



## Local Government Fund

This chapter deals with two revenue-sharing funds that were merged into one during fiscal year 2008: the Local Government Fund (LGF) and the Local Government Revenue Assistance Fund (LGRAF).

The LGF dates back to the Jan. 1, 1935 birth of the state sales tax. The fund has undergone many changes in ensuing decades, but the basic elements remain: a designated portion of state revenues is deposited into the LGF, a statutory formula is used to allocate revenue monthly to the undivided LGFs of each of Ohio's 88 counties, and county budget commissions determine the distribution of the undivided fund moneys to local subdivisions.

In 1989, the General Assembly created the state Local Government Revenue Assistance Fund (LGRAF), providing local subdivisions with an additional share of state tax revenue, allocated to each of Ohio's 88 county undivided LGRAFs according to each county's share of the total state population. The LGRAF was eliminated as a separate fund by consolidation into the LGF effective Jan. 1, 2008 as part of a broader overhaul of revenue sharing in Ohio. Starting with the 2008 calendar year, the newly consolidated LGF received a 3.68 percent share of all general revenue tax collections.

In 2011, the General Assembly enacted House Bill 153 reducing the amount credited to the LGF. From August 2011 through June 2012, the amount credited to the LGF was 75% of the amount received during the respective months of July 2010-June 2011. For July 2012 through June 2013 the amount credited is 50% of the amount received during the respective months of July 2010-June 2011. Beginning January 2012, Dealers in Intangibles were credited to the state GRF and no longer distributed to the counties.

During the 2012 calendar year, approximately \$430.2 million was distributed to counties and \$34.8 million was distributed directly to municipalities from the Local Government Fund.

### Revenue Sources

(Ohio Revised Code 131.44, 5727.45, 5727.84, 5733.12, 5739.21, 5741.03, 5747.03)

Before January 2008, permanent law called for the state LGF to receive a 4.2 percent share of collections from four major taxes: the sales and use, individual income, corporation franchise, and public utility excise taxes. In addition, the law called for 2.646 percent of the kilowatt-hour tax to be deposited into the LGF. Permanent law also called for the state LGRAF to receive a 0.6 percent share of the four major taxes and 0.378 percent of the kilowatt-hour tax.

Between mid-2001 and mid-2007, the 124th, 125th and 126th general assemblies set aside the statutory revenue

sharing formulas for both funds as part of a series of temporary "freezes." As part of these freezes, LGF and LGRAF revenue was distributed to counties based largely on the amount received during the previous year.

In 2007, House Bill 119 – the main operating budget bill for fiscal year 2008-09 – extended the freeze through the end of the 2007 calendar year, then set into motion a major restructuring of these funds. Starting in January 2008:

- the LGRAF was consolidated into the LGF.
- the new consolidated LGF was funded based on a 3.68 percent share of all general revenue tax collections, rather than the older system of percentages that varied based on the tax.

For 2012, House Bill 153 (the main operating budget bill for FY 2012 and 2013) funded the LGF during FY 2012 based on 75% of the July 2010-June 2011 distributions, and during FY 2013 funded the LGF based on 50% of the July 2010-June 2011 distributions. Items to note:

- An additional \$49.27 million was allocated to the LGF for FY 2012 only.
- Beginning in January 2012, Dealers in Intangibles were credited to the state GRF only and no longer distributed to the counties.

### Distributions to Local Governments

(R.C. 5747.50, 5747.501)

From mid-2001 through mid-2007, a permanent statutory formula for calculating the amount of money to be distributed to local governments through the LGF was suspended as part of a series of local government fund "freezes."

- H.B. 119 extended the freeze through the end of 2007 and permanently revamped the statutory formula for calculating distributions. Starting with the 2008 calendar year:
- Subject to available resources, each county's undivided LGF fund receives at least what it received in combined distributions from the LGF and LGRAF during the 2007 calendar year.
- Subject to available resources, each of the more than 500 municipalities that received a direct distribution from the LGF in 2007 receives an equal amount in subsequent calendar years.

If revenue in the LGF is not sufficient to meet the minimums described above, then each county and municipality receives a prorated share of the state LGF, proportionate to that received in 2007.

If additional revenue is available once these distributions have been made, it is distributed to the 88 county undivided LGFs based on each county's proportionate share of the state population, using U.S. Census Bureau estimates from the previous year. No additional revenue is allocated directly to municipalities, which may not receive directly from the state LGF more than they received in 2007.

Beginning in August 2011 through June 2013, each county and municipality that receives a direct state distribution is to receive the same percentage share of the fund as it did during the respective month of FY 2011. There is a guarantee that any county that received less than \$750,000 in LGF in FY 2011 will have no reduction in monthly distributions for FY 2012 and FY 2013. Additionally, any county that received over \$750,000 in FY 2011 that would be below \$750,000 after the "freeze/cut" would receive no less than \$750,000.

## Monthly Distribution Procedure

(R.C. 5747.50)

Distributions from the state LGF to municipal corporations and counties are made on or before the tenth day of each month.

## Use of Funds

(R.C. 5747.50 – 5747.53)

All amounts received by a municipal corporation directly from the state LGF are paid into the municipality's general fund to be used for any lawful purpose. The amount that each county receives from the state LGF is expressly designated for deposit into the county's undivided LGF.

Before January 2008 (when the state LGRAF was merged with the LGF), the amount that each county received from the

state LGRAF was also expressly designated for deposit into the county's undivided LGRAF.

## Recent Legislation

### House Bill 153, 129th General Assembly (FY 2012-2013 biennial budget bill; budget provisions effective July 1, 2011)

In 2011, House Bill 153 (the main operating budget bill for FY 2012 and 2013) funded the LGF during FY 2012 based on 75% of the July 2010-June 2011 distributions, and during FY 2013 funded the LGF based on 50% of the July 2010-June 2011 distributions. Items to note:

- July 2011 was still based on permanent law, so the new funding calculation did not begin until August 2011. An additional \$49.27 million was allocated to the LGF for FY 2012 only.
- Beginning in January 2012, Dealers in Intangibles will be credited to the state GRF and no longer be distributed to the counties.
- Beginning in August 2011 through June 2013, each county and municipality that receives a direct state distribution is to receive the same percentage share of the fund as it did during the respective month of FY 2011.
- There is a guarantee that any county that received less than \$750,000 in LGF in FY 2011 will have no reduction in monthly distributions during FY 2012 and FY 2013. Additionally, any county that received over \$750,000 in FY 2011 that would be below \$750,000 after the "freeze/cut" would receive no less than \$750,000.

Table 1

Calendar Year	Local Government Fund		Dealers in Intangibles Tax		LGF and Intangibles Tax Combined	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
2002	\$670,658,730	4.93	\$11,229,780	29.4	\$681,888,510	5.47
2003	661,828,265	-1.32	9,097,256	-18.99	670,925,521	-1.61
2004	661,828,265	-0.00	10,448,586	-14.85	672,276,851	-0.20
2005	661,828,265	0.00	11,660,148	11.60	673,488,413	0.18
2006	661,828,265	0.00	13,908,699	19.28	675,736,964	0.33
2007	661,828,265	0.00	12,605,989	9.37	674,434,254	0.19
2008 <sup>1</sup>	745,649,267	12.67	11,852,573	-5.98	757,501,840	-12.32
2009	641,403,389	13.98	13,210,244	-11.45	654,613,633	13.58
2010	649,981,842	-1.34	13,534,972	2.46	663,516,814	-1.36
2011 <sup>2</sup>	648,162,293	-0.28	13,751,305	1.60	661,913,598	-0.24
2012 <sup>3</sup>	464,967,126	-28.26	6,619	-99.95	464,973,745	-29.75

1 2008 displays the effects of H.B. 119 and the combining of the Local Government and Local Government Revenue Assistance Funds.

2 2011 displays the beginning effects of H.B. 153.

3 2012 displays the effects of H.B. 153. The last Dealers in Intangibles Tax distribution was in January 2012 for December receipts. Beginning January 2012, all dealers in intangibles tax was credited to the GRF.

Table 2

State Local Government Fund - Amounts Distributed to Counties and Municipalities, by County: Calendar Year 2012							
County	To Counties <sup>1</sup>	To Municipalities	Total	County	To Counties <sup>1</sup>	To Municipalities	Total
ADAMS	\$785,567	\$505	\$786,073	LOGAN	\$1,293,246	\$70,691	\$1,363,937
ALLEN	\$3,247,188	\$189,336	\$3,436,523	LORAIN	\$11,517,783	\$670,176	\$12,187,958
ASHLAND	\$1,514,463	\$98,732	\$1,613,194	LUCAS	\$17,495,263	\$2,110,014	\$19,605,276
ASHTABULA	\$2,869,753	\$139,881	\$3,009,634	MADISON	\$1,028,740	\$46,427	\$1,075,167
ATHENS	\$1,461,329	\$84,715	\$1,546,044	MAHONING	\$7,149,183	\$444,807	\$7,593,990
AUGLAIZE	\$1,639,005	\$105,132	\$1,744,137	MARION	\$1,892,188	\$119,146	\$2,011,333
BELMONT	\$2,025,705	\$14,070	\$2,039,774	MEDINA	\$4,868,496	\$191,131	\$5,059,627
BROWN	\$880,063	\$9,873	\$889,935	MEIGS	\$715,326	\$6,000	\$721,326
BUTLER	\$10,318,953	\$669,409	\$10,988,362	MERCER	\$1,327,946	\$42,118	\$1,370,064
CARROLL	\$785,647	\$9,190	\$794,837	MIAMI	\$3,658,906	\$253,634	\$3,912,540
CHAMPAIGN	\$1,029,408	\$51,800	\$1,081,209	MONROE	\$458,960	\$3,468	\$462,429
CLARK	\$4,062,920	\$310,879	\$4,373,799	MONTGOMERY	\$22,235,762	\$2,381,679	\$24,617,440
CLERMONT	\$3,111,263	\$31,900	\$3,143,162	MORGAN	\$461,071	\$5,610	\$466,681
CLINTON	\$1,152,598	\$37,079	\$1,189,677	MORROW	\$785,585	\$12,512	\$798,097
COLUMBIANA <sup>2</sup>	\$2,936,245	\$115,764	\$3,052,009	MUSKINGUM	\$2,178,532	\$129,890	\$2,308,422
COSHOCTON	\$1,024,453	\$34,787	\$1,059,240	NOBLE	\$418,644		\$418,644
CRAWFORD	\$1,500,429	\$81,957	\$1,582,386	OTTAWA	\$1,191,174	\$37,859	\$1,229,033
CUYAHOGA	\$76,633,484	\$7,808,973	\$84,442,457	PAULDING	\$743,878	\$1,165	\$745,044
DARKE	\$1,696,557	\$61,649	\$1,758,206	PERRY	\$794,626	\$11,362	\$805,988
DEFIANCE	\$1,276,135	\$67,491	\$1,343,627	PICKAWAY	\$1,309,036	\$50,698	\$1,359,733
DELAWARE	\$3,455,558	\$127,958	\$3,583,516	PIKE	\$785,602	\$10,362	\$795,963
ERIE	\$2,661,507	\$105,073	\$2,766,580	PORTAGE	\$4,455,701	\$279,964	\$4,735,665
FAIRFIELD	\$3,561,036	\$155,402	\$3,716,438	PREBLE	\$1,080,058	\$42,802	\$1,122,860
FAYETTE	\$892,180	\$38,316	\$930,497	PUTNAM	\$1,037,638	\$35,752	\$1,073,390
FRANKLIN	\$52,735,601	\$6,168,484	\$58,904,084	RICHLAND	\$4,349,078	\$331,634	\$4,680,713
FULTON	\$1,411,380	\$94,625	\$1,506,005	ROSS	\$2,031,740	\$98,833	\$2,130,572
GALLIA	\$807,895	\$17,237	\$825,132	SANDUSKY	\$2,043,123	\$106,068	\$2,149,192
GEAUGA	\$1,951,308	\$65,390	\$2,016,699	SCIOTO	\$1,814,538	\$69,262	\$1,883,800
GREENE	\$5,789,651	\$163,667	\$5,953,318	SENECA	\$1,948,372	\$129,889	\$2,078,261
GUERNSEY	\$1,062,410	\$36,565	\$1,098,975	SHELBY	\$1,709,444	\$135,954	\$1,845,398
HAMILTON	\$36,460,493	\$4,049,876	\$40,510,369	STARK	\$11,131,330	\$783,426	\$11,914,756
HANCOCK	\$2,788,480	\$146,522	\$2,935,003	SUMMIT	\$24,294,619	\$2,087,376	\$26,381,995
HARDIN	\$920,092	\$37,330	\$957,422	TRUMBULL	\$6,484,580	\$319,347	\$6,803,927
HARRISON	\$619,267	\$8,724	\$627,991	TUSCARAWAS	\$3,072,226	\$123,928	\$3,196,154
HENRY	\$933,840	\$35,301	\$969,141	UNION	\$1,096,388	\$47,762	\$1,144,150
HIGHLAND	\$995,775	\$41,912	\$1,037,687	VAN WERT	\$964,822	\$53,331	\$1,018,153
HOCKING	\$785,789	\$23,902	\$809,691	VINTON	\$371,507		\$371,507
HOLMES	\$805,721	\$8,542	\$814,263	WARREN	\$4,852,632	\$256,526	\$5,109,158
HURON	\$1,929,298	\$151,771	\$2,081,069	WASHINGTON	\$1,672,873	\$81,540	\$1,754,413
JACKSON	\$893,175		\$893,175	WAYNE	\$3,517,686	\$161,503	\$3,679,189
JEFFERSON	\$2,768,321	\$126,172	\$2,894,493	WILLIAMS	\$1,378,417	\$89,859	\$1,468,276
KNOX	\$1,420,410	\$74,889	\$1,495,299	WOOD	\$4,017,307	\$290,043	\$4,307,350
LAKE	\$12,065,630	\$788,662	\$12,854,292	WYANDOT	\$842,962	\$35,074	\$878,037
LAWRENCE	\$1,343,769	\$23,693	\$1,367,461				
LICKING	\$4,693,623	\$215,011	\$4,908,634	<b>TOTAL</b>	<b>\$430,180,360</b>	<b>\$34,786,766</b>	<b>\$464,967,126</b>

1 No longer includes Dealers in Intangibles tax distributions for counties due to House Bill 153 crediting all dealers in intangibles tax to the GRF beginning January 2012.

2 Includes \$1,468,122 redirected to the county's fiscal agent.