



## Local Government Fund

This chapter deals with a revenue-sharing fund called the Local Government Fund (LGF).

The LGF dates back to the Jan. 1, 1935 establishment 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.

There were many additional changes to the LGF in 2013. Amounts distributed in July 2013 were equal to the amounts distributed in July 2012. Beginning in August 2013, the fund began to receive 1.66 percent of all GRF tax revenue collections of the previous month and a guaranteed minimum distribution amount for counties was codified in H.B. 59 (130th General Assembly).

During the 2013 calendar year, approximately \$329.1 million was distributed to counties and approximately \$28.4 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: 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 revenues were credited to the state GRF only and no longer distributed to the counties.
- Beginning with the August 2013 distribution, the fund is to receive 1.66 percent of all GRF tax revenue collections of the previous month.

### 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.

HB 59 (130th General Assembly) codified this guaranteed amount. Counties are guaranteed an amount not less than \$750,000 or the amount they received during FY 2013. Any additional monies needed to bring the counties onto the guarantee is contributed by counties that received more than the \$750,000 amount in proportion to their FY 2013 distributions.

## Monthly Distribution Procedure

(R.C. 5747.50)

HB 59 (130th General Assembly) codified the aforementioned guaranteed amount. Counties are guaranteed an amount not less than \$750,000 or the amount they received during FY 2013. Any additional monies needed to bring the counties onto the guarantee is contributed by counties that received more than the \$750,000 amount in proportion to their FY 2013 distributions.

## 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.

## 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 percent of the July 2010-June 2011 distribu-

tions, and during FY 2013 funded the LGF based on 50 percent 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.
- Percentage of revenue method to return beginning in FY 2014. Calculated by taking the FY 2013 LGF distribution amounts and dividing by the FY 2013 total GRF tax revenue collections.

### House Bill 59, 130th General Assembly (FY 2013-2014 biennial budget bill; budget bill provisions effective July 1, 2013)

- Set the July 2013 distribution equal to the July 2012 distribution.
- Beginning with the August 2013 distribution, percentage of revenue method returns to fund the LGF. The LGF receives 1.66 percent of state GRF tax revenues.
- Codifies that counties are guaranteed an amount not less than \$750,000 or the amount they received during FY 2013. Any additional monies needed to bring the counties onto the guarantee is contributed by counties that received more than the \$750,000 amount in proportion to their FY 2013 distributions.

**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
2009	\$641,403,389		\$13,210,244		\$654,613,633	
2010	649,981,842	1.3%	13,534,972	2.5%	663,516,814	1.4%
2011 <sup>1</sup>	648,162,293	-0.3	13,751,305	1.6	661,913,598	-0.2
2012 <sup>2</sup>	464,967,126	-28.3	6,619	-100.0	464,973,745	-29.8
2013	357,452,112	-23.1	0	-100.0	357,452,112	-23.1

<sup>1</sup> 2011 displays the beginning effects of H.B. 153.

<sup>2</sup> 2012 displays the effects of H.B. 153 and H.B. 59. The last Dealers in Intangibles Tax distribution was in January 2012 for December 2011 receipts.

Source: Ohio Department of Taxation

Table 2

State Local Government Fund - Amounts Distributed to Counties and Municipalities, by County: Calendar Year 2013							
County	To Counties	To Municipalities	Total	County	To Counties	To Municipalities	Total
ADAMS	\$750,000	\$412	\$750,412	LOGAN	\$982,210	\$57,613	\$1,039,823
ALLEN	\$2,466,213	\$154,308	\$2,620,521	LORAIN	\$8,747,663	\$546,192	\$9,293,855
ASHLAND	\$1,150,222	\$80,466	\$1,230,688	LUCAS	\$13,287,511	\$1,719,658	\$15,007,168
ASHTABULA	\$2,179,554	\$114,003	\$2,293,557	MADISON	\$781,319	\$37,838	\$819,157
ATHENS	\$1,109,867	\$69,043	\$1,178,910	MAHONING	\$5,429,747	\$362,517	\$5,792,264
AUGLAIZE	\$1,244,811	\$85,683	\$1,330,493	MARION	\$1,437,101	\$97,103	\$1,534,205
BELMONT	\$1,538,506	\$11,467	\$1,549,973	MEDINA	\$3,697,583	\$155,772	\$3,853,355
BROWN	\$750,000	\$8,046	\$758,046	MEIGS	\$686,137	\$4,890	\$691,027
BUTLER	\$7,837,161	\$545,567	\$8,382,729	MERCER	\$1,008,564	\$34,326	\$1,042,890
CARROLL	\$750,000	\$7,490	\$757,490	MIAMI	\$2,778,910	\$206,711	\$2,985,621
CHAMPAIGN	\$781,827	\$42,217	\$824,045	MONROE	\$440,232	\$2,827	\$443,059
CLARK	\$3,085,755	\$253,365	\$3,339,121	MONTGOMERY	\$16,887,881	\$1,941,064	\$18,828,945
CLERMONT	\$2,362,979	\$25,998	\$2,388,977	MORGAN	\$442,257	\$4,572	\$446,829
CLINTON	\$875,389	\$30,219	\$905,608	MORROW	\$750,000	\$10,197	\$760,197
COLUMBIANA <sup>1</sup>	\$2,230,054	\$94,347	\$2,324,401	MUSKINGUM	\$1,654,578	\$105,860	\$1,760,437
COSHOCTON	\$778,064	\$28,351	\$806,415	NOBLE	\$401,561	\$0	\$401,561
CRAWFORD	\$1,139,564	\$66,795	\$1,206,359	OTTAWA	\$904,687	\$30,855	\$935,542
CUYAHOGA	\$58,202,512	\$6,364,300	\$64,566,812	PAULDING	\$713,525	\$950	\$714,475
DARKE	\$1,288,521	\$50,244	\$1,338,766	PERRY	\$750,000	\$9,260	\$759,260
DEFIANCE	\$969,214	\$55,005	\$1,024,220	PICKAWAY	\$994,202	\$41,318	\$1,035,521
DELAWARE	\$2,624,468	\$104,285	\$2,728,754	PIKE	\$750,000	\$8,445	\$758,445
ERIE	\$2,021,393	\$85,634	\$2,107,027	PORTAGE	\$3,384,069	\$228,170	\$3,612,239
FAIRFIELD	\$2,704,578	\$126,653	\$2,831,231	PREBLE	\$820,295	\$34,884	\$855,179
FAYETTE	\$750,000	\$31,228	\$781,228	PUTNAM	\$788,077	\$29,138	\$817,215
FRANKLIN	\$40,052,263	\$5,027,304	\$45,079,567	RICHLAND	\$3,303,090	\$270,282	\$3,573,371
FULTON	\$1,071,931	\$77,120	\$1,149,051	ROSS	\$1,543,090	\$80,548	\$1,623,638
GALLIA	\$750,000	\$14,048	\$764,048	SANDUSKY	\$1,551,736	\$86,446	\$1,638,181
GEAUGA	\$1,482,003	\$53,293	\$1,535,296	SCIOTO	\$1,378,127	\$56,449	\$1,434,576
GREENE	\$4,397,193	\$133,388	\$4,530,582	SENECA	\$1,479,773	\$105,859	\$1,585,632
GUERNSEY	\$806,892	\$29,800	\$836,692	SHELBY	\$1,298,309	\$110,803	\$1,409,111
HAMILTON	\$27,691,450	\$3,300,642	\$30,992,092	STARK	\$8,454,155	\$638,491	\$9,092,646
HANCOCK	\$2,117,828	\$119,415	\$2,237,244	SUMMIT	\$18,451,567	\$1,701,209	\$20,152,775
HARDIN	\$750,000	\$30,424	\$780,424	TRUMBULL	\$4,924,986	\$260,267	\$5,185,253
HARRISON	\$593,998	\$7,110	\$601,108	TUSCARAWAS	\$2,333,331	\$101,001	\$2,434,332
HENRY	\$750,000	\$28,770	\$778,770	UNION	\$832,698	\$38,926	\$871,624
HIGHLAND	\$750,000	\$34,159	\$784,159	VAN WERT	\$750,000	\$43,465	\$793,465
HOCKING	\$750,000	\$19,480	\$769,480	VINTON	\$356,348	\$0	\$356,348
HOLMES	\$750,000	\$6,962	\$756,962	WARREN	\$3,685,535	\$209,068	\$3,894,603
HURON	\$1,465,287	\$123,693	\$1,588,979	WASHINGTON	\$1,270,533	\$66,455	\$1,336,988
JACKSON	\$750,000	\$0	\$750,000	WAYNE	\$2,671,654	\$131,625	\$2,803,279
JEFFERSON	\$2,102,517	\$102,830	\$2,205,347	WILLIAMS	\$1,046,897	\$73,235	\$1,120,131
KNOX	\$1,078,790	\$61,035	\$1,139,825	WOOD	\$3,051,112	\$236,385	\$3,287,497
LAKE	\$9,163,748	\$642,758	\$9,806,507	WYANDOT	\$750,000	\$28,586	\$778,586
LAWRENCE	\$1,020,581	\$19,310	\$1,039,891				
LICKING	\$3,564,768	\$175,234	\$3,740,002	<b>TOTAL</b>	<b>\$329,100,954</b>	<b>\$28,351,158</b>	<b>\$357,452,112</b>

Source: Ohio Department of Taxation

<sup>1</sup> Includes \$1.1 million redirected from Columbiana County to its fiscal agent.