGULAR AND EXHIBIT

CATEGORY **UTILITY REVENUE**

Gross receipts from sale of utility commodities or services to the public or other governments by publicly-owned and controlled utilities.

Includes receipts from direct sales of commodities and services; rentals from operating property; customers' forfeitures and penalties; and charges for installing and servicing connections and meters. Excludes identifiable amounts for commodities or services furnished to the parent government, its agencies, or other utilities of the same government (intragovernmental transfers); revenue from investments or other capital transactions (report *Interest Earnings*, at code U20 and recorded profits on their sale at *Miscellaneous General Revenue, NEC*, code U99); and lease rentals or other earnings from nonoperating utility property (use *Rents*, code U40).

Also excludes special assessments for utility improvements, including water impact fees (report at *Special Assessments*, code U01); contributions from parent government (another intragovernmental transfer); financial aid from other governments not representing sale of utility good or services (report at appropriate *Intergovernmental Revenue* code); taxes imposed on sale of utility commodities and services (report at *Public Utilities Tax*, code T15); and contributions from utility employees for retirement system administered by same government (report at *Employee Contributions*, code X01 or X02).

Code A91 Water Supply Systems

Definition: Revenue from operations of public water supply systems, such as sale of water to residential, industrial, and commercial customers (including bulk water for resale by other private or public water utilities); connection and "tap" fees; sprinkler fees; meter inspection fees; late payment penalties; and other operations revenues.

Excludes: Water impact fees (use *Special Assessments*, code U01), contributions-in-aid-of-construction (use code U01), and other special assessments (use code U01); sale of water to parent government or its agencies, including fire hydrants (nonrevenues); and rent or other income from nonoperating property (use *Rent*, code U40).

Special Consideration:
For combined water-sewer systems include here segregable amounts related to water supply and report sewer portion at *Sewerage*, code A80.

Code A92 Electric Power Systems

Definition: Revenue from operations of public electric power supply systems, such as sale of electricity to residential, commercial, and industrial customers (including electricity for resale by other private or public electric utilities); and other operations revenues.

Excludes: Sale of electricity to parent government or its agencies, including street lights and traffic signals (nonrevenues); rent or other income from nonoperating property (use *Rents*, code U40); and sale of electricity produced as a by-product by resource recovery facilities (report at *Solid Waste Management Charges*, code A81).

Code A92 Electric Power Systems - continued

Special Consideration:
Contributions from other governmental electric utilities for construction of joint utility projects or for debt service on them may be classified as either *Intergovernmental Revenue* or *Utility Revenue* depending on the nature of the contributions. If they are treated as part of the utility's basic rate structure, then report them as a utility revenue, *Electric Power Systems*, code A92. Otherwise, report them as *Electric Power Systems*, codes B92, C92, or D92.

Code A93 Gas Supply Systems

Definition: Revenue from operations of public gas supply systems, such as sale of natural gas to residential, commercial, and industrial customers (including natural gas for resale by other private or public gas supply utilities); connection fees; and other operations revenues.

Excludes: Sale of natural gas to parent government or its agencies (nonrevenues); rent or other income from nonoperating property (use *Rents*, code U40); and sale of natural gas produced as a by-product by resource recovery facilities (use *Solid Waste Management*, code A81).

Code A94 Public Mass Transit Systems

Includes: Revenue from operations of public mass transportation systems (rapid transit, subway, bus, street railway, and commuter rail services), such as fares, charter fees, advertising income, and other operations revenues.

Excludes: Toll ferries, turnpikes, toll roads and bridges, and other fees on personal highway transportation (report at *Toll Highways*, code A45) and subsidies from other governments to support either operations or capital projects (report at *Public Mass Transit Systems*, codes B94, C94, or D94).

SOCIAL INSURANCE TRUST REVENUE BY TYPE: REGULAR AND EXHIBIT

Revenue of social insurance trust systems includes amounts derived from contributions, assessments, premiums, or payroll taxes required of employers, employees, and others to finance compulsory or voluntary social insurance programs operated by the public sector; and any earnings on assets held or invested by such funds. In the case of public employee retirement systems, revenue also includes unrealized gains (or losses, which are deducted from revenue), based on the change in value of their investment holdings annually. (The methodology for measuring unrealized gains or losses is described more completely in Section 8.4.1.1)

Chapters 8 and 9 contain separate discussions of insurance trust systems, including a formal definition of a social insurance trust and the full definitions of the various exhibit codes for these activities.

Some of the contributions allocated to these categories are considered to be taxes (e.g., unemployment compensation payroll taxes, Social Security taxes) by many economists. However, for Census Bureau purposes these are treated as insurance trust revenues, not tax revenues.

Excluded from social insurance trust revenue are general tax proceeds, donations, and other revenue except that enumerated below even if such amounts are levied specifically for insurance trust purposes (report at appropriate *General Revenue* code); grants and shared taxes for support of insurance trusts other than employee retirement systems, whether received directly or through the parent government (report at appropriate *Intergovernmental Revenue* code); borrowing of funds (non-revenues); transfers or contributions from parent government which administers the social insurance system (either as employer contributions or for general financial support); rentals from real property leased to other agencies of the parent government (latter two are intragovernmental transfers).

These categories also exclude interest earnings on Federal securities held by the three Federal-only insurance trusts enumerated below, since these are intragovernmental transfers. In the case of state and local government insurance trusts, however, interest earnings on their own or other governments' securities held for investment are included because of the difficulty in identifying such transactions.

Moreover, not all revenues received by an insurance trust fund are classified as insurance trust revenues for Census Bureau purposes. Such receipts as grants-in-aid, charges for miscellaneous services, fines and penalties, and other miscellaneous revenues are treated as general revenues.

Statistics for social insurance trusts are comprised of regular and exhibit codes. Both types of statistics are used to measure the full set of financial transactions (revenues for this chapter) undertaken by these systems. However, only the "regular" finance codes are used for Census Bureau reports on the overall finances of a government (e.g., to derive total revenue). The exhibit codes represent financial receipts not included with revenues in the regular finances (e.g., transfers or contributions from parent government), but which are needed if users want to analyze the insurance trust independently. While both regular and exhibit statistics are included in this chapter, the latter are covered only via reference. See Chapters 8 and 9.

SOCIAL INSURANCE TRUST REVENUE BY TYPE: REGULAR AND EXHIBIT

CATEGORY **FEDERAL-ONLY SOCIAL INSURANCE TRUST SYSTEMS**

Contributions for social insurance programs administered by the Federal Government. These systems are described in more detail in Chapters 8 and 9. Note that these Federal-only systems exclude "earnings on investments" from revenue, since the assets of these trust funds are invested solely in Federal securities (thereby making them intragovernmental transfers).

Code X03 Contributions From Federal Government Employees

Definition: Amounts contributed by, or withheld from, salaries and wages of employees, and voluntary employee contributions, to provide for retirement or survivors' benefits. Includes reimbursements for disability payments, interest on employee loans, and interest on buyback contributions.

Includes: Employee contributions under the Federal supplemental retirement portion of the Federal Employee Retirement System (FERS).

Excludes: Voluntary contributions made by Federal employees to the Thrift Savings Plan portion of the FERS.

Code Y20 Federal Social Security and Medicare

Definition: Contributions (employee, employer, and self-employed payroll taxes) to provide for benefits under the Federal Old-Age, Survivors, and Health and Disability Insurance Programs, commonly referred to as Social Security and Medicare.

Code Y31 Federal Veterans' Life Insurance

Definition: Insurance premiums from veterans for purchase of annuities in life insurance programs administered by the U.S. Department of Veterans Affairs (formerly, U.S. Veterans Administration).

Excludes: Appropriations from general and special revenue funds (intragovernmental transfers).

Code Y41 Federal Railroad Retirement

Definition: Contributions (employee and employer) to provide for benefits under the Federal Railroad Retirement and Disability System.

Excludes: Contributions from Social Security trusts, tax subsidies, and any other Federal receipts representing interfund transfers; and contributions for Federal railroad unemployment compensation (use *Unemployment Compensation - Contributions*, code Y01).

SOCIAL INSURANCE TRUST REVENUE: BY TYPE

Exhibit Code Statistics Related to Federal-Only Social Insurance Trust Revenues (Summarized – see Chapters 8 and 9 for detail)

Code and Description

Code X99	Interest on U.S. Securities Held By Federal Retirement Systems
Code Y22	Interest on U.S. Securities Held By Federal Social Security and Medicare Accounts
Code Y32	Interest on U.S. Securities Held By Federal Veterans' Life Insurance Funds
Code Y42	Interest on U.S. Securities Held By Railroad Retirement Fund Accounts
Code Y99	Interest on U.S. Securities Held By Federal Government Unemployment Compensation Accounts

CATEGORY **PUBLIC EMPLOYEE RETIREMENT SYSTEMS**

Contributions from employees and other governments (as employers or as grants-in-aid and shared taxes); and interest earnings on investments of retirement systems administered by governments for public employees.

These data are collected by a separate mail canvass survey of state and local government-administered public employee retirement systems.

See Chapter 8 for a full discussion of exhibit codes and calculated statistics for employee retirement systems.

SUB-CATEGORY: Employee Contributions

Amounts contributed or withheld from salaries and wages of employees, and voluntary employee contributions, to provide for retirement or survivors' benefits. Includes reimbursements for disability payments, interest on employee loans, and interest on buyback contributions.

Also includes contributions from general employees as well as those of public colleges and other institutions or dependent agencies.

Code X01 Contributions From Local Government Employees

Code X02 Contributions From State Government Employees

Special Consideration:
This code applies to state governments only. No locally-administered employee retirement systems cover state government employees.

SOCIAL INSURANCE TRUST REVENUE: BY TYPE

SUB-CATEGORY: Employer (Government) Contributions

Code X05 Contributions from Other Governments

Definition: For local governments, amounts received either from the state or from other local governments as employer contributions for their own employees. Contributions from state governments to local retirement systems includes not only employer contributions but also state aid (e.g., contributions on behalf of local teachers) and shared taxes (e.g., portion of taxes imposed on insurance companies), even if such amounts are received through the parent government. For state governments, includes amounts received from local governments as employer contributions for their own employees.

Excludes: Contributions from parent government that administers the employee retirement system, including its share as an employer (use exhibit codes *From Parent Local Government*, code X04, or *State Contributions To Own System, Total*, code X06 – see Chapter 8 for details) and repayment of loans made to members (nonrevenue).

SUB-CATEGORY: Other Revenue (Other Receipts)

Code X08 Total Earnings on Investments

Definition: Interest earnings on investment securities, deposits, and other interest-bearing accounts, including accrued interest on investment securities sold; dividends; recorded profits on investment transactions (minus any recorded losses); rentals; and other earnings on investments. Includes unrealized gains (and losses), as reported for accounting purposes.

Excludes: Rental of property owned by a retirement system and leased to its parent government, and amortization of discounts (nonrevenues).

Special Considerations:

1. This is a calculated statistic only. It is the sum of the following five exhibit codes (see Chapter 8 for additional definitions).
   + Z71 Interest Earnings
   + Z72 Dividend Earnings
   + Z73 Other Investment Earnings
   + Z96 Gains on Investments, (Realized and Unrealized)
   - Z91 Losses on Investments (Realized and Unrealized)
2. For Retirement Survey purposes, X08 includes another exhibit code in the calculation as well, *Rentals from State Government*, code Z98. However, such receipts reflect an intragovernmental transaction and thus cannot be included as revenue for a government. See Chapter 8.

Code X08 Total Earnings on Investments - continued

Special Considerations: (continued)

3. Previous versions of the *Classification Manual* separated earnings on investments between interest income (code X08) and other types of investment earnings (X09). Since this distinction was not made on the survey schedules themselves, these two codes were consolidated effective with fiscal year 1990.

Exhibit Codes Related to Public Employee Retirement Systems Receipts (Summarized – see Chapter 8 for detail)

Code and Description	
Code X04	From Parent Local Government
Code Z71	Interest Earnings
Code Z72	Dividend Earnings
Code Z73	Other Investment Earnings
Code Z91	Losses on Investments (Realized and Unrealized)
Code Z95	Other Receipts, NEC
Code Z96	Gains on Investments, (Realized and Unrealized)
Code Z98	Rentals from State Government
Code X06	State Contributions To Own System, Total
Code V87	State Contributions to Own System, on Behalf of Local Employees
Code Z99	State Contributions to Own System, on Behalf of State Employees

SOCIAL INSURANCE TRUST REVENUE BY TYPE: REGULAR AND EXHIBIT

CATEGORY **UNEMPLOYMENT COMPENSATION SYSTEMS**

Contributions from employees and governments (as employers) and interest earnings on deposits in the U.S. Treasury for the cooperative Federal-state unemployment compensation insurance system and for Federal railroad unemployment compensation. This category applies only to the Federal Government, state governments, and the District of Columbia. For a description of how this system operates, see Chapter 9.

Note that these data are obtained largely from the Employment and Training Administration of the U.S. Department of Labor.

Code Y01 Contributions

Definition: Payroll levies (or "taxes") collected from private and public employers (and in some cases employees) to provide for unemployment compensation benefits.

Excludes: Borrowing of funds (nonrevenues) and contributions (including special payroll levies) to pay debt service on loans issued to cover fund deficits (report at *Miscellaneous General Revenue, NEC*, code U99).

Code Y02 Interest Credited by U.S. Government

Definition: Interests earned on deposits held in the Unemployment Trust Fund of the U.S. Treasury and credited to individual state governments and to the District of Columbia.

Code Y04 Federal Advances and Contributions

Definition: Net amounts credited to the accounts of the individual state governments and District of Columbia during periods where contributions and interest are insufficient to pay benefits due. Report repayment of advances as deductions to this code, not as unemployment compensation expenditures.

Exhibit Codes Related to Unemployment Compensation System Receipts (Summarized – see Chapter 9 for detail)

Code and Description

Code Y99 Interest on U.S. Securities Held by Federal portion of the Unemployment Compensation Trust Funds.

SOCIAL INSURANCE TRUST REVENUE BY TYPE: REGULAR AND EXHIBIT

CATEGORY **WORKERS' COMPENSATION SYSTEMS**

Contributions and interest earnings of state government-operated insurance trust funds to provide accident, disability, and death benefits for private and public employees. This category applies solely to state governments.

These data are collected largely by a separate mail canvass survey of state workers' compensation systems. See Chapter 9 for a detailed discussion of exhibit codes for workers' compensation systems.

Code Y11 Contributions

Definition: Premiums, assessments, payroll "taxes" or other contributions collected from employers and employees to provide for workers' compensation benefits, including contributions from local governments as employers on behalf of their own employees. Also includes amounts received from employees of either state or local governments.

Excludes: Contributions from state government administering insurance trust system (use *Own Contributions from Administering Government*, code Y10); policy dividends or return of excess premiums (report as a deduction from revenues); penalties and fines (use *Fines and Forfeits*, code U30); charges for such services as copying documents (report at *All Other General Charges*, code A89); recovery of benefits and other miscellaneous revenues (use *Miscellaneous General Revenue, NEC*, code U99); and Federal grants (report at appropriate *Intergovernmental Revenue from the Federal Government* code).

Code Y12 Earnings on Investments

Definition: Interest earnings on investment securities, deposits, and other interest-bearing accounts, including accrued interest on investment securities sold; dividends; recorded profits on investment transactions (minus any recorded losses); rentals; and other earnings on investments.

Special Considerations:

1. Report losses on investments at expenditure exhibit *Administrative Expenses*, code Y15 (see Chapter 5).
2. Previous manuals separated earnings on investments between interest income (code Y12) and other types of investment earnings (code Y13). Since this distinction was not made on the survey schedules themselves, these two codes were consolidated effective with fiscal year 1990.

Exhibit Codes Related to Workers' Compensation Systems Revenue
(Summarized – see Chapter 9 for detail)

Code and Description

Code Y10 Own Contribution from Administering Government

SOCIAL INSURANCE TRUST REVENUE BY TYPE: REGULAR AND EXHIBIT

CATEGORY **OTHER STATE SOCIAL INSURANCE TRUST SYSTEMS**

Contributions and earnings on investments for state-administered social insurance systems for health benefits, disability benefits, and other purposes. This category applies solely to state governments.

These data are collected largely by a separate mail canvass survey of state miscellaneous insurance trust systems. See Chapter 9 for additional detail on exhibit codes for other Federal and state social insurance trust systems.

Code Y51 Contributions

Definition: Premiums, assessments, or contributions collected from members to provide for benefits, including contributions from local governments as employers on behalf of their own employees. Also includes amounts received from employees of either state or local governments.

Excludes: Contributions from state government administering insurance trust system (use *Contributions to Own System*, code Y50).

Code Y52 Earnings on Investments

Definition: Interest earnings on investment securities, deposits, and other interest-bearing accounts, including accrued interest on investment securities sold; dividends; recorded profits on investment transactions (minus any recorded losses); rentals; and other earnings on investments.

Special Consideration:

1. Report losses on investments at exhibit *Other Payments*, code Y54 (see Chapter 5).
2. Previous manuals separated earnings on investments between interest income (code Y52) and other types of investment earnings (code Y55). Since this distinction was not made on the survey schedules themselves, these two codes were consolidated effective with fiscal year 1990.

Exhibit Codes Related to Other State Social Insurance Trust Systems Revenue (Summarized – see Chapter 9 for detail)

Code and Description

Code Y50 Contributions from Administering Government

4.10 Tables

These tables show how the revenue codes used in the Census Bureau's government finance statistical program apply to the three levels and all types of governments. The tables are shown here and repeated in Appendix 2. The revenue codes are split into the three tables for ease of reference. Table 4.1 covers the general government sector, Table 4.2 the utilities and liquor stores sectors, and Table 4.3 the social insurance trust sector (and the sub-sectors by type of social insurance trust system).

Table 4.1

Revenue Code Validity by Level and Type of Government: General Revenue – page 1 of 3

Revenue Type	Level and Type of Government						
Taxes	**Federal**	**State**	**County**	**Municipal**	**Township**	**Special Districts**	**School Districts**
Regular statistics:							
T01	X	Valid	Valid	Valid	Valid	Valid	Valid
T08	Valid	X	X	X	X	X	X
T09	X	Valid	Valid	Valid	Valid	Valid	Valid
T10	Valid	Valid	Valid	Valid	Valid	Valid	Valid
T11	X	Valid	Valid	Valid	Valid	Valid	Valid
T12	X	Valid	Valid	Valid	Valid	Valid	Valid
T13	Valid	Valid	Valid	Valid	Valid	Valid	Valid
T14	X	Valid	Valid	Valid	Valid	Valid	Valid
T15	Valid	Valid	Valid	Valid	Valid	Valid	Valid
T16	Valid	Valid	Valid	Valid	Valid	Valid	Valid
T19	Valid	Valid	Valid	Valid	Valid	Valid	Valid
T20	X	Valid	Valid	Valid	Valid	Valid	Valid
T21	X	Valid	Valid	Valid	Valid	Valid	Valid
T22	X	Valid	Valid	Valid	Valid	Valid	Valid
T23	X	Valid	Valid	Valid	Valid	Valid	Valid
T24	X	Valid	Valid	Valid	Valid	Valid	Valid
T25	X	Valid	Valid	Valid	Valid	Valid	Valid
T27	X	Valid	Valid	Valid	Valid	Valid	Valid
T28	X	Valid	Valid	Valid	Valid	Valid	Valid
T29	X	Valid	Valid	Valid	Valid	Valid	Valid
T40	Valid	Valid	Valid	Valid	Valid	Valid	Valid
T41	Valid	Valid	Valid	Valid	Valid	Valid	Valid
T50	Valid	Valid	Valid	Valid	Valid	Valid	Valid
T51	X	Valid	Valid	Valid	Valid	Valid	Valid
T53	X	Valid	Valid	Valid	Valid	Valid	Valid
T99	Valid	Valid	Valid	Valid	Valid	Valid	Valid
Exhibit statistics: None							
Intergovernmental From Federal	**Federal**	**State**	**County**	**Municipal**	**Township**	**Special Districts**	**School Districts**
Regular statistics:							
B01	X	Valid	Valid	Valid	Valid	Valid	X
B21	X	Valid	Valid	Valid	Valid	Valid	Valid
B22[1]	X	Valid	X	X[1]	X	X	X
B30	X	Valid	Valid	Valid	Valid	X	X
B42	X	Valid	Valid	Valid	Valid	Valid	X
B46	X	Valid	Valid	Valid	Valid	Valid	X
B50	X	Valid	Valid	Valid	Valid	Valid	X
B59	X	Valid	Valid	Valid	Valid	Valid	X
B79	X	Valid	Valid	Valid	Valid	Valid	X
B80	X	Valid	Valid	Valid	Valid	Valid	X
B89	X	Valid	Valid	Valid	Valid	Valid	X
B91	X	Valid	Valid	Valid	Valid	Valid	X
B92	X	Valid	Valid	Valid	Valid	Valid	X
B93	X	Valid	Valid	Valid	Valid	Valid	X
B94	X	Valid	Valid	Valid	Valid	Valid	X
Exhibit statistics: None							

Notes:

[1]B22 is a valid code at the local government level for Washington DC, only.

Table 4.1
Revenue Code Validity by Level and Type of Government: General Revenue
page 2 of 3

Revenue Type	Level and Type of Government						
Intergovernmental From State	**Federal**	**State**	**County**	**Municipal**	**Township**	**Special District**	**School District**
Regular statistics:							
C21[2]	X	X	Valid	Valid[2]	Valid	Valid	Valid
C30[2]	X	X	Valid	Valid[2]	Valid	X	X
C42[2]	X	X	Valid	Valid[2]	Valid	Valid	X
C46[2]	X	X	Valid	Valid[2]	Valid	Valid	X
C50[2]	X	X	Valid	Valid[2]	Valid	Valid	X
C79[2]	Valid	X	Valid	Valid[2]	Valid	Valid	X
C80[2]	X	X	Valid	Valid[2]	Valid	Valid	X
C89[2]	Valid	X	Valid	Valid[2]	Valid	Valid	X
C91[2]	X	X	Valid	Valid[2]	Valid	Valid	X
C92[2]	X	X	Valid	Valid[2]	Valid	Valid	X
C93[2]	X	X	Valid	Valid[2]	Valid	Valid	X
C94[2]	X	X	Valid	Valid[2]	Valid	Valid	X
Exhibit statistics: None							
Intergovernmental From Local	**Federal**	**State**	**County**	**Municipal**	**Township**	**Special District**	**School District**
Regular statistics:							
D11[3]	X	X	X	X	X	X	Valid[3]
D21	X	Valid	Valid	Valid	Valid	Valid	Valid
D30	X	Valid	Valid	Valid	Valid	X	X
D42	X	Valid	Valid	Valid	Valid	Valid	X
D46	X	Valid	Valid	Valid	Valid	Valid	X
D50[4]	X	Valid[4]	Valid	Valid	Valid	Valid	X
D79	X	Valid	Valid	Valid	Valid	Valid	X
D80	X	Valid	Valid	Valid	Valid	Valid	X
D89	X	Valid	Valid	Valid	Valid	Valid	X
D91	X	Valid	Valid	Valid	Valid	Valid	X
D92	X	Valid	Valid	Valid	Valid	Valid	X
D93	X	Valid	Valid	Valid	Valid	Valid	X
D94	X	Valid	Valid	Valid	Valid	Valid	X
Exhibit statistics: None							

Notes:
[2]Although valid for municipal governments, this code is not valid for Washington, DC, by definition.
[3]This code is valid only for school districts. It is not used in aggregate statistics by level or type of government.
[4]This code becomes valid for state government effective with 2006 statistics.

Table 4.1
Revenue Code Validity by Level and Type of Government: General Revenue
page 3 of 3

Revenue Type	Level and Type of Government						
Current Charges	**Federal**	**State**	**County**	**Municipal**	**Township**	**Special District**	**School District**
Regular statistics:							
A01	Valid	Valid	Valid	Valid	Valid	Valid	X
A03	X	Valid	Valid	Valid	Valid	Valid	X
A06	Valid	X	X	X	X	X	X
A09	X	Valid	Valid	Valid	Valid	X	Valid
A10	X	Valid	Valid	Valid	Valid	X	Valid
A12	X	Valid	Valid	Valid	Valid	X	Valid
A14	Valid	X	X	X	X	X	X
A16	X	Valid	Valid	Valid	Valid	X	Valid
A18	X	Valid	Valid	Valid	Valid	Valid	Valid
A21	Valid	Valid	X	X	X	X	X
A36	Valid	Valid	Valid	Valid	Valid	Valid	Valid
A44	X	Valid	Valid	Valid	Valid	Valid	X
A45	X	Valid	Valid	Valid	Valid	Valid	X
A50	Valid	Valid	Valid	Valid	Valid	Valid	X
A56	Valid	Valid	X	X	X	X	X
A59	Valid	Valid	Valid	Valid	Valid	Valid	X
A60	X	Valid	Valid	Valid	Valid	Valid	X
A61	Valid	Valid	Valid	Valid	Valid	Valid	X
A80	X	Valid	Valid	Valid	Valid	Valid	X
A81	Valid	Valid	Valid	Valid	Valid	Valid	X
A87	Valid	Valid	Valid	Valid	Valid	Valid	X
A89	Valid	Valid	Valid	Valid	Valid	Valid	X
Exhibit statistics: None							
Miscellaneous	**Federal**	**State**	**County**	**Municipal**	**Township**	**Special District**	**School District**
Regular statistics:							
U01	X	Valid	Valid	Valid	Valid	Valid	Valid
U11	Valid	Valid	Valid	Valid	Valid	Valid	Valid
U20	Valid	Valid	Valid	Valid	Valid	Valid	Valid
U21	X	Valid	X	X	X	X	X
U30	Valid	Valid	Valid	Valid	Valid	Valid	Valid
U40	X	Valid	Valid	Valid	Valid	X	X
U41	X	Valid	Valid	Valid	Valid	Valid	Valid
U50	X	Valid	Valid	Valid	Valid	Valid	Valid
U95	X	Valid	Valid	Valid	Valid	Valid	Valid
U99	Valid	Valid	Valid	Valid	Valid	Valid	Valid
Exhibit statistics:							
CGR[5]	X	Valid	X	X[5]	X	X	X
Z51[5]	X	Valid	X	X[5]	X	X	X
Z54[5]	X	Valid	X	X[5]	X	X	X

Key:
Valid Statistics can be reported for these governments.
X Statistics cannot be reported for these governments.

Notes:

[5]Valid code at the local government level for Washington, DC, only.

Table 4.2 Revenue Code Validity by Level and Type of Government: Liquor Stores and Utilities Sectors

Revenue Category	Level and Type of Government						
Liquor Stores Sector	**Federal**	**State**	**County**	**Municipal**	**Township**	**Special District**	**School District**
Regular statistics:							
A90	X	Valid	Valid	Valid	Valid	X	X
Exhibit statistics:							
Z41	X	Valid	X	X	X	X	X
Z44	X	Valid	X	X	X	X	X
Z48	X	Valid	X	X	X	X	X
Utilities Sector	**Federal**	**State**	**County**	**Municipal**	**Township**	**Special District**	**School District**
Regular statistics:							
A91	X	Valid	Valid	Valid	Valid	Valid	X
A92	X	Valid	Valid	Valid	Valid	Valid	X
A93	X	Valid	Valid	Valid	Valid	Valid	X
A94	X	Valid	Valid	Valid	Valid	Valid	X
Exhibit statistics: None							

Key:
Valid Statistics can be reported for these governments.
X Statistics cannot be reported for these governments.

Table 4.3 Revenue Code Validity by Level and Type of Government: Social Insurance Trust Sector – page 1 of 2

Revenue Category	Level and Type of Government						
Federal Only Categories	**Federal**	**State**	**County**	**Municipal**	**Township**	**Special District**	**School District**
Regular Statistics:							
Y20	Valid	X	X	X	X	X	X
Y31	Valid	X	X	X	X	X	X
Y41	Valid	X	X	X	X	X	X
Exhibit Statistics:							
Y22	Valid	X	X	X	X	X	X
Y32	Valid	X	X	X	X	X	X
Y42	Valid	X	X	X	X	X	X
Employee Retirement	**Federal**	**State**	**County**	**Municipal**	**Township**	**Special District**	**School District**
Regular statistics:							
X01	X	Valid	Valid	Valid	Valid	Valid	Valid
X02	X	Valid	X	X	X	X	X
X03	Valid	X	X	X	X	X	X
X05	X	Valid	Valid	Valid	Valid	Valid	Valid
X08	X	Valid	Valid	Valid	Valid	Valid	Valid
Exhibit statistics:							
V87	X	Valid	X	X	X	X	X
X04	X	X	Valid	Valid	Valid	Valid	Valid
X06	X	Valid	X	X	X	X	X
X99	Valid	X	X	X	X	X	X
Z71	X	Valid	Valid	Valid	Valid	Valid	Valid
Z72	X	Valid	Valid	Valid	Valid	Valid	Valid
Z73	X	Valid	Valid	Valid	Valid	Valid	Valid
Z91	X	Valid	Valid	Valid	Valid	Valid	Valid
Z95	X	Valid	Valid	Valid	Valid	Valid	Valid
Z96	X	Valid	Valid	Valid	Valid	Valid	Valid
Z98	X	Valid	X	X	X	X	X
Z99	X	Valid	X	X	X	X	X

Table 4.3 Revenue Code Validity by Level and Type of Government: Social Insurance Trust Sector – page 2 of 2

Revenue Category	Level and Type of Government						
Unemployment Compensation	**Federal**	**State**	**County**	**Municipal**	**Township**	**Special District**	**School District**
Regular statistics:							
Y01[1]	Valid	Valid	X	X[1]	X	X	X
Y02[1]	X	Valid	X	X[1]	X	X	X
Y04[1]	X	Valid	X	X[1]	X	X	X
Exhibit statistics:							
Y99	Valid	X	X	X	X	X	X
Workers' Compensation	**Federal**	**State**	**County**	**Municipal**	**Township**	**Special District**	**School District**
Regular statistics:							
Y11	X	Valid	X	X	X	X	X
Y12	X	Valid	X	X	X	X	X
Exhibit statistics:							
Y10	X	Valid	X	X	X	X	X
Other State Social Insurance Trusts	**Federal**	**State**	**County**	**Municipal**	**Township**	**Special District**	**School District**
Regular statistics:							
Y51[1]	X	Valid	X	X[1]	X	X	X
Y52[1]	X	Valid	X	X[1]	X	X	X
Exhibit statistics:							
Y50[1]	X	Valid	X	X[1]	X	X	X

Key:
Valid Statistics can be reported for these governments.
X Statistics cannot be reported for these governments.

Notes:
[1]These codes are valid for Washington, DC, only at the local level.

EXHIBIT

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H

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Revised November 1, 2007

WHICH STATES TAX THE SALE OF FOOD FOR HOME CONSUMPTION IN 2007?

Forty-five states and the District of Columbia levy general sales taxes. Most of those states have eliminated, reduced, or offset the tax as applied to food for home consumption. The relief strategies include full or partial exemptions from the sales tax for food purchased for home consumption and credits or rebates to offset the food tax. Of the states with sales taxes:

- Thirty-one states and the District of Columbia exempt most food purchased for consumption at home from the state sales tax. South Carolina is the state that most recently eliminated its sales tax on food (effective November 1, 2007).

- Seven states tax groceries at lower rates than other goods; they are Arkansas, Illinois, Missouri, Tennessee, Utah, Virginia, and West Virginia.[1]

- Five states — Hawaii, Idaho, Kansas, Oklahoma, and South Dakota— tax groceries fully but offer credits or rebates offsetting some of the taxes paid on food by some portions of the population. These credits or rebates usually are set at a flat amount per family member. The amounts and eligibility rules vary, but may be too narrow and/or insufficient to give eligible households full relief from sales taxes paid on food purchases.

- Two states continue to apply their sales tax fully to food purchased for home consumption without providing any offsetting relief for low- and moderate-income families. They are Alabama and Mississippi.

Local governments, which in many states levy their own sales taxes, usually exempt food if food is fully exempt at the state level . Major exceptions include localities in Arizona, Colorado, Georgia, Louisiana and North Carolina. Grocery food purchases in those states are fully or partially exempt at the state level, but typically taxed at the local level.

For more details on food tax exemptions and credits, see Nicholas Johnson and Iris J. Lav, *Should States Tax Food? Examining the Policy Issues and Options*, Center on Budget and Policy Priorities, May 1998.

[1] Food sales tax rates in these states are as follows: Arkansas — 3 percent, Illinois — 1 percent, Missouri — 1.225 percent, Tennessee — 6 percent, Utah — 2.75 percent, West Virginia — 4 percent (declining to 3 percent on July 1, 2008), and Virginia — 2.5 percent.

EXHIBIT

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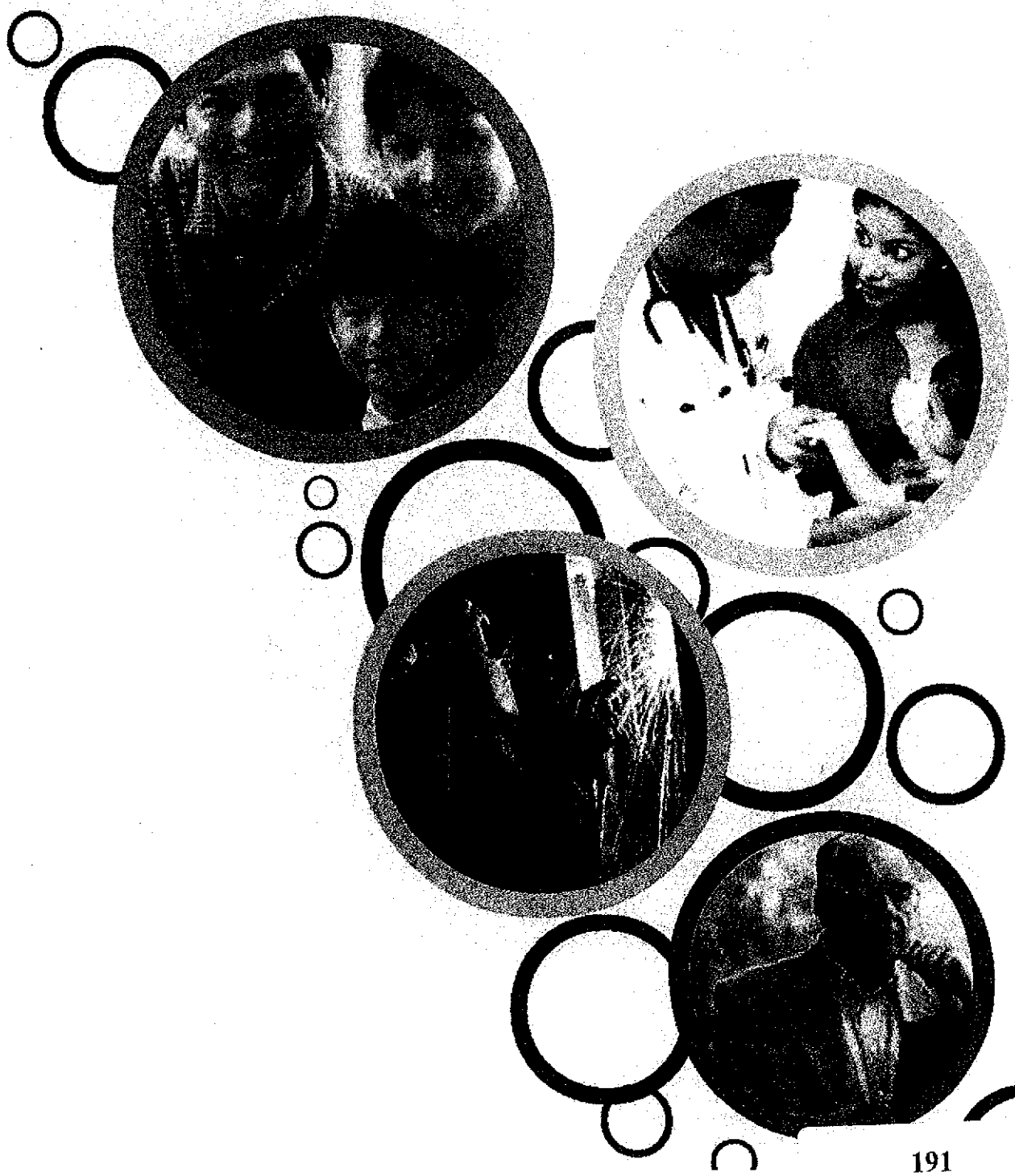
Ohio | Department of Job and Family Services

TO STRENGTHEN OHIO'S FAMILIES WITH SOLUTIONS TO TEMPORARY CHALLENGES

2007 ODJFS ANNUAL REPORT



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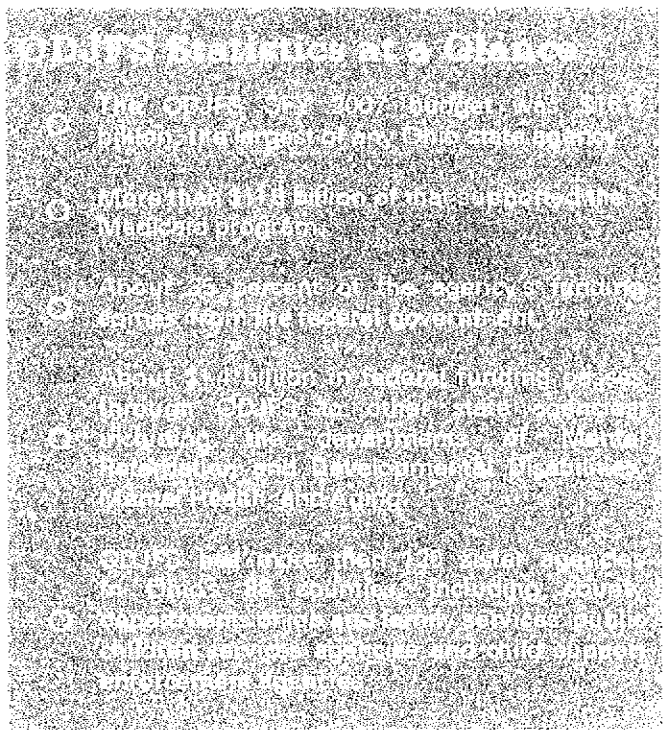
It is with great pleasure that I present the 2007 Annual Report for the Ohio Department of Job and Family Services (ODJFS).

ODJFS is a $18.8 billion agency with almost 4,000 employees statewide. We are present in every county and touch practically every community in Ohio. If we were on the Fortune 500 list, we would be right behind McDonald's and Coca-Cola. Our budget is three times the size of Chicago's, almost twice the size of Los Angeles', and we would by far be the largest department in the city of New York.

Unlike Coca-Cola and McDonald's, however, we are not in the business of comfort foods like french fries and soft drinks. Instead, we're responsible for the lives and well-being of thousands of children and families across Ohio.

With our county partners, we are a statewide family network, and our business is providing solutions to people's temporary challenges. Those challenges may take months or even years to resolve, but our mission is to help empower those who are vulnerable, to enhance their capacity to overcome barriers, to care for their children, and to lead happy, productive lives.

The following pages tell a story in numbers: numbers of Ohioans served, dollars spent, results achieved. As you read the numbers, however, remember that behind each number is a person: a person saved by our safety net from physical or financial hardship, possibly even abuse, neglect, or poverty. Gradually, person by person, this is how we will do our part to Turnaround Ohio.



Services to Families

Cash Assistance

ODJFS provides a variety of financial and supportive services annually to low-income families and individuals, most of whom are employed or seeking employment. A large part of this assistance comes through the Ohio Works First and Food Stamp programs.

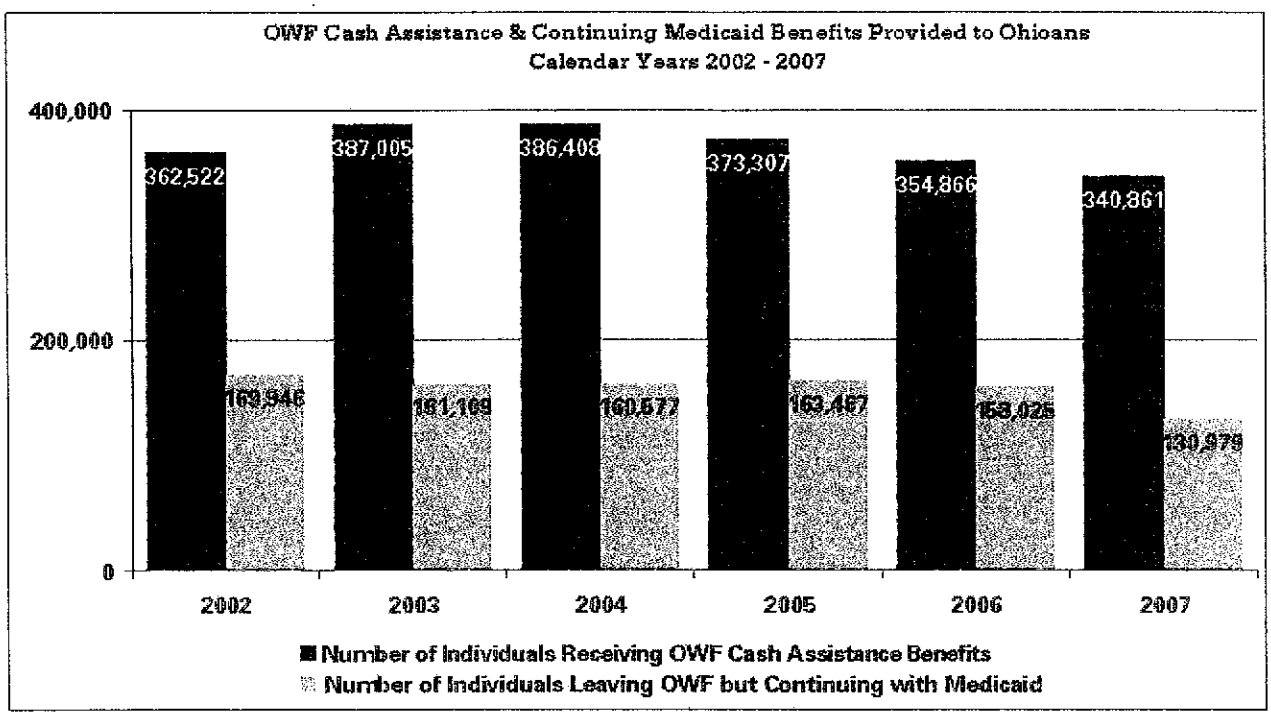
Ohio Works First (OWF) is the financial-assistance portion of the state's Temporary Assistance to Needy Families (TANF) program, providing cash benefits to needy families for up to 36 months. OWF requires at least 50 percent of adults receiving benefits to work or engage in work-related activities, such as educational or training programs.

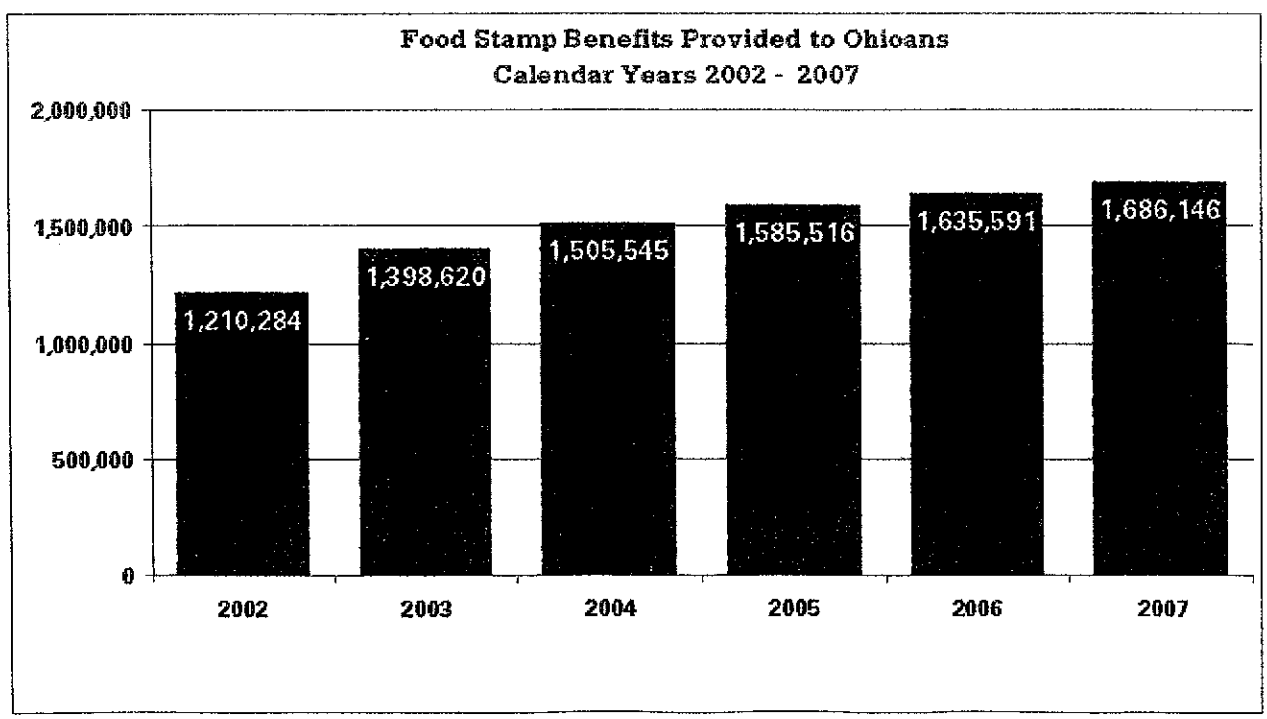
The federal **Food Stamp Program** helps eligible needy Ohioans pay for food. In Ohio, recipients use an electronic benefits transfer card—the Ohio Direction Card—to buy most food or food products, with the exception of alcohol, tobacco and hot food. Although the federal government pays for all benefits, states provide about half of the program's administrative costs.

In recent years, the number of individuals receiving OWF benefits has been declining, from 362,522 in calendar year 2002 to 340,861 in 2007. However, as the chart at the right shows, Ohio continues to provide Medicaid benefits to a large number of people who have left the OWF program. In addition, the number of individuals receiving food stamps has risen, from 1,210,284 in 2002 to 1,686,146 in 2007.

The TANF program helps Ohioans in other ways, as well. When nine northwest Ohio counties were flooded with six to nine inches of rain on August 20, 2007, Governor Strickland declared a state of emergency. State resources were used to help affected Ohioans recover from this disaster as quickly as possible. Eligible families received **TANF Disaster Assistance** benefits of up to $1,500, and eligible elderly and disabled individuals without children received up to $750 of non-TANF assistance benefits.

On June 30, 2007, the Ohio General Assembly adopted the **TANF Family Violence Option**. This will allow some TANF program requirements to be waived for victims of domestic violence so that their safety isn't jeopardized. For example, victims may be temporarily excused from working, looking for work, or going to school or job training if participating would put them in danger or interfere with their ability to escape their domestic violence. The Family Violence Option will allow caseworkers to identify victims of domestic violence, refer them to appropriate services, and protect their confidentiality.


OWF Cash Assistance & Continuing Medicaid Benefits Provided to Ohioans
Calendar Years 2002 - 2007
400,000
200,000
0
362,522
387,005
386,408
373,307
354,866
340,861
169,946
181,169
160,577
163,467
153,025
130,979
2002
2003
2004
2005
2006
2007
Number of Individuals Receiving OWF Cash Assistance Benefits
Number of Individuals Leaving OWF but Continuing with Medicaid


Food Stamp Benefits Provided to Ohioans
Calendar Years 2002 - 2007
2,000,000
1,500,000
1,000,000
500,000
0
1,210,284
1,398,620
1,505,545
1,585,516
1,635,591
1,686,146
2002
2003
2004
2005
2006
2007

Child Care

ODJFS offers financial assistance to eligible needy parents to pay for child care while they engage in work and training efforts. The agency also is responsible for regulating out-of-home child care arrangements and for licensing and inspecting child care facilities. Every day in Ohio, an estimated 350,000 children under age 6 are cared for in settings outside the home that are inspected and licensed by ODJFS.

Of those 350,000 children who spend each day in regulated child care, more than 190,000 received financial assistance for that child care in 2007. That not only allowed their parents to find and keep jobs, but it ensured that children in low-income families still had access to the early care and education programs they need to succeed in school.

Collaboration among state agencies, public school systems and community-based programs has created several child care and early learning programs in Ohio. These include subsidized child care centers, family child care, prekindergarten, public school preschool programs, special education preschool programs and Head Start, which is funded by the federal government through the U.S. Department of Health and Human Services.

Early Childhood Cabinet

As part of his commitment to early childhood education, Governor Strickland created the Early Childhood Cabinet in 2007. The cabinet's purpose is to unite key state agencies around the common goal of promoting school readiness by setting and coordinating state policies and programs that serve Ohio's children from birth through age 6. Although the cabinet is based at ODJFS, six state agencies are involved: the Ohio Department of Alcohol and Drug Addiction Services, the Ohio Department of Education, ODJFS, the Ohio Department of Health, the Ohio Department of Mental Retardation and Developmental Disabilities, and the Ohio Department of Mental Health. Step Up To Quality and the Early Learning Initiative were two of the cabinet's major 2007 initiatives.

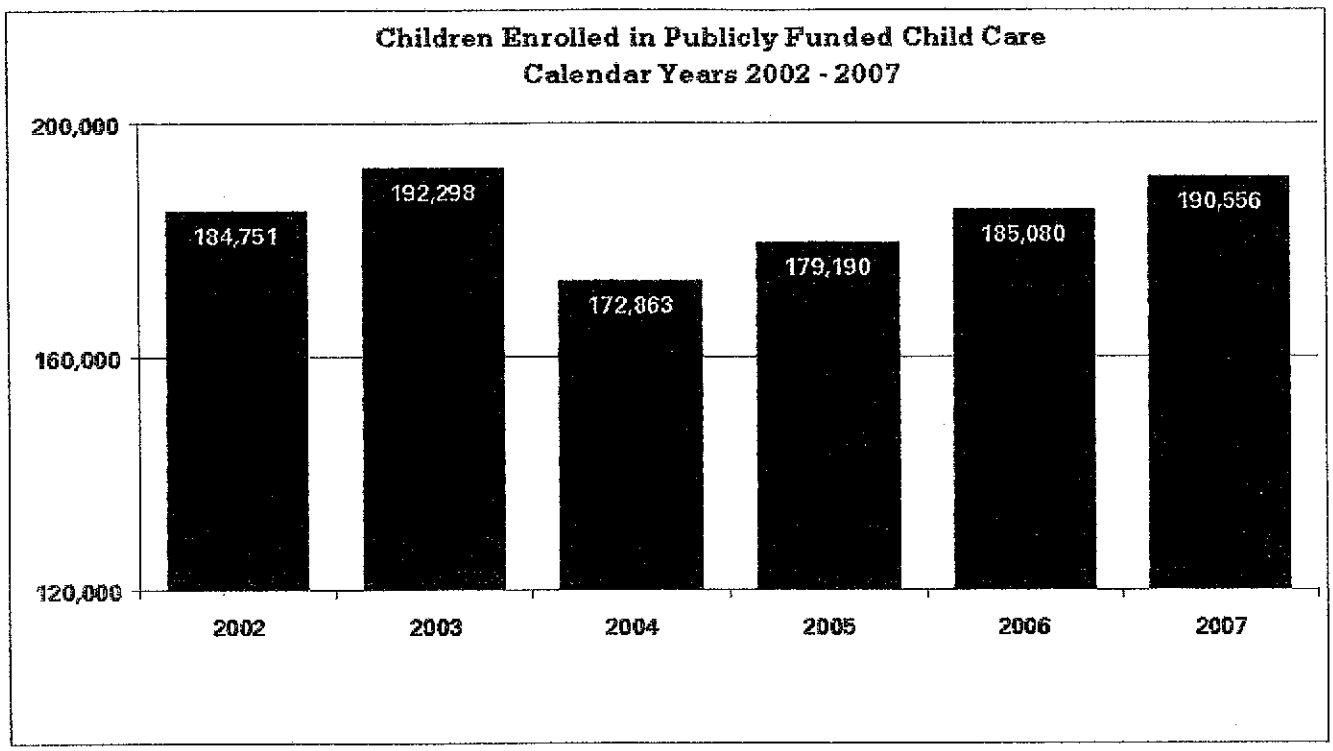
Step Up To Quality

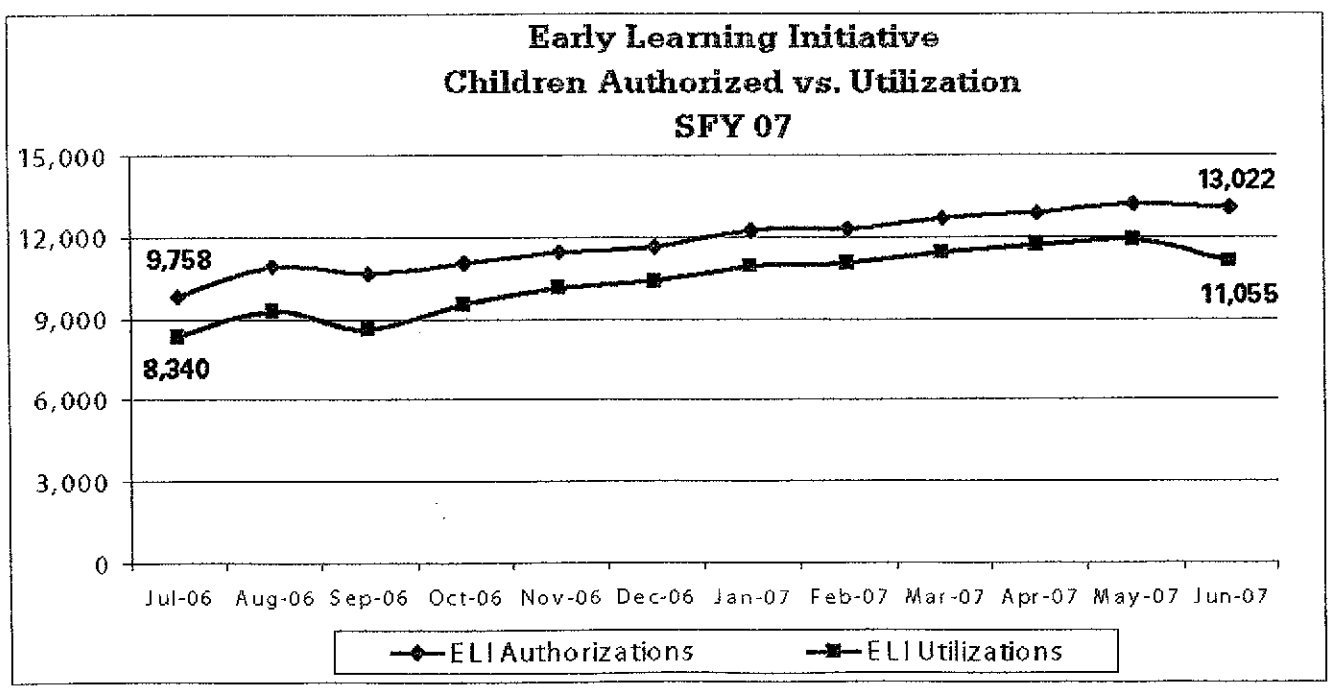
Step Up To Quality (SUTQ), Ohio's voluntary quality rating system for child care programs, grew dramatically in 2007. At the beginning of the year, 620 programs across the state were participating. Since then, 400 more—from 65 counties—have applied, and an additional 80 are waiting for verification. SUTQ is designed to increase the number of high-quality programs, recognize and support programs that achieve higher quality standards, and provide parents with an easy-to-use tool to assist them in making more informed choices on behalf of their children. Programs with the highest ratings qualify for monetary awards. So far, 172 quality achievement awards totaling $1.6 million have been distributed.

Early Learning Initiative

The Early Learning Initiative (ELI), formerly the Head Start Plus program, uses TANF funds to pay for early learning experiences for qualifying low-income children, ages 3 through school age, who have been identified as being at risk of school failure. ODJFS is responsible for ELI contracts and reimbursement for services, and the Ohio Department of Education is responsible for all aspects of educational programming. ELI was expanded and modified in 2007 to eliminate the work requirement for parents and to expand the authorization period for approved ELI providers from six to twelve months. In addition, the enrollment structure was adjusted to allow more consistency in funding and reimbursement to service providers.

From June 2006 through July 2007, 16,655 children received ELI services through 102 agencies. On average, 9,398 children received services each month, representing approximately 83 percent of all those authorized to receive services.


Children Enrolled in Publicly Funded Child Care
Calendar Years 2002 - 2007
200,000
160,000
120,000
184,751
192,298
172,863
179,190
185,080
190,556
2002
2003
2004
2005
2006
2007


Early Learning Initiative
Children Authorized vs. Utilization
SFY 07
15,000
12,000
9,000
6,000
3,000
0
9,758
8,340
13,022
11,055
Jul-06
Aug-06
Sep-06
Oct-06
Nov-06
Dec-06
Jan-07
Feb-07
Mar-07
Apr-07
May-07
Jun-07
ELI Authorizations
ELI Utilizations

Child Protective Services

ODJFS administers and oversees the state's child and adult protective services programs. These include programs that prevent child abuse and neglect; provide services to abused and/or neglected children and their families (birth, foster and adoptive); license foster homes and residential facilities; and investigate allegations of adult abuse, neglect and exploitation.

Child welfare services in Ohio are provided by a network of 88 public children services agencies (PCSAs). Fifty-five of these are located within county departments of job and family services, and 33 operate separately.

Ohio's child welfare system is state-supervised and county-administered. This means that county agencies have considerable leeway in determining the ways in which they deliver services to Ohio's children and families. ODJFS develops policies and procedures to guide them. It also provides technical assistance to the counties and monitors their program implementation for compliance with federal and state laws, rules and policies.

Through all of these efforts, children's safety and well-being are the paramount concerns. In 2007, ODJFS undertook many initiatives aimed at keeping children safe and improving the lives of children in foster care.

Protect Ohio-Child Welfare Waiver Project

ODJFS continued to implement Protect Ohio, the state's Title IV-E waiver demonstration project, in 2007. Title IV-E is the part of the Social Security Act that provides federal reimbursement to states for the costs of placing children in foster homes or other types of out-of-home care. The purpose of Protect Ohio is to determine whether giving counties flexible Title IV-E spending (1) improves the way they manage their child welfare programs and (2) improves outcomes for children and families. This program is being implemented in 14 counties and, as a result of a recent federal decision, will be allowed to continue.

Alternative Response Pilot Project

In June 2007, ODJFS and the Supreme Court of Ohio began developing the Alternative Response Pilot Project, an experiment that will allow caseworkers more flexibility in deciding how to respond to reports of suspected child abuse and neglect. In 10 participating pilot counties, caseworkers will be required to use an "alternative response" to at least 25 percent of all reports of abuse and neglect.

Instead of beginning a traditional investigation, they will respond with a "family assessment," in which they will assess the needs of the child or family without first getting a formal court disposition. The assessments will be conducted in a non-threatening, non-adversarial manner, and will show what services the family needs to ensure the well-being and safety of its children. Caseworkers will then offer those services. The project will begin on July 1, 2008, and last for 19 months. The results will show whether the family assessment system is an effective early intervention method, to stop child abuse and neglect before they occur.

Family to Family Initiative

Starting in 2007, Cleveland became one of 15 "anchor sites" for the Annie E. Casey Foundation's Family to Family Initiative. Family to Family provides states with a model for a network of substitute care that, among other things, is neighborhood-based, culturally sensitive, and near the children's homes. The 2007 "anchor sites" are leading intensive reform efforts, to bring about comprehensive change and significant improvement.

Child Protection Statistics at a Glance

In calendar year 2006, Ohio counties received:

- 35,436 reports of alleged child neglect.
- 24,027 reports of alleged child physical abuse.
- 13,484 reports of alleged child sexual abuse.
- 3,215 reports of alleged child emotional maltreatment.
- 12 reports of alleged withholding of medically indicated treatment from a disabled infant with life-threatening conditions.

In addition:

- More than 22,000 children experienced more than 6.4 million days of foster care.
- 1,995 children were adopted.
- More than 22,000 children received adoption subsidies.

Ohio was one of the first states to get involved with the initiative, in 1992. Many Ohio counties are actively using the Family to Family model.

Kinship Permanency Incentive

The biennial state budget approved in June 2007 expanded eligibility requirements for the Kinship Permanency Incentive (KPI) program. KPI provides time-limited incentive payments to relatives caring for minor children who would be at risk of harm if they remained in their own homes. The changes removed the requirement that a juvenile court must first find the child to be abused, neglected, dependent or unruly. They also removed language awarding legal custody or guardianship to the kinship caregiver, removed the requirement that the child have "special needs," and removed gross income level requirements for caregivers. KPI is an incentive, not a support program, designed to defray the costs of initial placement of a minor child in a kinship caregiver's home.

Independent Living Services for Foster Youth

In 2007 ODJFS allocated $2.5 million in TANF funds to PCSAs to provide independent living services to youth ages 16 and older who were in the agency's custody and to young adults ages 18 to 21 who were emancipated from the agency's care. PCSAs were also allowed to use the funds to provide independent living services to youth under the age of 16 who were likely to remain in custody until their 18th birthdays. Services included life skills development training, education and vocational training, preventive health activities, financial assistance, housing, employment and education, self-esteem counseling, and assistance with developing positive relationships and support systems.

Education and Training Voucher Program

The Education and Training Voucher (ETV) program offers up to $5,000 per year to foster youth and former foster youth so that they can attend colleges, universities and vocational training institutions. In 2007, ODJFS contracted with the Orphan Foundation of America (OFA)—a national organization that provides education, mentoring and workforce development services for teens aging out of the foster system—to administer a program helping foster youth in Ohio obtain postsecondary education and training. Under the contract, OFA will provide eligibility and fund disbursement services. Through a network of volunteers, it also will monitor and support student progress and will monitor and report on the intended outcomes of the program.

Shared Vision for Youth

Shared Vision for Youth is a national effort to help needy, out-of-school, at-risk youth make a successful transition to adulthood. In 2007, Ohio had $174,000 in unobligated Shared Vision funds (federal and state), which are targeted for the "neediest youth," including youth aging out of foster care. Ohio allocated a portion of this funding to the OHIO (Overcoming Hurdles in Ohio) Youth Advisory Board, a group of young people ages 14 to 23, all of whom have experienced foster care. With support from the Ohio Independent Living Association and the Public Children Services Association of Ohio, the Youth Advisory Board seeks to influence policy and practice by bringing its knowledge and personal experience to the table. Members have met with Governor Strickland, legislators and ODJFS staff, and are committed to providing leadership and advocacy for Ohio's young people transitioning out of the foster care system.

Safe Havens

As of December 24, 2007, 54 newborn babies had been safely surrendered since Ohio's Safe Havens for Newborns law was enacted in April 2001. Under the Safe Havens law, a parent (without fear of prosecution) may deliver his or her unharmed newborn who is not more than 72 hours old to a medical worker at a hospital, a peace officer at a law enforcement agency or an emergency service organization. Parents are not required to provide any personal information but are asked to voluntarily fill out a medical history questionnaire. Once a baby is received by a Safe Havens provider, the newborn is placed in the custody of a county PCSA. The agency then looks for an adoptive family.

Adoption Tax Credit

In May 2007 Governor Strickland signed Senate Bill 20, which increased the adoption tax credit in Ohio from $500 to $1,500. ODJFS supported this bill, which provides a further incentive for parents to adopt children through the public system.

Research Consortium

The ODJFS Research Consortium saw the completion of two important projects in 2007 that could greatly improve the lives of children in foster care. The first evaluated the impact of a law that allows grandparents to use powers of attorney or caretaker authorization affidavits to obtain education and medical services for their grandchildren. The second examined ways to reduce reunification time for families and to decrease the number of children reentering foster care. The Research Consortium solicits, evaluates and funds proposals from the university research community for projects that will inform department policy and operational decisions.

Ohio Children's Trust Fund

The Strickland administration has made a commitment to strengthen and stabilize the Ohio Children's Trust Fund, which provides leadership in promoting child abuse and neglect prevention programs. The fund is a statutorily created, quasi-governmental entity, for which ODJFS is the administrative agent. Its programs are implemented locally by Family and Children First Councils or local advisory boards. In September 2007 the governor's office finalized its appointment of public members to the Ohio Trust Fund Board, and throughout the year the General Assembly appointed the board's legislative members. In August 2007 a new executive director was named. The board began an aggressive monthly meeting schedule and has focused on redefining prevention programming, engaging in education and training opportunities, initiating strategic planning efforts, and rebuilding federal, state and local partnerships.

Child Protection Oversight

ODJFS and its community partners began preparing for the federally required Child and Family Services Review, which evaluates the effectiveness of a state's child welfare system. The first round of reviews in Ohio was completed in 2004, and the second round is scheduled for 2008. The reviews have seven primary goals: to protect children from abuse and neglect, to allow them to live in their own homes whenever possible, to give children permanency and stability in their living situations, to preserve family relationships, to help families provide for their children's needs, to help children meet their educational needs, and to give children the physical and mental services they need.

Adult Protective Services

ODJFS administers the state's Adult Protective Services program, which helps adults who are in danger of harm, are unable to protect themselves, and have no one to assist them. ODJFS has the authority to plan and develop programs, and write rules and regulations, pertaining to adult protective services. It also provides technical assistance to county staff. The county departments of job and family services receive and investigate all reports of abuse, neglect and exploitation of adults ages 60 and older and evaluate the need for protective services. During SFY 2007, the counties received a total of 16,843 reports of adult abuse, neglect and exploitation.

Child Support

With more than 979,000 cases, Ohio had the third-largest "IV-D"-designated child support caseload in the country in FFY 2007. IV-D cases are those that qualify for collection, distribution, financial and medical support-enforcement services, such as paternity testing and delinquent-support collecting. All families that receive public assistance, Medicaid or foster care benefits automatically receive IV-D services, although others can apply to receive them, too. These services are administered by 88 county child support enforcement agencies (CSEAs).

It's very important that Ohio's children get the money owed to them by noncustodial parents. In addition, the federal Office of Child Support Enforcement awards incentive money to states that meet or exceed performance targets—and perform better than other states—in five areas: paternity establishment, support-order establishment, collections on current support due, cases with collections on arrears (unpaid support) and cost-effectiveness. The more money Ohio earns by reaching these targets, the more money it has to reinvest in its child support program.

In recent years, Ohio's performance in these categories has been excellent. In 2007 the state collected nearly $2 billion in support and earned $29.5 million in performance incentives. Even with Ohio's economy experiencing difficult times, in 2007 the state's child support program still performed better in all categories than in 2003 or 2004, and it achieved its best performance ever in two categories:

- 73.85% of open IV-D cases had support orders established for them.
- The state's cost effectiveness rate was $6.70, which means for every dollar spent, Ohio collected $6.70 in support.

In addition, Ohio led the nation in the collection of child support dollars for non-public assistance cases and was right behind Texas and California for all collections (and those states had more cases). In 2007 the state undertook a variety of initiatives to make a good system even better.

Child Support Partnerships

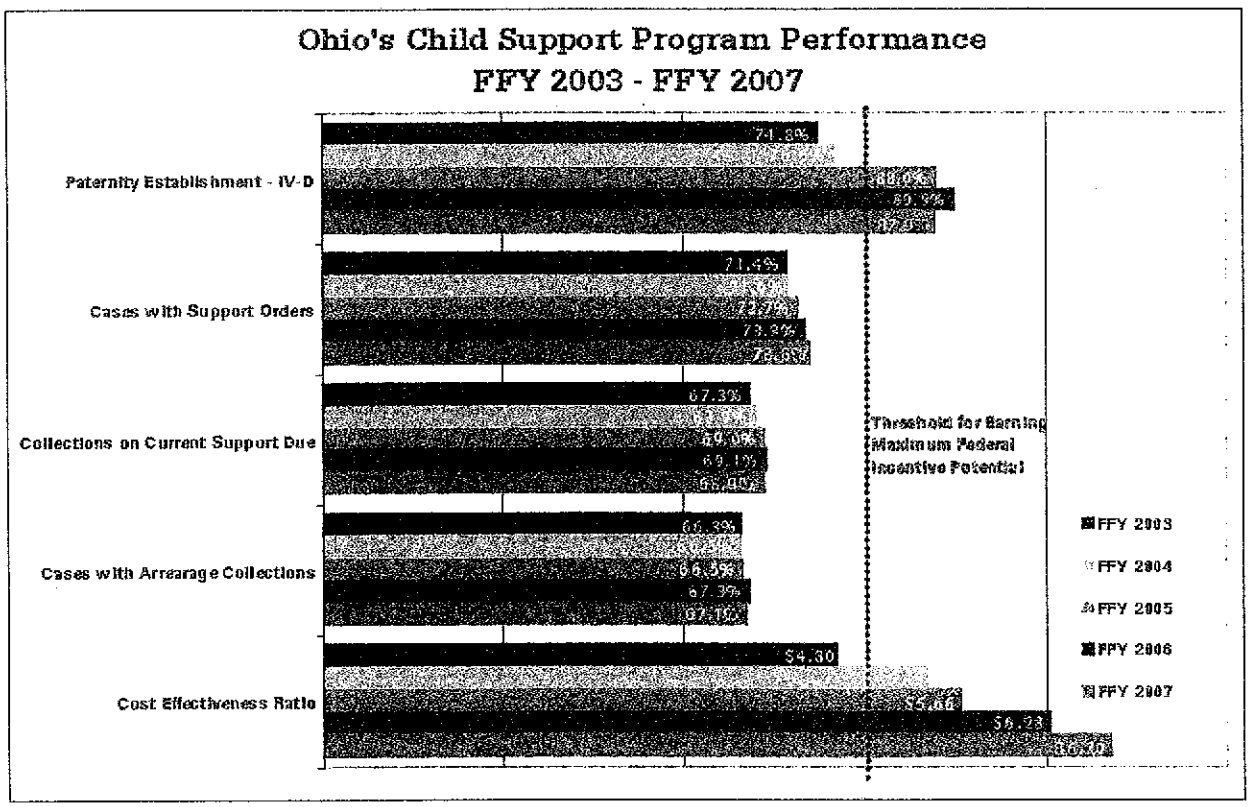
In August 2007, ODJFS began a partnership with the Ohio Department of Rehabilitation and Corrections (DRC) to develop initiatives to make it easier for incarcerated parents to pay child support after exiting the system. Many groups are involved in this effort, including county child support professionals, probation officers, DRC educators and the Ohio CSEA Directors' Association.

County State Initiatives

In order to work more closely with counties and brainstorm solutions to potential challenges, ODJFS launched a County State Initiatives (CSI) workgroup for county, state and association child support staff. Members meet twice a quarter to review, identify and disseminate information related to policy interpretation, technical assistance and other relevant issues. Through technical assistance and monthly video conferences, the initiative helps give counties the support they need to administer Ohio's child support program effectively.

Rule Changes

In partnership with the counties, ODJFS made several changes to its rules and/or interpretations of rules to improve services to families and children. One change removed some restrictions that prevented CSEAs from terminating services. Another allows certain child support enforcement activities provided by probation officers to be eligible for federal reimbursement.


Ohio's Child Support Program Performance
FFY 2003 - FFY 2007
Paternity Establishment - IV-D
Cases with Support Orders
Collections on Current Support Due
Cases with Arrearage Collections
Cost Effectiveness Ratio
Threshold for Earning Maximum Federal Incentive Potential
FFY 2003
FFY 2004
FFY 2005
FFY 2006
FFY 2007

Ohio Health Plans

In SFY 2007, ODJFS managed five publicly financed health programs:

- Medicaid (Title XIX of the Social Security Act)
- State Children's Health Insurance Program (SCHIP, Title XXI of the Social Security Act)
- The Medicare Premium Assistance Program
- The Hospital Care Assurance Program
- The Disability Medical Assistance Program

Medicaid

Ohio Medicaid and Medicaid-related programs provide health care coverage to low-income children, pregnant women, families, older adults and Ohioans with disabilities. In SFY 2007, ODJFS spent more than $11.8 billion to provide Medicaid health care services to eligible Ohioans.

Medicaid services are delivered via contracts with about 104,000 health care providers, about 60 percent of whom submit at least one claim for payment every year. Contracts with these providers ensure that Medicaid consumers get access to needed services, such as physician visits, hospital inpatient care, prescription drugs and home health services. In SFY 2007, Ohio processed more than 65 million Medicaid provider claims.

Ohio's Medicaid caseload grew by 2.7 percent in SFY 2007, with average monthly enrollment increasing to 1.76 million by June 2007. Most caseload growth—30,062 people—occurred in the Covered Families and Children (CFC) category, which serves low-income children, pregnant women and families. By June 2007, the average monthly caseload in this category was more than 1.3 million people.

There was also a caseload increase of 11,191 older Medicaid consumers (age 65 and up) and those with disabilities. This is known as the Aged, Blind and Disabled (ABD) coverage group.

By June 2007, the average monthly ABD caseload was 447,050. This is a particular concern because medical care for this group tends to be costly. About 72 percent of Ohio's Medicaid expenditures were for the ABD population in SFY 2007 even though it represented only 28 percent of the total Medicaid caseload.

In spite of this, SFY 2007 closed with the Ohio Medicaid program coming in under budget. In addition, great strides were made in improving the efficiency and effectiveness of the program.

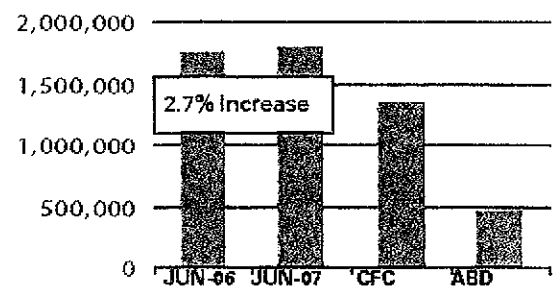
Medicaid Statistics at a Glance

Medicaid makes up about 25 percent of Ohio's state spending. In SFY 2007, ODJFS program expenditures for Medicaid were about $11.8 billion (state and federal funds). In SFY 2007, Ohio Medicaid provided health care coverage for 2.1 million, or one 1 in 5 Ohioans.

This included:

- 1 million children, including 42 percent of all Ohio children under age 5
- 146,419 older adults
- 214,251 non-elderly adults and children with disabilities
- 490,000 low-income parents
- 70 percent of all nursing home care
- 64,355 Ohioans in home- and community-based waiver programs

Medicaid Enrollment



SFY 07 increase reflects 30,062 more CFC consumers and 11,191 additional ABD consumers.

The Executive Medicaid Management Administration (EMMA)

The Executive Medicaid Management Administration was enabled in HB119 and created by Governor Strickland through Executive Order 36S. EMMA's mission is to achieve a more efficient and effective Ohio Medicaid program through improved coordination of Medicaid policies and functions across state agencies.

EMMA's purpose is to unify and build consistency in Medicaid policy and harmonize operations across agencies. It does not duplicate the operations of agencies with responsibilities for, and closest to, specific constituencies such as the aged, those with disabilities, mental illness or problems with substance abuse. It does not replace the ODJFS Office of Medicaid. Rather, EMMA focuses on issues that:

- impact multiple agencies or populations served by multiple agencies; and
- represent a significant change in Ohio Medicaid policy, operations or expenditures

EMMA is comprised of:

- an Executive Director;
- a staff consisting of:
  - Policy Advisor
  - Legal Counsel
  - Fiscal Advisor
  - Executive Assistant
- a council comprised of Directors from the Departments of Alcohol and Drug Addiction Services, Aging, Budget and Management, Health, Job and Family Services, Mental Retardation and Developmental Disabilities, Mental Health and the Superintendent of Public Instruction, who provide advice and guidance on the implementation of policy changes in the Medicaid program; and
- the following subcommittees, with representation of appropriate staff from the cabinet agencies mentioned above:
  - Strategy and Policy
  - Clinical
  - Program Integrity
  - Legal
  - Information Technology
  - Budgeting and Finance
  - Administrative Efficiency

Medicaid Information Technology System (MITS)

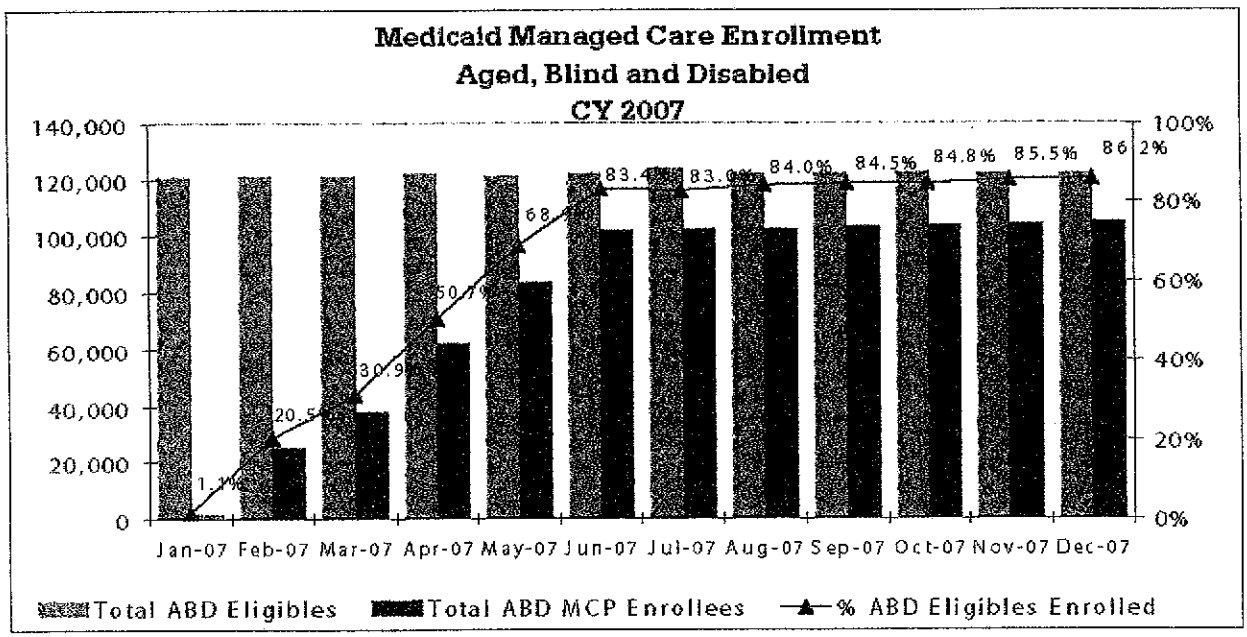
Work is continuing on the replacement of Ohio's outdated Medicaid Management Information System (MMIS) with MITS, a state-of-the-art, industry-standard system that will not only make it easier to give patients the best care for the best price, but will simplify data sharing between states, federal agencies and health care providers. The first phases of the project were completed on schedule and within budget. By the end of 2007, a vendor was selected to provide services including, but not limited to, the following: project management, business transformation management, systems analysis and design, development, testing, data conversion, training and implementation.

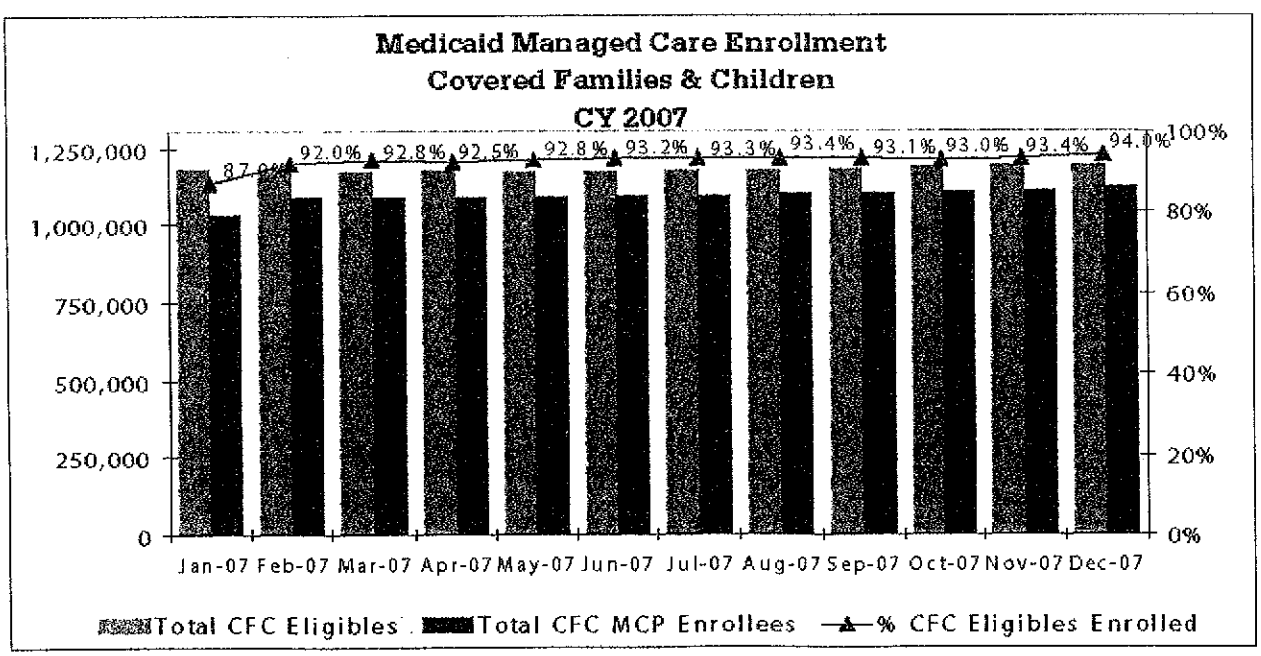
Managed Care Statewide Expansion

In 2007, ODJFS completed the managed care statewide expansion by successfully enrolling 1.2 million Medicaid consumers in managed care plans, instead of traditional fee-for-service plans.

Under the fee-for-service system, hospitals, doctors, pharmacies and others provide health care services to Medicaid consumers and then bill Medicaid for those services. Managed care requires certain participants to choose a managed care plan (MCP) and then use only the doctors, specialists, hospitals, drug stores and other health care providers affiliated with that plan.

Managed care plans have the advantage of providing greater system accountability and cost predictability. In this era of increasing caseloads and skyrocketing health care costs, managed care is an important tool to helping Ohio successfully manage its Medicaid spending while maintaining a consistent, better coordinated level of service to customers.


Medicaid Managed Care Enrollment
Aged, Blind and Disabled
CY 2007
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
100%
80%
60%
40%
20%
0%
1.1%
20.5%
30.9%
50.7%
68.
83.4%
83.0%
84.0%
84.5%
84.8%
85.5%
86.2%
Jan-07 Feb-07 Mar-07 Apr-07 May-07 Jun-07 Jul-07 Aug-07 Sep-07 Oct-07 Nov-07 Dec-07
Total ABD Eligibles
Total ABD MCP Enrollees
% ABD Eligibles Enrolled

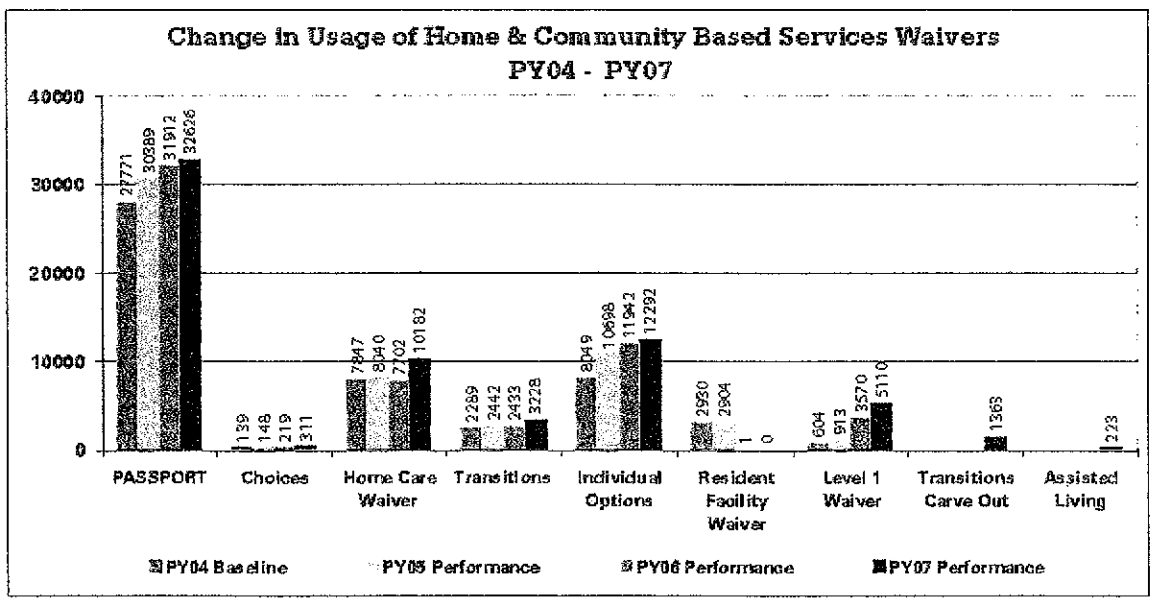

Medicaid Managed Care Enrollment
Covered Families & Children
CY 2007
1,250,000
1,000,000
750,000
500,000
250,000
0
100%
80%
60%
40%
20%
0%
87.0%
92.0%
92.8%
92.5%
92.8%
93.2%
93.3%
93.4%
93.1%
93.0%
93.4%
94.0%
Jan-07 Feb-07 Mar-07 Apr-07 May-07 Jun-07 Jul-07 Aug-07 Sep-07 Oct-07 Nov-07 Dec-07
Total CFC Eligibles
Total CFC MCP Enrollees
% CFC Eligibles Enrolled

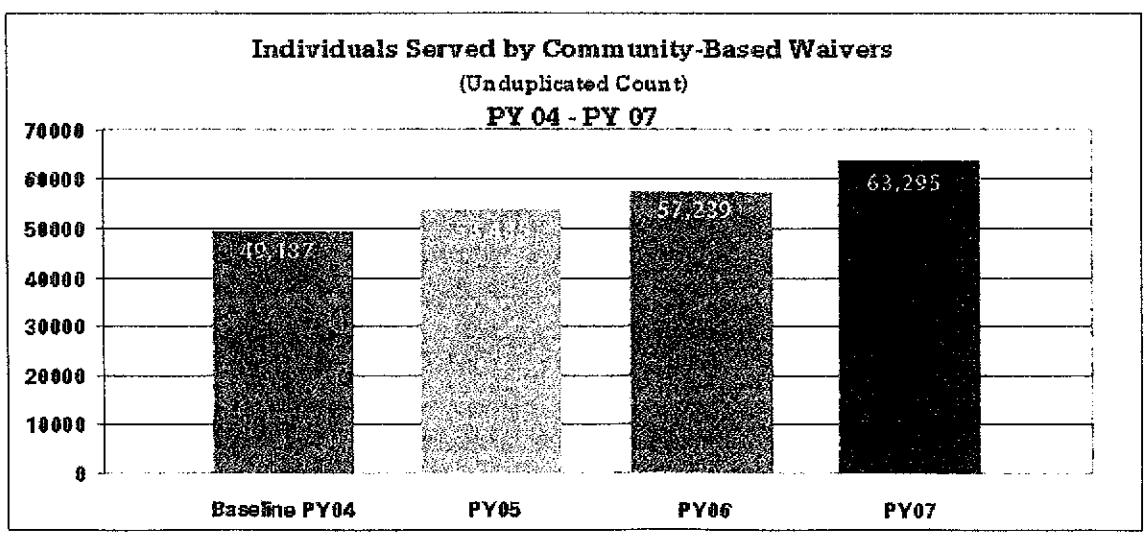
Medicaid Waiver Programs

More Ohioans than ever participated in Medicaid waiver programs in 2007. Waiver programs allow people with disabilities to receive care in their homes and communities instead of in nursing homes. These programs are called waiver programs because, under current law, eligible people with disabilities are entitled to facility-based care, but home- and community-based care is considered optional. Therefore, states must apply for "waivers" from the federal government for Medicaid money to follow people into noninstitutional settings.

In 2007, more than 63,000 Ohioans took advantage of eight Ohio waiver programs. ODJFS manages the Ohio Home Care, Transitions and Transitions Carve Out waivers. The Ohio Department of Aging oversees the PASSPORT, Choices and Assisted Living waivers, and the Ohio Department of Mental Retardation and Developmental Disabilities manages the Individual Options and Level One waivers. The Resident Facility Waiver, shown in the chart below, was phased out after program year (PY) 2005. People enrolled in it transitioned to other programs.

Waiver programs have the potential to save the state a great deal of money because home and outpatient care are far less expensive than institutional care. In addition, more people are choosing to remain in their own homes rather than move into nursing homes or other institutions. The charts below illustrate the growing demand for home- and community-based care.





State Children's Health Insurance Program (SCHIP)

Title XXI of the Social Security Act created the State Children's Health Insurance Program (SCHIP), which provides health coverage for children in families with income too high to qualify for Medicaid but too low to afford private coverage. SCHIP provides billions of dollars in federal matching funds to states, and the federal government matches state spending for SCHIP at a higher rate than it does for Medicaid. In Ohio, the federal match for Medicaid is just over 58 percent, and the federal matching rate for SCHIP is just over 71 percent.

The federal government offers states flexibility in the design and management of their SCHIP programs, but states must get federal approval when setting income limits for eligibility. Ohio's SCHIP program is called Healthy Start, and it provides coverage for children up to age 19 in families with income of up to 200 percent of the federal poverty level (FPL), which is $42,400 a year for a family of four. Healthy Start also covers eligible pregnant women throughout the duration of their pregnancy and 60 days following the birth of their child.

In September 2007, Ohio submitted a proposal to the federal government to expand its SCHIP eligibility to children in families earning up to 300 percent of the FPL. When this request was denied, Ohio appealed the decision and submitted a request to cover children in families earning up to 250 percent of the FPL. If this most recent request is approved, as many as 10,000 low-income uninsured children could begin receiving health care coverage.

Medical Assistance Grants

ODJFS applied for, was awarded, and began implementing the following public health-related grants in 2007:

Money Follows the Person Project (Home Choice)

This five-year demonstration project could allow Ohio to receive up to $100 million in enhanced federal matching funds to relocate approximately 2,200 seniors and people with disabilities from institutions to home- and community-based settings. ODJFS also will provide them with services to keep them independent.

Long-Term Care Insurance Partnership Program

Ohio received $48,480 from the Center for Health Care Services to conduct technical assistance activities related to the state's Partnership for Long-Term Care Insurance. The partnership created a new type of long-term care insurance policy, which enables policyholders to keep more of their assets if they ever need to apply for Medicaid long-term care services.

Neonatal Outcomes Improvement Project

This transformation grant from the U.S. Centers for Medicare and Medicaid Services will provide $2 million for Ohio to identify ways to improve pregnancy outcomes for Medicaid consumers, with a specific focus on preventing premature birth.

Assuring Better Child Health and Development (ABCD) Screening Academy

ABCD is a national program administered by the National Academy for State Health Policy and funded by the Commonwealth Fund. This grant does not provide money, but it does provide 15 months of technical assistance to help Ohio improve its developmental screening rates and follow-up care for children ages birth through 6 who are covered by Medicaid.

Services to Employers

Labor Market Information

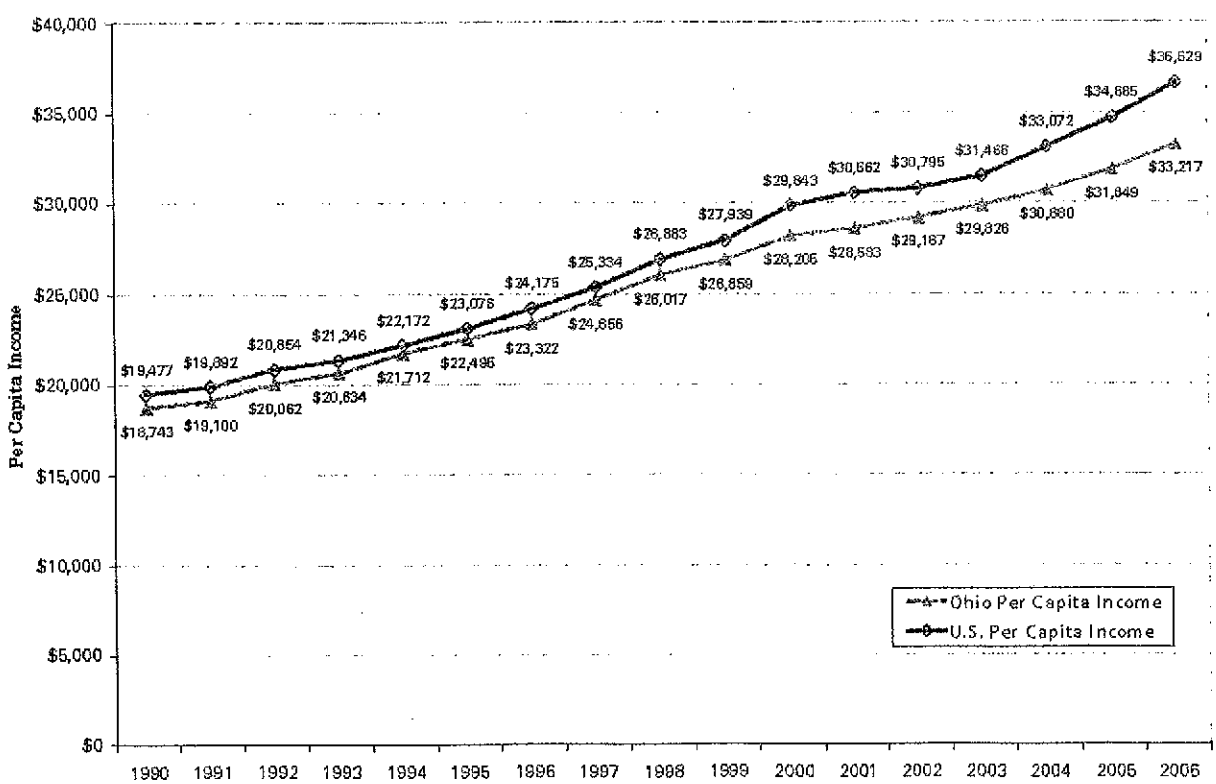
Through the Bureau of Labor Market Information (LMI), ODJFS provides current statistics on all relevant economic indicators for Ohio. This includes such things as monthly state and county unemployment rates, labor force participation rates and per capita income figures.

Per capita income—the average annual income per person—is generally regarded as the single best measure of a state's economic well-being. It can be used to compare across regions and to track progress toward workforce development goals. In recent years, a gap has existed between the U.S. and Ohio per capita incomes, and that gap has widened since 1999. In 2006, Ohio per capita income was about 90.7 percent of U.S. per capita income, compared with 96.1 percent in 1999.

County per capita income levels ranged from a high of $40,863 in Geauga County to $17,835 in Noble County. Per capita income tends to be higher in more urbanized counties, such as Hamilton and Franklin. It also is strongly influenced by employment growth. As a result, all efforts to create jobs—and to help Ohioans find and keep jobs—will ultimately improve the state's per capita income. One of the primary goals of Governor Strickland's Turnaround Ohio plan is to raise Ohio's per capita income rate above the national average for the first time since 1987 and to reverse the state's job losses by investing in its strengths.

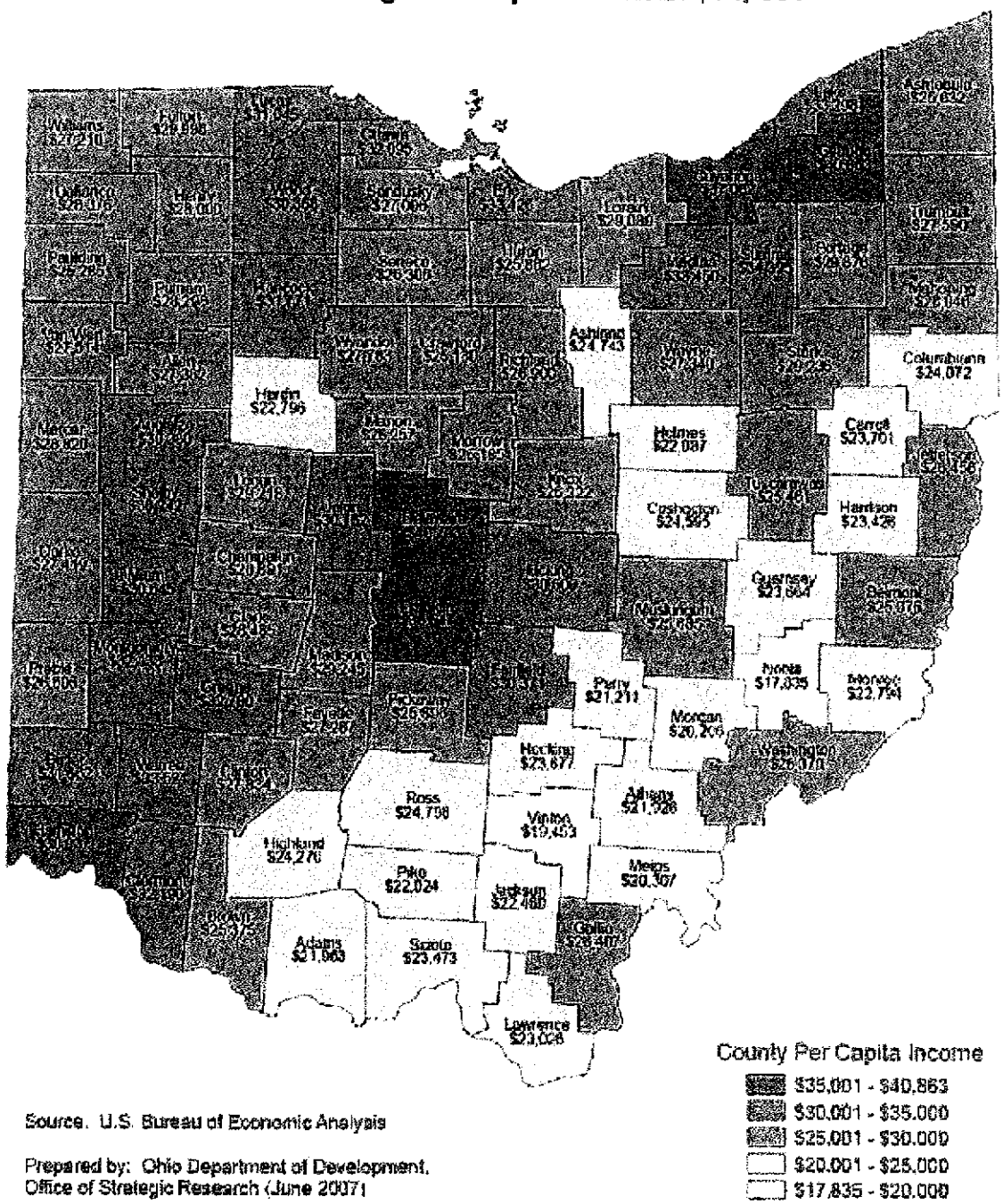
The ODJFS Bureau of Labor Market Information helps the state's leaders plan for future labor needs by generating statistical and theoretical long-term outlooks for total employment and for specific industries. The industry outlook, and its translation to the occupational level, serves as a guide for state workforce programs.

Per Capita Income, U.S. and Ohio



Ohio County Per Capita Income, 2005

Ohio Average Per Capita Income: $31, 860



Source. U.S. Bureau of Economic Analysis

Prepared by: Ohio Department of Development, Office of Strategic Research (June 2007)

Workforce Services

To improve the state's economy—and Ohio's ability to produce a workforce with the skills employers need—in 2007 the groundwork was laid for a total transformation of the state's workforce system. ODJFS worked closely with the Ohio Department of Development and the University System of Ohio to realign services to key customer groups, eliminate duplication, and greatly simplify access to services.

When this transformation is complete, ODJFS will continue to do what it does best: help individual Ohioans find the best jobs possible, at the best possible pay, for the good of their families and all of Ohio.

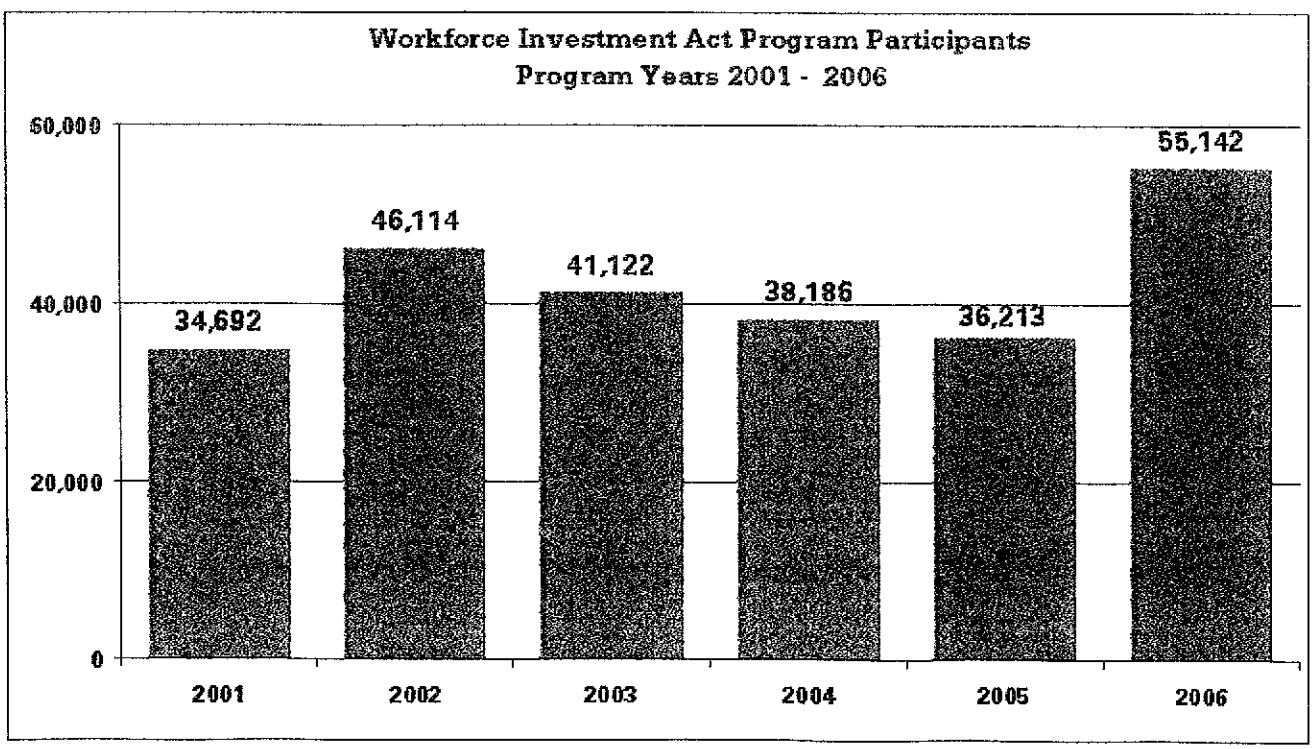
WIA Services

As administrator of several federal workforce programs, ODJFS oversees a network of 32 full-service "One-Stop Centers" in 20 local workforce areas throughout Ohio. The One-Stops provide free job training and other employment services to Ohioans looking for work. They match job seekers with businesses looking to hire workers, and help laid-off workers learn new skills and find new jobs

ODJFS administers more than $200 million in federal funds for these programs annually, as a result of the Workforce Investment Act (WIA) of 1998. During SFY 2007, more than 55,000 participants were enrolled in WIA training and intensive services. By conservative estimates, well over 500,000 individuals received help through the One-Stop system.

The federal government keeps track of how well states administer WIA services by rating how well they perform in four areas: entered employment rate, employment retention rate, earnings change in six months, and employment and credential rate.

In program year 2006, Ohio met or exceeded all program performance goals. States are required to maintain performance levels of at least 80 percent of their negotiated goals. If a state reaches 80 percent or better of a goal, it is considered to have met that goal.



Program Year 2006 WIA Program Performance

Program	Indicators of Performance	State Negotiated Performance Level	80% of State Negotiated Performance Level	PY 06 Annual Statewide Performance Level
Adult	Adult Entered Employment Rate	75.0%	60.0%	79.4%
	Adult Employment Retention Rate	86.0%	68.8%	84.8%
	Adult 6 Months Earnings Increase	$14,221	$11,377	$14,860
	Adult Employment and Credential Rate	64.0%	51.2%	89.4%
Dislocated Worker	Dislocated Worker Entered Employment Rate	86.0%	68.8%	86.4%
	Dislocated Worker Employment Retention Rate	90.0%	72.0%	92.7%
	Dislocated Worker 6 Months Earnings Increase	$16,577	$13,262	$16,744
	Dislocated Worker Employment/Credential Rate	66.0%	52.8%	76.3%
Youth	Older Youth Entered Employment Rate	65.0%	52.0%	77.2%
	Older Youth Employment Retention Rate	80.0%	64.0%	83.1%
	Older Youth 6 Months Earnings Increase	$3,600	$2,880	$6,100
	Older Youth Credential Rate	48.0%	38.4%	60.1%
	Younger Youth Skill Attainment Rate	80.0%	64.0%	75.8%
	Younger Youth Diploma/Equivalent Attain. Rate	64.0%	51.2%	81.3%
	Younger Youth Retention Rate	53.0%	42.4%	76.3%
Customer Satisfaction	Participants	78.0%	62.4%	76.5%
	Employers	73.0%	58.4%	66.7%
Total Number Exceeded, Met or Not Met				
Exceeded	> "State Negotiated Performance Level"			13
Met	= > "80 % of State Negotiated Perf. Level" but < = "State Negotiated Perf. Level"			4
Not Met	< "80 % of State Negotiated Performance Level"			0

TANF Job-Related Services

ODJFS provides job training, employment assistance and work support services for many of those who qualify for help through the federal Temporary Assistance to Needy Families (TANF) program. TANF is a block grant the federal government provides to states so they can offer temporary assistance to those in need and to help move recipients to work.

Ohio Works First, the financial-assistance portion of Ohio's TANF program, requires at least 50 percent of all families receiving benefits to have an adult or minor head of household working at least 30 hours a week. It requires at least 90 percent of all two-parent families receiving benefits to have one or both parents working at least 35 hours a week.

Ohio has achieved job participation and placement rates that significantly exceed the national average. Although assistance caseloads have increased about 3 percent in recent years, they still remain close to the lowest points since the 1970s.

One of the ways Ohio reaches these work-participation targets is through the Prevention, Retention and Contingency program (PRC). PRC helps families overcome many barriers they may face to achieving self-sufficiency. Depending on the family and the circumstances, this can involve anything from refundable earned-income tax credits to help with transportation to job training.

Rapid Response Services

The Rapid Response Unit works to quickly help workers affected by layoffs and plant closings, by assessing what services they need and providing them with on-site services. With its partners, in 2007 ODJFS began redesigning the Rapid Response services that it offers to workers. While retaining a locally directed, community-based effort, the unit established new standards for timeliness, content and quality of the response.

Reemployment Eligibility Assessment Program

The Reemployment Eligibility Assessment Program is designed to help individuals identify major barriers to securing or succeeding in employment. Job seekers can take the Barriers to Employment Success Inventory, a computerized assessment, at any Level 2 One-Stop Center. Staff members evaluate the assessments and, with input from the participants, help them create personal development plans. From 2005 to 2007, the number of people taking this inventory increased from 10,000 to 20,000.

Incumbent Worker Services

In 2007 Ohio began intensifying its efforts to offer skills training to workers employed in growth industries. ODJFS obtained enhanced waiver authority from the U.S. Department of Labor to use portions of unspent WIA Rapid Response funding to partner with the Ohio Department of Development in offering services for incumbent workers.

The Military Injury Relief Fund

The Military Injury Relief Fund provides grant money to Ohio soldiers injured while serving on active duty. In 2007, using WIA statewide funds, ODJFS began piloting a transitional job training program for returning soldiers, with services provided at the state's One-Stop Centers. The program has been so successful that a number of other states have replicated it.

Family Health Insurance

In 2007 Ohio began using WIA funds to help eligible workers in trade-impacted layoffs retain their family health insurance until federal Trade Act assistance could be accessed. The federal Trade Act programs help those who become unemployed as a result of increased imports from, or shifts in production to, foreign countries. Such workers may be eligible for income support, relocation allowances, job search allowances and/or a health coverage tax credit. It often takes a considerable amount of time, however, before qualifying applicants actually receive benefits. Ohio's policy of providing WIA funds to help families pay for health insurance before federal assistance is available has become a model for other states. It also may be considered for future enhancements of the Trade Act.

Apprentice System Expansion

Ohio's apprenticeship program provides on-the-job training and related instruction for qualified applicants seeking employment in skilled occupations. In 2007 the Ohio State Apprenticeship Council—using a key investment of WIA funds—expanded the program to include occupations in new and growing fields, such as health care, energy, information technology and advanced manufacturing.

Ohio Skills Bank

The Ohio Skills Bank (OSB), a key component of Governor Strickland's Turnaround Ohio plan, got under way in 2007. With direction from the University System of Ohio and financing from federal WIA funds, the Skills Bank will use research assets from ODJFS and the Ohio Department of Development to support employers, educators and community leaders as they work to develop and retain high-wage, high-growth employment in Ohio. OSB will support each of Ohio's 12 economic development regions as they analyze their critical skill shortages and then strengthen their local adult education and credentialing efforts.

Ohio Jobs Strikeforce

Another initiative that got its start in 2007 was the Ohio Jobs Strikeforce. The Strikeforce is designed to stop layoffs before they happen. It provides expertise and assistance to Ohio companies in financial distress and in danger of layoffs or plant closure. The Strikeforce also provides grant funds to qualified companies to help prevent such crises. Qualified companies must go through a competitive bidding process for consulting services. Consultants provide budgets and work plans showing how their efforts would prevent layoffs or closure, and the company then submits its chosen plan to the Strikeforce. If a Strikeforce contract is approved, the consulting services are delivered within six months.

Unemployment Insurance

ODJFS administers Ohio's unemployment insurance (UI) program, which provides cash assistance to unemployed workers who lose their jobs through no fault of their own. It not only reduces the hardship felt by families during periods of temporary unemployment, but bolsters the economy by maintaining the purchasing power of the unemployed workers.

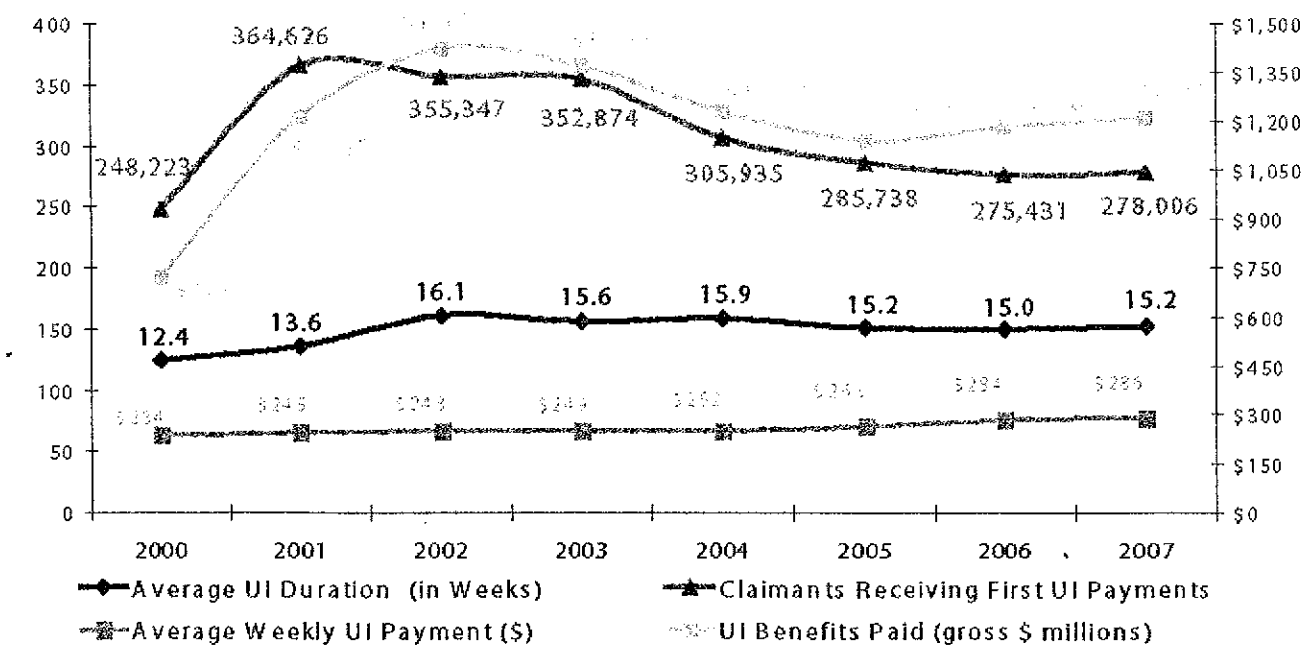
Unemployment insurance is financed by quarterly federal and state payroll taxes paid by employers. The federal taxes cover the administration of the program, and the state taxes pay for the actual benefits.

It behooves both unemployed workers and the state as a whole for the average UI benefit collection time to be as short as possible. The sooner unemployed workers can find new jobs, the more quickly they can return to their previous standard of living, and the more money the state will have available for future claims. It's important that Ohio maintain as large an unemployment trust fund as possible, so that it will have the resources to pay increased claims in times of higher unemployment.

In Ohio, previously full-time workers may qualify to receive UI benefits for as long as 20 to 26 weeks, although since 2002 the average duration has been 15 to 16 weeks. The weekly benefit amount is typically half the claimant's previous pay, plus an allowance for each dependent. The minimum weekly benefit is $90; the maximum weekly benefit is $479.

Although the number of claimants receiving first UI payments declined from 2002 through 2007, the average weekly benefit amount has been steadily increasing. In 2007, the average UI duration time was 15.2 weeks; the average weekly UI payment was $286.

Comparison of Annual Unemployment Insurance Payments and Duration



Social Security Offset

In November 2007, Governor Strickland signed a law eliminating the Social Security offset for unemployment compensation. Prior to that, Ohio was the only state in the nation to deduct 100 percent of recipients' social security benefits from their unemployment benefits. Approximately 3,000 Ohioans were affected.

Ohio Business Gateway

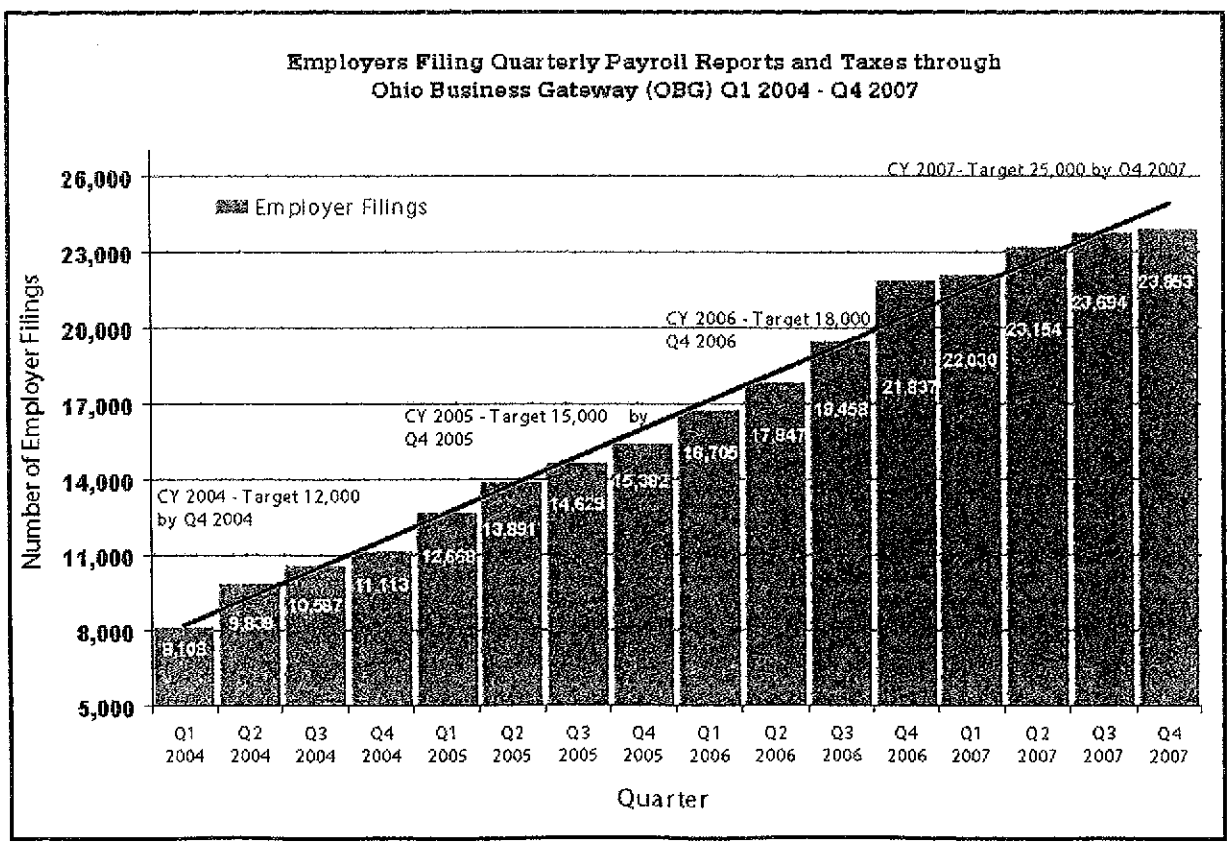
The Ohio Business Gateway (OBG) allows small-business owners to report and pay multiple state taxes electronically, with one online application. OBG saw record participation in 2007. At end of the fourth quarter, it had 23,853 employer filings, up from 21,837 the previous year.

Business owners who use the Ohio Business Gateway can pay their taxes with a credit card, and they can also delay payments until the date of their choosing (as long as it's before their due date). The system retains the names and social security numbers of employees and performs calculations that save time and reduce the chance for errors in filings.

UC Tax Integrity Efforts

In 2007, more than $1 million was collected from employers who had committed unemployment tax avoidance schemes. These were the largest recoveries made by ODJFS since 2005, when Ohio passed a law outlawing "SUTA (State Unemployment Tax Act) dumping," an accounting scheme some employers were using to evade taxes.

In addition, as of November 2007, the Internal Revenue Service identified 219 cases in which employers had misclassified workers as independent contractors when actually they were employees. As a result, those employers underreported more than $4.6 million in total wages and more than $1.1 million in taxable wages. The misclassified employees were reclassified, and 14 findings were issued.



Operations

Management Information Services

In partnership with its customers, in 2007 ODJFS was in the following stages of development, implementation and upgrading for the following core systems:

Benefit Bank

One of the Strickland administration's many initiatives is the Benefit Bank, which can be found online at http://www.thebenefitbank.com/. This program helps screen individuals for eligibility for various state and federal programs and provides help in completing applications for those benefits and services. It is administered by the Governor's Office of Faith-Based Initiatives and is coordinated by the Ohio Association of Second Harvest Food Banks. ODJFS has been working with the Benefit Bank and its many partners to roll out training and implementation and to integrate a computer application so that county departments of job and family services can accept information electronically.

CRIS-E (Client Registry Information System-Enhanced)

CRIS-E—the online database that supports the processing of Ohio's public assistance, food stamp, Disability Assistance, Medicaid and related programs—is being upgraded incrementally. Eventually, it will offer one-stop electronic eligibility for all programs, including child care services.

MITS (Medicaid Information Technology System)

Work progressed in 2007 on the replacement of Ohio's outdated Medicaid Management Information System (MMIS) with MITS, a state-of-the-art, industry-standard system that will not only make it easier to give patients the best care for the best price, but will simplify data sharing between states, federal agencies and health care providers. The first phases of the project were completed on schedule and within budget. By the end of 2007, a vendor was selected and work begun on the software design and development.

SACWIS (Statewide Automated Child Welfare Information System)

In 2007, ODJFS began rolling out SACWIS, a new case management system for county children services agencies. In response to the needs of the counties, an online SACWIS Knowledge Base was established to provide responses to frequently asked questions. In addition, a SACWIS Partnership Forum stakeholder group was established to give county and state users an opportunity to meet regularly to discuss relevant issues. Children's services agencies have been key participants in virtually every aspect of the SACWIS development, beginning with the establishment of the system's business requirements and continuing through the design and user acceptance testing. Once SACWIS is fully implemented, it will give ODJFS and county agencies enhanced capability to track children and their caregivers.

SCOTI (Sharing Career Opportunities and Training Information)

SCOTI—the Web-based system that, among other things, matches Ohio employers with job seekers—is being redesigned through a phased approach. The first phase will enhance the system's self-service functionality. The second phase will focus on broader employment issues, such as which skills, talents and credentialing are needed to improve the state's economy.

SETS (Support Enforcement Tracking System)

The state manages its child support collections with SETS, a Web-based system that tracks case information to collect and distribute the state's child support funds. Because of a 2007 rule change, more parents will have their federal income tax refunds taken for past due support. As a result, ODJFS staff began preparing SETS for those additional tax offset cases.

County Support

Statewide Workgroups

ODJFS embraced a team approach to problem-solving with the 2007 launch of statewide workgroups. Statewide workgroups are groups of county, workforce area and state staff that work together to find solutions to systemic, cross-cutting issues that face ODJFS, its customers and stakeholders. Groups have been formed to address such issues as the disability determination process, the state hearing process, licensing rules, and Ohio's options in response to the federal Deficit Reduction Act of 2005. The groups' highly focused, facilitated meetings have proven to be extremely effective at generating creative, viable solutions to challenges.

County Fiscal Assistance

In an effort to assist rural counties, ODJFS representatives toured the state to hear ideas from county staff about ways the agency can be more responsive to them. After those meetings, a number of improvements were made, including the development of "Advisory Bulletins," which are sent to county agencies to inform them about potential fiscal issues before those issues develop. In addition, the agency made plans in 2007 to design a new program for conducting program and fiscal monitoring with the counties and other partner organizations, and for developing an electronic invoice tracking system for counties.

Quality Control

ODJFS prepares quarterly food stamp error rate reports, Ohio Works First reports and Medicaid reports, which it shares with the program areas and counties so they can monitor how accurately their staffs are determining eligibility for these programs. In 2007, ODJFS also began a comprehensive review of Ohio's food stamp operations, policies and quality control efforts, to identify opportunities to improve payment accuracy, reduce inefficiencies, and improve customer service and access. The review and recommendations are scheduled to be completed by fall 2008.

County Profiles

In 2007, ODJFS unveiled a valuable resource for anyone interested in seeing how the agency's programs benefit particular counties. The ODJFS County Profiles are documents that show such things as the average age and income level of county residents, the percentage of the county's population receiving food stamps and Ohio Works First benefits, and the number of Medicaid-eligible 1-year-olds who received free medical exams through the Healthchek program, to cite just a few examples. In addition to profiles for each of the state's 88 counties, there are profiles for the state as a whole and for Ohio's Appalachian region. Each report includes local contact names and phone numbers. The profiles can be found online at: http://jfs.ohio.gov/county/cntypro/index.stm.

Office of the Chief Inspector

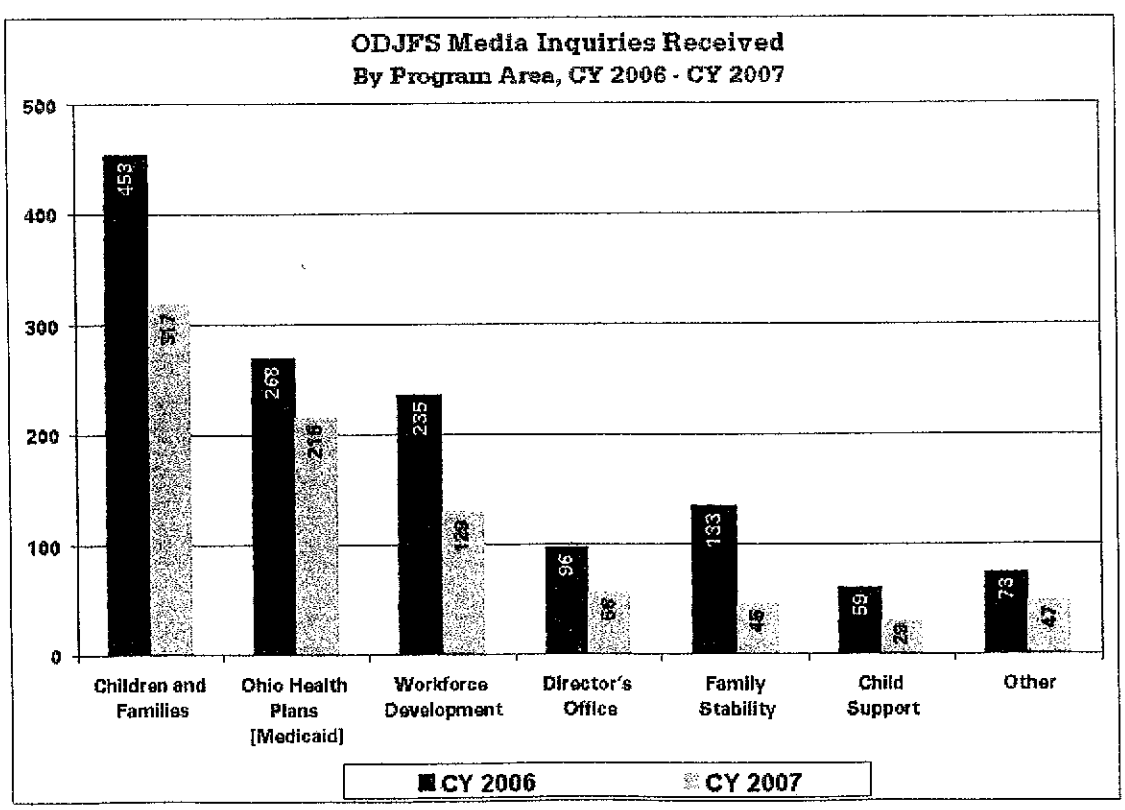
The ODJFS Office of the Chief Inspector ensures that all programs administered or supervised by ODJFS comply with state and federal laws, rules and regulations, particularly as they relate to or involve internal controls, safety practices, and ethical or legal considerations for ODJFS staff.

Office of Communications

The Office of Communications responds to media inquiries, is responsible for message development, and creates and distributes marketing materials for ODJFS. In 2006 and 2007 staff members fielded an average of eight calls a day from media organizations, responded to their information requests, and arranged interviews with the director and others when appropriate. They also worked with the program offices to develop nearly 200 publications explaining ODJFS programs and policies, including pamphlets, booklets, fact sheets, brochures and other materials. The Office of Communications also maintains the agency's Web pages on both the Internet and the Innerweb. These pages provide information about ODJFS programs—and the rules and policies that govern the programs—to the general public, other service providers, county agencies and employees.

Office of Contracts and Acquisitions

The Office of Contracts and Acquisitions is responsible for creating valid contractual agreements and for acquiring goods and services for ODJFS. The office's deputy director is the principal legal advisor to the director on matters pertaining to contract issues and acquisitions.



Office of Employee and Business Services

The Office of Employee and Business Services is responsible for overseeing and coordinating the following functions: human resources, facility services, business services, and professional development and quality services, which include recognition services and community services. It coordinates the agency's facilities management, customer support, mail services, central maintenance and temporary contract staff budgets, capital improvement plans and budget, and the Employee Recognition Program.

Office of Research, Assessment and Accountability

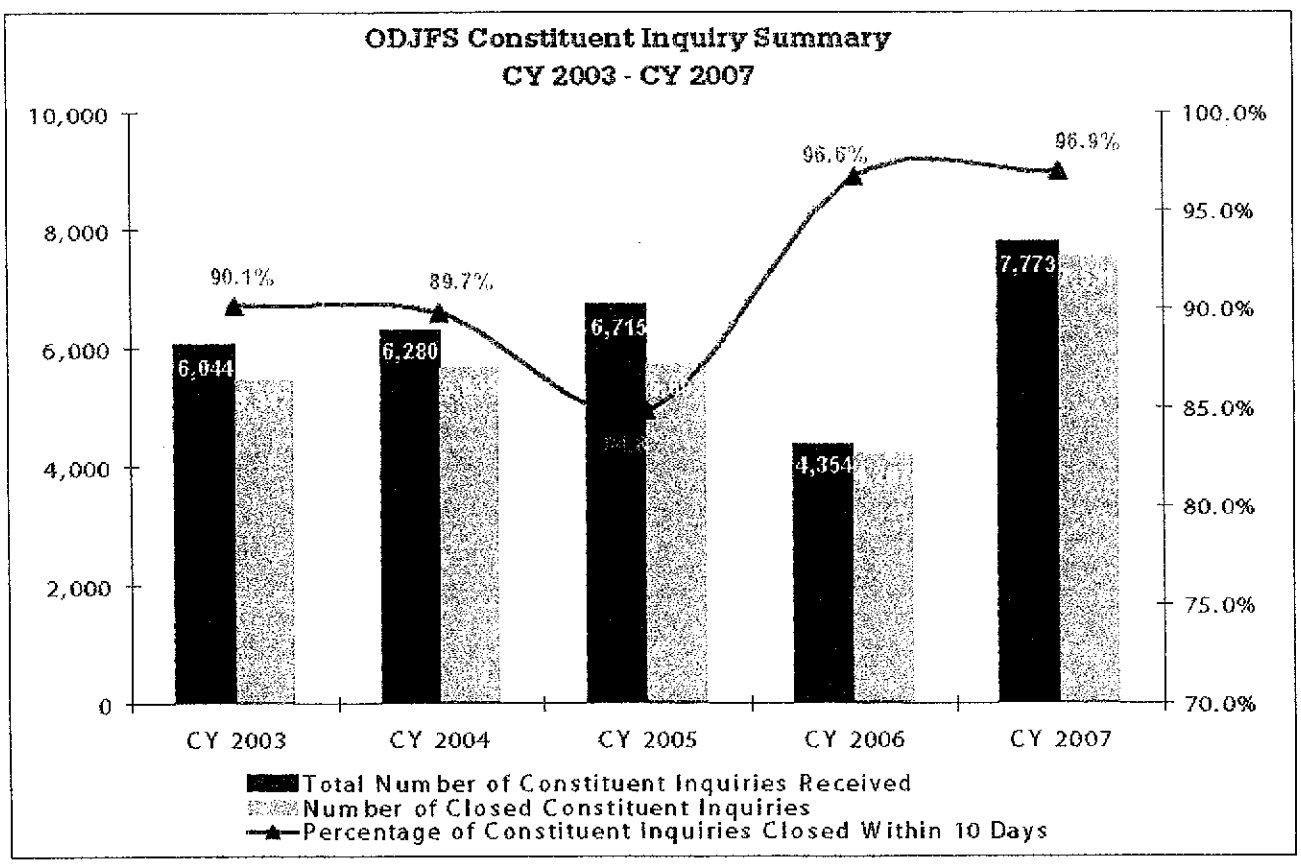
The Office of Research, Assessment and Accountability is responsible for the department's performance measurement, strategic planning, and fiscal and program integrity functions, to improve productivity and ensure accountability to taxpayers. Its Bureau of Audit conducts audits of organizations that receive state and federal funding through ODJFS. Its Bureau of Program Integrity conducts reviews to determine the accuracy with which county agencies determine recipients' eligibility for the Food Stamp, Medicaid, TANF and other federal public-assistance programs. Its Bureau of Research and Evaluation conducts program-related research, develops ad hoc data and analysis, and administers the department's Performance Center and Research Consortium efforts.

Office of Legal Services

The Office of Legal Services manages all litigation involving ODJFS. It also is responsible for conducting state hearings and appeals, for rule promulgation, for providing legal advice and litigation support, and for managing and responding to a number of public records requests and records-related questions involving ODJFS. In 2007, Legal Services received more than 1,000 such records requests and questions, from sources ranging from large corporations to advocacy groups to private citizens.

Constituent Inquiries

The governor's office, the state legislators and the ODJFS director's office field hundreds of inquiries each month regarding ODJFS programs. They forward these inquiries to Office of Legislation staff, who make every attempt to resolve them as quickly as possible. In 2007, the agency received 7,773 constituent inquiries, the most in the previous four years. Staff members resolved 96.9 percent of those inquiries within 10 working days.


ODJFS Constituent Inquiry Summary
CY 2003 - CY 2007
10,000
8,000
6,000
4,000
2,000
0
100.0%
95.0%
90.0%
85.0%
80.0%
75.0%
70.0%
90.1%
89.7%
96.6%
96.9%
6,044
6,280
6,715
4,354
7,773
CY 2003
CY 2004
CY 2005
CY 2006
CY 2007
Total Number of Constituent Inquiries Received
Number of Closed Constituent Inquiries
Percentage of Constituent Inquiries Closed Within 10 Days

Charitable Activities

ODJFS employees opened their hearts and their wallets in 2007 to participate in a variety of charitable activities. In addition to contributing record amounts for the Combined Charitable Campaign, ODJFS employees donated their time and talents to students at two local schools. They collected food for thousands of needy Ohioans, donated blood, and helped in countless other ways, as well. They truly embodied the agency's core purpose: strengthening Ohio's families by providing solutions to temporary challenges.

Combined Charitable Campaign

ODJFS employees were especially generous during the 2007 Combined Charitable Campaign (CCC), the annual fund-raising effort in which state employees donate to more than 2,000 charities through one-time gifts and payroll deductions. The state raised more than $4.6 million for the CCC in 2007, and ODJFS was the third largest agency contributor.

In all, ODJFS raised $425,075, far exceeding our goal of $361,573. Collectively, ODJFS employees raised 6 percent more than they did in 2006. Individually, the average donation was 10 percent higher than in 2006.

Partners-in-Education

Through the ODJFS Partners-in-Education program, dozens of staff members volunteered their personal leave time to help students at Dana Elementary and Starling Middle School in Columbus. In 2007, this included the following activities and programs:

Starling Middle School Incentive Program

- ODJFS staff purchased three bicycles and helmets and awarded them to the three students with the highest proficiency test scores. They purchased and gave McDonald's, Old Navy and Blockbuster Video gift cards to students who put forth their best effort on the proficiency test.

Amish Country Field Trip

- Two ODJFS staff members chaperoned Dana Elementary fourth-graders on a field trip to Ohio's Amish country. ODJFS paid for the bus transportation and for the children's snacks.

Adopt-a-Family

- ODJFS "adopted" 18 needy families in December 2007, buying items on their wish lists to make their holidays more enjoyable.

Santa Visit

- St. Nick paid a special visit to Dana Elementary in 2007, courtesy of nine ODJFS staff members. They helped Santa pack, unpack and deliver toys and took pictures of each student with Santa.

Thanksgiving

- ODJFS employees provided turkeys for the pilgrim feast held by Dana Elementary first graders. In addition, the Office of Unemployment Compensation "adopted" four families during the 2007 Thanksgiving season.

Clothing and School Supply Donations

- Throughout the year, ODJFS staff members provided clothing and school supplies for students at both schools.

Mid-Ohio Food Bank

ODJFS held two major fundraisers for Columbus's Mid-Ohio Food Bank, which provides food to more than 530 food pantries, soup kitchens, shelters and other charities throughout central Ohio.

During Operation Feed, held in March and April, ODJFS employees donated 1,480 pounds of food and $14,205.95—enough to provide 29,892 meals. During the Holiday Food Basket Campaign, held in November, employees donated 2,905 pounds of food and $12,305.66—enough for 27,516 meals.

American Red Cross

As many as 813 lives were potentially saved as a result of ODJFS blood drives in 2007, according to officials at the American Red Cross. ODJFS held a total of 17 blood drives in 2007, including five at the State Office Tower, four at the Lazarus Building and eight at the Air Center. Altogether, 523 units of blood were collected.

Ohio State Fair

In 2007, ODJFS increased its presence at the Ohio State Fair. The director, assistant directors and deputy directors joined more than 100 other staff to engage the public, to answer questions, and to direct visitors to the new "Benefit Bank," a free Internet-based service that assists Ohioans with tax returns and helps determine their eligibility for various state and federal programs. The ODJFS booth saw more than 10,000 visitors.

Financial Summary

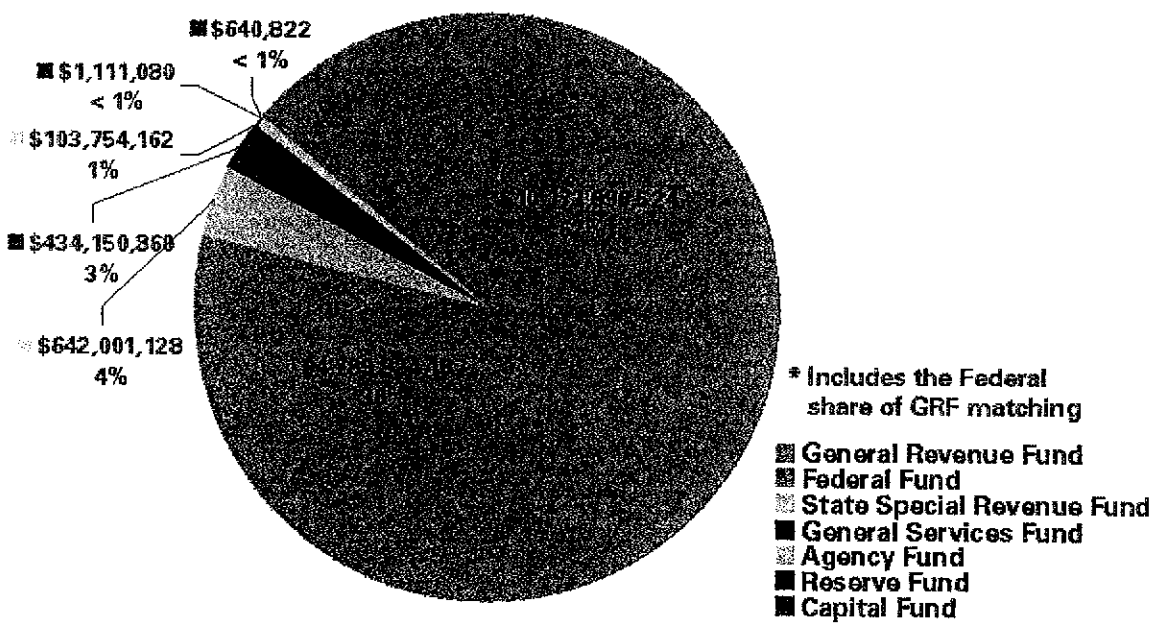
ODJFS State Fiscal Year (SFY) 2007 Expenditures

Program	General Revenue Fund	Federal Fund	State Special Revenue Fund	General Services Fund	Agency Fund	Reserve Fund	Capital Fund	Grand Total Expenditures^
Children and Families	$240,408,132	$866,234,978	$6,619,174	$735				$1,113,263,019
Child Support	$33,388,640	$243,571,062	$1,998,692	$468,276	$103,316,862			$382,743,522
Family Stability	$447,548,217	$893,986,627	$559,089	$23,714,296	$437,310			$1,366,245,538
Ohio Health Plans	$9,305,121,642	$2,461,260,516	$630,148,866	$409,427,997				$12,795,959,021
Workforce Development	$305,198	$196,805,543		$4,646				$197,115,387
Unemployment Compensation	$38,044	$136,044,260	$2,240,357					$138,322,661
Other	$147,186,652	$2,021,171	$434,949	$634,910		$1,111,080	$640,822	$151,929,586
Grand Total	**$10,173,996,524**	**$4,789,924,157**	**$642,001,128**	**$434,150,860**	**$103,754,162**	**$1,111,080**	**$640,822**	**$16,145,578,734**

As of May 23, 2008 *^ Rounded to the nearest dollar*

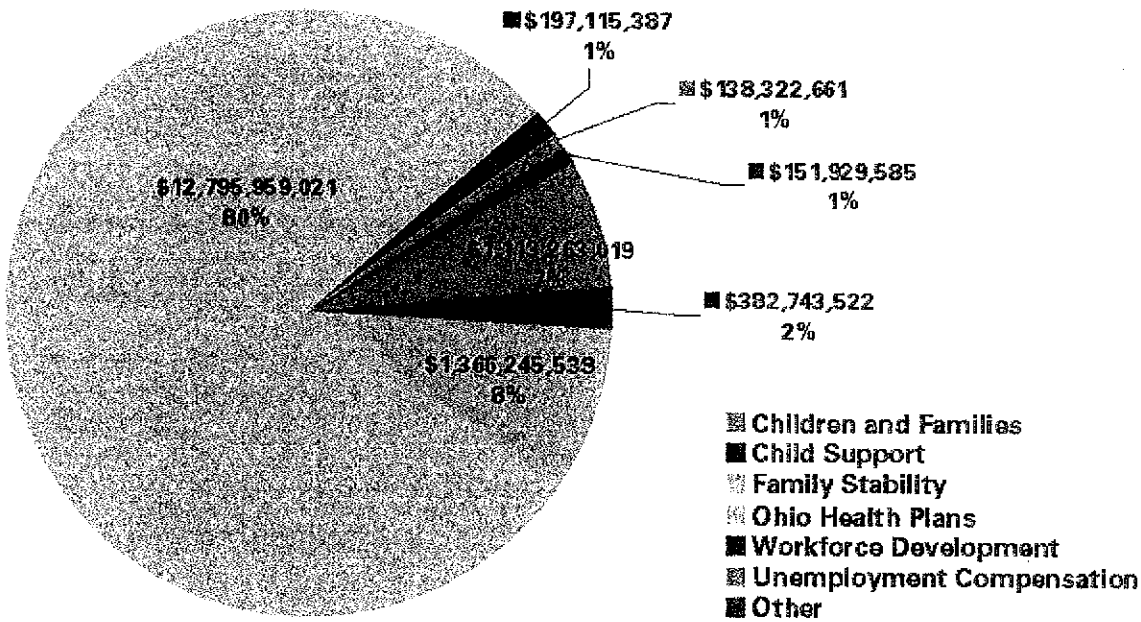
Total Agency Expenditures by Fund

SFY 2007



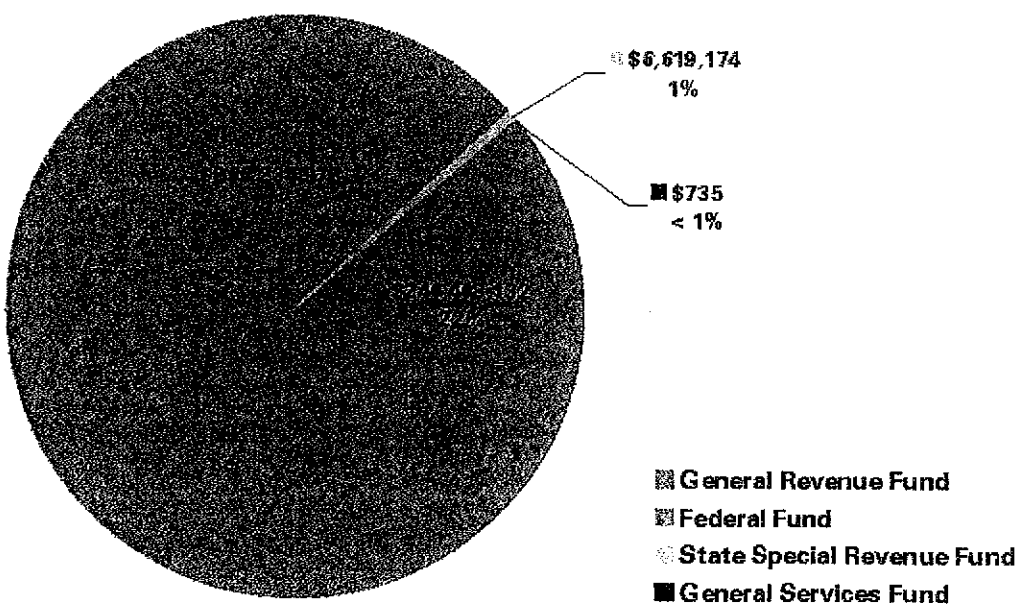
Total Agency Expenditures by Program

SFY 2007



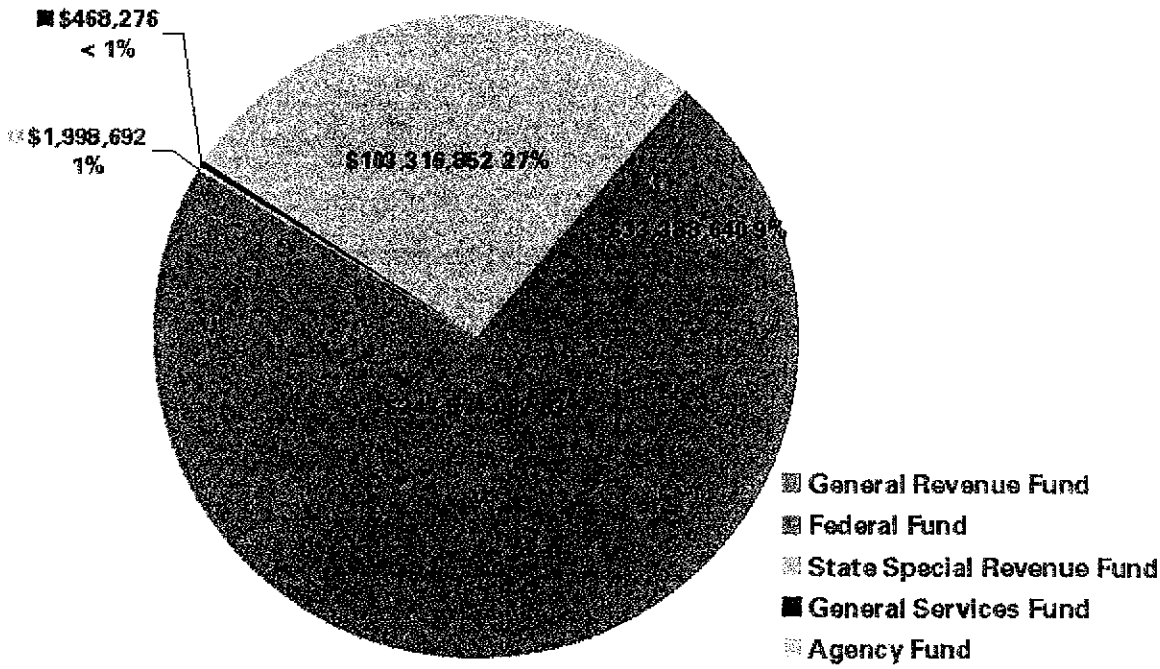
Children & Families

SFY 2007 Expenditures by Fund Source



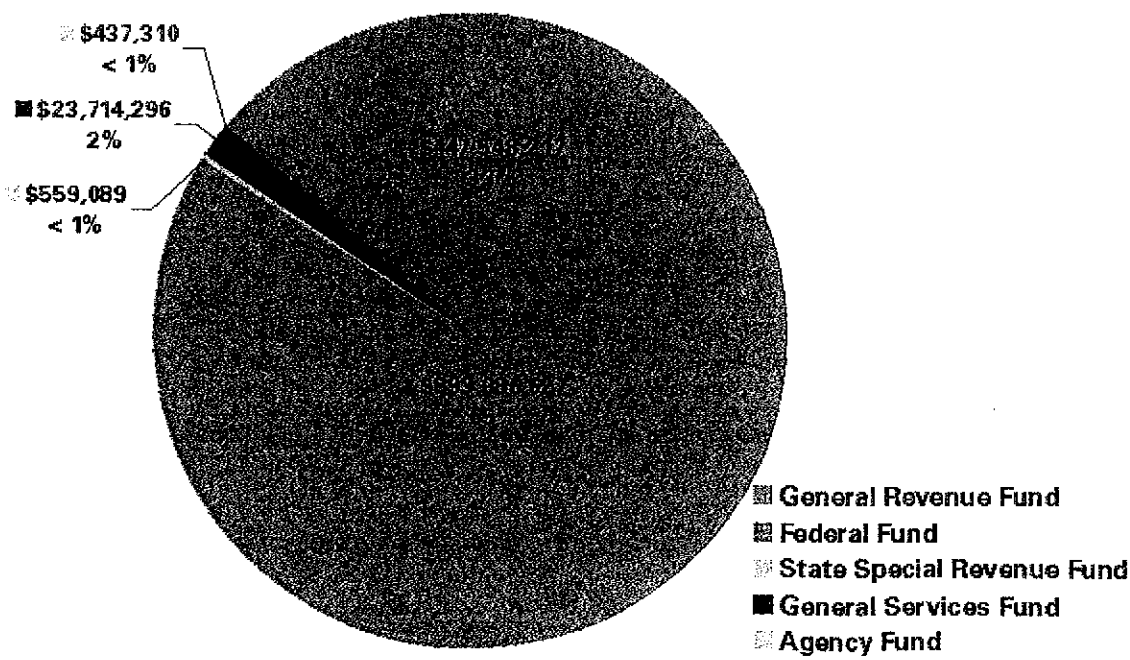
Child Support

SFY 2007 Expenditures by Fund



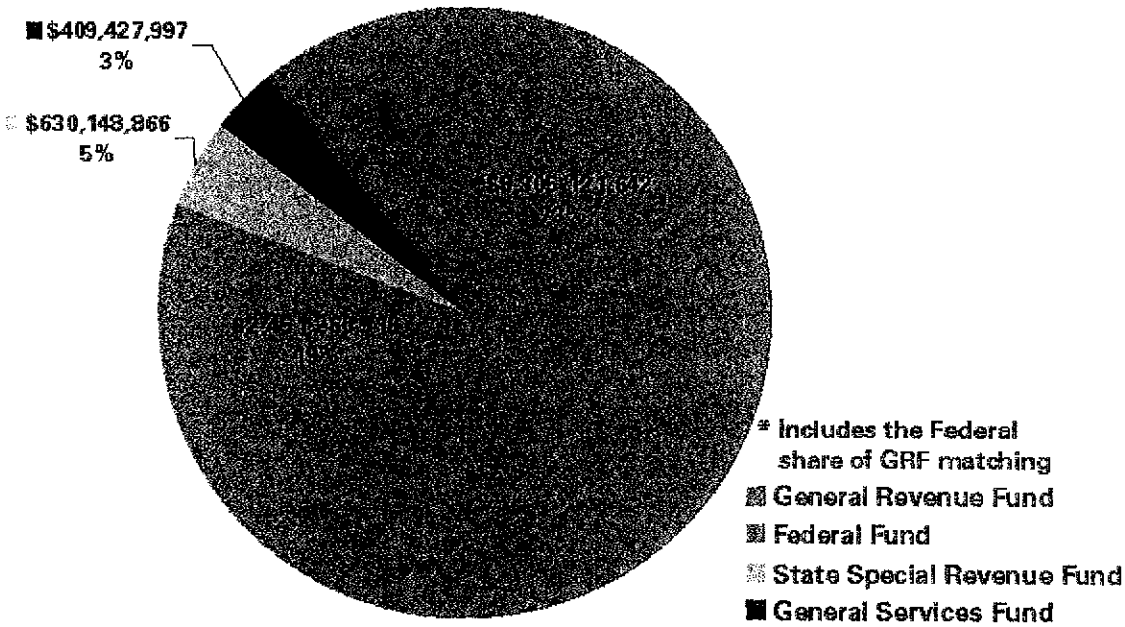
Family Stability

SFY 2007 Expenditures by Fund



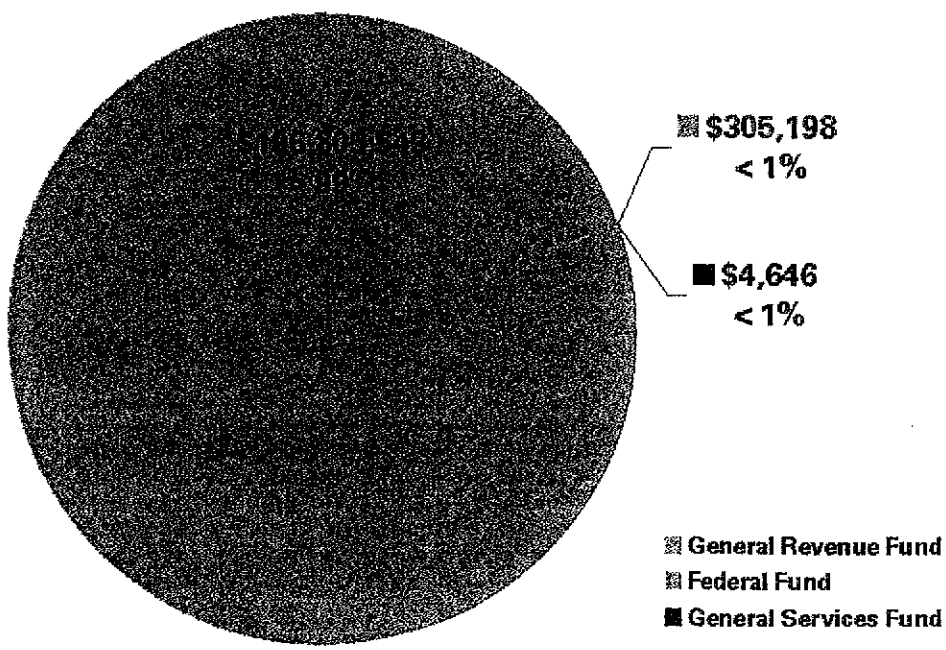
Ohio Health Plans

SFY 2007 Expenditures by Fund



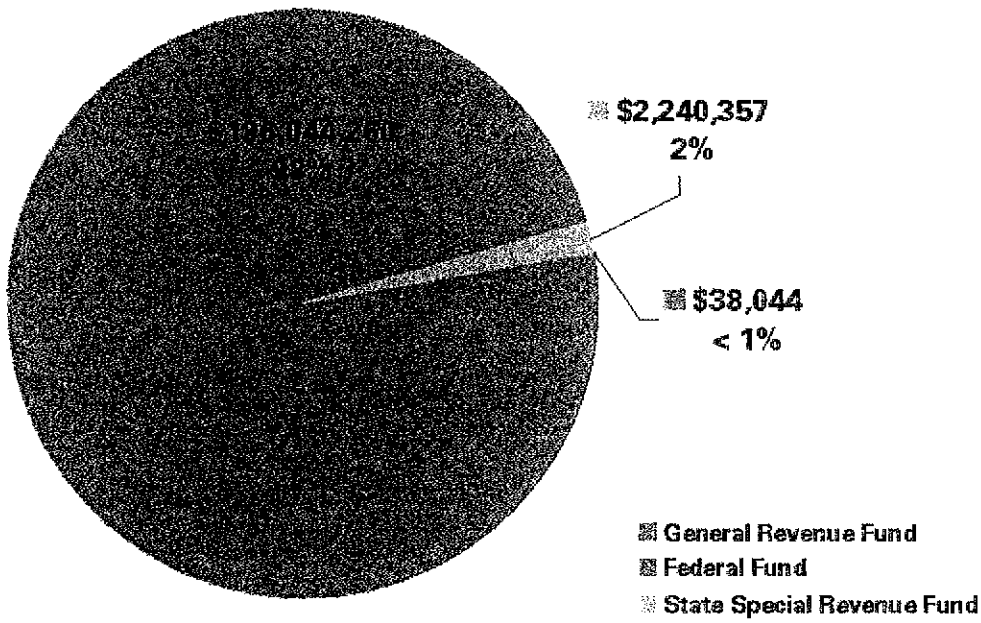
Workforce Development

SFY 2007 Expenditures by Fund



Unemployment Compensation

SFY 2007 Expenditures by Fund



Notes

Ted Strickland, **Governor**
State of Ohio

Helen Jones-Kelley, **Director**
Ohio Department of Job and Family Services

Office of Communications
JFS 08017 (Rev. 6/2008)

Equal Opportunity Employer and Service Provider