



# Local Government Fund & Local Government Revenue Assistance Fund

This chapter deals with two revenue-sharing programs now undergoing major change: 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 the last 70 years, but the basic elements remain: a designated portion of state revenues are 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 authorize and determine the distribution of the undivided fund monies to local subdivisions.

Since July 1989, the state LGRAF has provided local subdivisions with an additional share of state tax revenues allocated to each of Ohio's 88 county undivided LGRAF's according to each county's share of the total state population.

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" included in the state government two-year operating budget bills. As part of these freezes, LGF and LGRAF revenue was distributed to counties based largely on the amount received during the previous year.

House Bill 119, the Fiscal Year 2008-09 operating budget bill, 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. Among the changes:

- 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 revenue sharing that varied based on the tax.

For details on these and other changes, see **Recent Legislation**.

During the 2006 calendar year, approximately \$675.7 million from the state LGF and \$94.6 million from the state LGRAF was distributed to local governments. The LGF amount includes \$13.9 million that was distributed to the county undivided LGFs from the tax on dealers in intangibles.

**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 state LGRAF to receive a 0.6 percent share of the four major taxes and 0.378 percent of the kilowatt-hour tax.

These formulas were set aside as part of a series of temporary freezes that started in mid-2001:

- H.B. 94, the 124th General Assembly's operating budget bill for FY 2002-2003, required the funds to receive the same monthly distribution during FY 2002 and FY 2003 as they received during the corresponding months of July 2000 through May 2001. For June of each fiscal year, the funds received the same amount distributed in June 2000. The bill also temporarily set aside the distribution formulas to counties described in **Distribution Base**. Between July 2001 and June 2003, counties and municipalities receiving a direct distribution from the LGF received the same amounts they received during the corresponding month of the July 2000 through June 2001 period, aside from certain adjustments contained in budget correction bills.
- H.B. 95, the 125th General Assembly's operating budget bill for FY 2004-2005, generally froze monthly distributions into the state LGF and state LGRAF from July 2003 to June 2005 at the level of the corresponding months of the period from July 2001 through June 2003.
- H.B. 66, the 126th General Assembly's operating budget bill for FY 2006-2007, generally extended the H.B. 95 freeze forward for two more years. Each month during the July 2005 - June 2007 period, the LGF and LGRAF received the same amount as they did during the corresponding month of the period between July 2004 through June 2005.

All of these formulas were revamped under the terms of House Bill 119, the operating budget bill for FY 2008-09. The bill extended the freeze through the end of the 2007 calendar year, then made these changes 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.

**Determination of County and Municipal Portions** (R.C. 5747.50)

Before state LGF revenues are distributed to local governments, the total amount in the fund is divided into

county and municipal portions. This division of the state LGF has traditionally been determined by a statutory formula (but note that the freezes in effect since mid-2001 have temporarily altered the formula described below).

The county portion, referred to as the county undivided LGF, equals: (a) nine-tenths of the difference between the amount transferred from state revenue sources to the state LGF and 145.45 percent of the revenue generated in that county in 1983 from the intangible tax on deposits of financial institutions; plus (b) 145.45 percent of the 1983 deposits tax revenue from that county; less (c) \$6 million. The remainder (one-tenth of the difference between the amount transferred and 145.45 percent of the 1983 deposits tax revenue plus \$6 million) is distributed directly to municipalities.

Unlike the state LGF, there is no direct distribution to municipalities from the state LGRAF. All monies in this fund are distributed to the county undivided LGRAFs.

### **County Distribution Base** (R.C. 5747.501, 5747.61) **Local Government Fund:**

Permanent law calls for two different formulas to be used to calculate potential shares of the state LGF for each county. The amount actually distributed is based on the calculation that yields a more favorable amount for each county.

The higher of these two formula calculations (called the "assigned amount") is taken from each county and added together to arrive at a statewide, 88-county total. Each county's percentage share of this total is then applied to the total amount in the fund to determine each county's distribution.

**Formula 1** – Each county is allocated 145.45 percent of the deposits tax it actually received from financial institutions in 1983. Nine-tenths of the remaining revenue in the fund (less \$6 million) is allocated on the basis of the county's population at the last decennial census and the value of property within municipalities in the county for the second preceding year (25 percent is distributed based on population and 75 percent is distributed based on municipal property values). The minimum distribution from the population/valuation segment is \$225,000. These two amounts are added together to determine the county's "Formula 1" amount.

**Formula 2** – Nine-tenths of the total state LGF (less \$6 million) is allocated to the counties based on county population and county municipal property values (25 percent based on population and 75 percent based on property values). The minimum distribution is \$225,000. This is the county's "Formula 2" amount.

However, regardless of the resulting amounts, each county is guaranteed at least the amount it actually received from the LGF in 1983. In addition, each county undivided LGF receives five mills of the tax on dealers in intangibles attributed to that county.

### **LGRAF:**

Each county's share of the state LGRAF is determined each year based upon the county's population as a share of the total population for the state. The population figure used is the more recent of either the latest estimate of population by the U.S. Census Bureau or the latest decennial census figures that include population totals as of June 1 of the preceding year.

### **Direct Distribution to Municipalities**

(R.C. 5747.50)

Each municipality that levied an income tax during the preceding year is eligible to receive a share of the municipal portion of the state LGF. The share each municipality receives is equal to its percentage of total municipal income taxes collected as compared to the amount collected statewide in the second preceding year.

### **Monthly Distribution Procedure**

(R.C. 5747.50, 5747.61)

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

The portion of the state LGF distributed to the counties is subject to possible further adjustments, to meet a minimum allocation per month of \$25,000 and a minimum allocation per year equal to the amount actually received in calendar year 1983. The Ohio Revised Code authorizes adjustments to be made in December to ensure each county the minimum allocation to which it is entitled for the entire calendar year. It also authorizes monies to be withheld during December or the ensuing calendar year so that the total amount received by a county does not exceed the proportionate share to which it is entitled or its statutory minimum, whichever is greater.

### **Use of Funds Distributed to Municipalities and Counties** (R.C. 5747.50-5747.53, 5747.61-5747.63)

All amounts received by a municipal corporation from the municipal portion of 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, where it is combined with revenue from the state-collected dealers in intangibles tax that is returned to the counties of origin.

The amount which a county receives from the state LGRAF is expressly designated for deposit into the county's undivided LGRAF.

The county undivided LGF and county undivided LGRAF monies are disbursed to local governments to be used for current operating expenses of the county government, municipalities, townships, and certain special districts.

These distributions are done according to guidelines spelled out in statute intended to yield a distribution that reflects the needs of the various recipient governmental units or according to alternative apportionment methods or formulas devised by local county budget commissions. Such alternative apportionment methods are authorized if approved by subdivisions within the county as required by statute.

H.B. 66 of the 126th General Assembly temporarily replaced the above distribution requirements. The bill also guaranteed that no subdivision will receive a proportionate share from the county undivided fund during the FY 2006 - FY 2007 period that is less than the amount that it received during the FY 2004 - FY 2005 period, unless that subdivision otherwise consents. H.B. 119 of the 127th General Assembly continued this distribution through the end of calendar year 2007.

## Recent Legislation

**H.B. 119, 127th General Assembly (FY 2008-FY 2009 biennium budget bill, effective June 30, 2007).**

**R.C. 131.51, 5747.03, 5747.46-5747.48, 5747.50-5747.53 and bill sections 757.03, 757.04 and 815.09** – This bill dramatically changed the LGF and LGRAF. It continued the freeze on distributions through calendar year 2007. Then beginning in January 2008, it consolidated the LGRAF into the LGF and begins funding the LGF through a 3.68 percent share of all general revenue fund tax sources. The distributions to the county undivided LGF are in proportion to what each county received in calendar year 2007. Municipalities that receive a direct LGF distribution receive up to what they received in calendar year 2007. Any amount over their 2007 distribution is distributed to the county undivided LGF in proportion to each county's population.

**H.B. 530, 126th General Assembly (budget corrections bill, effective June 30, 2006).**

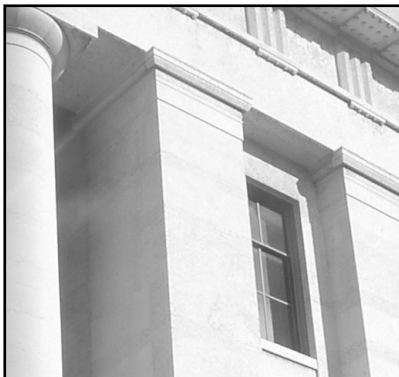
**Bill sections 606.17, 606.18, 815.03** – H.B. 530 clarified a portion of H.B. 66 that froze the amount of revenue to the local government funds and therefore, to the

county undivided funds. H.B. 66 also prohibited local governments within each county from re-allocating their respective shares of the undivided fund. H.B. 530 clarified that this freeze in the "re-allocation" of the undivided fund does not apply when there is a population change which would affect the distribution formula. The bill specified that the undivided local government fund allocated to the county cannot exceed 50 percent of the fund if the municipal population constitutes 41 percent or more of the county's population and cannot exceed 30 percent of the fund if the municipal population constitutes at least 81 percent of the county's total population.

**H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005).**

The bill continued the freeze on deposits and distributions from the LGF and LGRAF through FY 2006 and FY 2007. Amounts deposited into the funds from July 2005 through June 2006 equaled the deposits into the funds made during the period of July 2004 through June 2005. In addition, amounts deposited into the funds during the period of July 2006 through June 2007 are equal to the deposits made during the July 2005 through June 2006 period. The bill also guaranteed that no subdivision will receive a proportionate share from the county undivided fund during the FY 2006 - FY 2007 period that is less than the amount that it received during the FY 2004 - FY 2005 period, unless that subdivision otherwise consents.

In addition, the bill provided for a "reconciliation" mechanism. In June 2006 and June 2007, the Tax Commissioner examined the amounts distributed to the fund under the H.B. 66 freeze in the respective fiscal years and compared them to the amounts that would have been distributed under permanent law. If the amounts distributed under the H.B. 66 freeze exceed the amounts that would have been distributed under permanent law, then an amount shall be subtracted from the income tax revenue credited to the LGF and LGRAF to make up that difference.



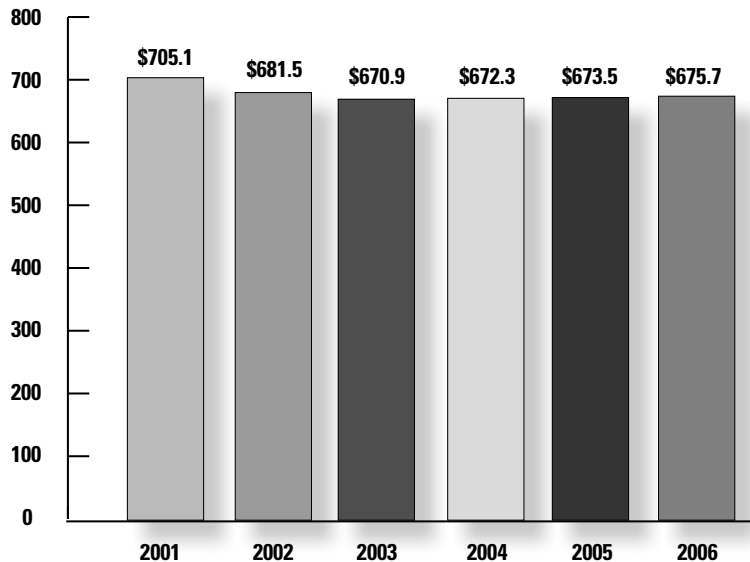
**Table 1**  
**Total State Local Government**  
**Fund and Dealers in Intangibles Distributions:**  
**Calendar Years 1998 - 2006**

Year	Total State Local Government Fund Amount	Percent Change	Dealers in Intangibles Tax Amount	Percent Change	State LGF and Intangibles Tax Amount	Percent Change
1998	\$632,501,558	9.08	\$9,983,867	-9.41	\$642,485,425	8.74
1999	664,772,737	5.1	10,697,411	7.15	675,470,148	5.13
2000	692,233,886	4.13	13,901,032	29.95	706,134,918	4.54
2001	705,421,757	1.9	15,905,620	14.42	721,327,377	2.15
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

**Table 2**  
**Local Government Revenue Assistance Fund**  
**Distributions:**  
**Calendar Years 1998 - 2006**

Calendar Year	Amount	Change
1998	\$90,398,292	9.08
1999	95,014,290	5.11
2000	98,953,115	4.15
2001	100,780,133	1.80
2002	95,808,389	-4.93
2003	94,597,556	-1.26
2004	94,597,556	0.00
2005	94,597,556	0.00
2006	94,597,556	0.00

**Chart**  
**Distributions from State Local Government Fund:**  
**Calendar Years 2001 - 2006**



**Table 3**  
**Local Government Fund - Amounts Distributed to Counties and**  
**Municipalities, by County:**  
**Calendar Year 2006**

County	To County Undivided Local Government Fund	To Municipalities	Total	County	To County Undivided Local Government Fund	To Municipalities	Total
ADAMS	\$658,841	\$844	\$659,686	LOGAN	\$1,751,331	\$118,108	\$1,869,439
ALLEN	4,460,125	316,336	4,776,461	LORAIN	16,660,968	1,119,707	17,780,675
ASHLAND	2,060,175	164,958	2,225,133	LUCAS	25,362,731	3,525,339	28,888,071
ASHTABULA	3,855,324	233,709	4,089,033	MADISON	1,350,074	77,569	1,427,643
ATHENS	1,880,687	141,539	2,022,226	MAHONING	9,729,566	743,169	10,472,735
AUGLAIZE	2,301,947	175,651	2,477,598	MARION	2,573,349	199,064	2,772,413
BELMONT	2,728,368	23,507	2,751,875	MEDINA	6,878,624	319,335	7,197,960
BROWN	967,048	16,495	983,543	MEIGS	557,605	10,025	567,630
BUTLER	14,173,116	1,118,426	15,291,542	MERCER	1,837,091	70,369	1,907,461
CARROLL	688,195	15,354	703,548	MIAMI	5,186,648	423,763	5,610,411
CHAMPAIGN	1,366,810	86,546	1,453,356	MONROE	365,235	5,795	371,030
CLARK	5,464,403	519,405	5,983,808	MONTGOMERY	32,347,228	3,979,228	36,326,455
CLERMONT	3,644,430	53,297	3,697,727	MORGAN	366,793	9,372	376,166
CLINTON	1,551,406	61,950	1,613,355	MORROW	629,376	20,905	650,280
COLUMBIANA <sup>1</sup>	3,521,355	193,414	3,714,770	MUSKINGUM	2,888,081	217,015	3,105,096
COSHOCTON	1,385,134	58,120	1,443,255	NOBLE	327,951	0	327,951
CRAWFORD	2,075,808	136,931	2,212,739	OTTAWA	1,606,548	63,253	1,669,801
CUYAHOGA	116,998,023	13,046,966	130,044,990	PAULDING	620,355	1,947	622,302
DARKE	2,332,642	103,002	2,435,644	PERRY	802,637	18,984	821,621
DEFIANCE	1,770,712	112,762	1,883,474	PICKAWAY	1,721,186	84,704	1,805,890
DELAWARE	4,852,791	213,788	5,066,578	PIKE	705,407	17,312	722,719
ERIE	3,725,670	175,552	3,901,221	PORTAGE	6,051,703	467,754	6,519,456
FAIRFIELD	4,847,856	259,641	5,107,497	PREBLE	1,407,337	71,513	1,478,850
FAYETTE	1,109,625	64,018	1,173,642	PUTNAM	1,403,774	59,734	1,463,508
FRANKLIN	81,983,359	10,306,093	92,289,452	RICHLAND	6,102,070	554,084	6,656,153
FULTON	1,958,380	158,097	2,116,477	ROSS	2,700,807	165,126	2,865,933
GALLIA	874,019	28,799	902,818	SANDUSKY	2,830,794	177,216	3,008,010
GEAUGA	2,445,739	109,252	2,554,991	SCIOTO	2,330,912	115,721	2,446,633
GREENE	8,269,588	273,449	8,543,038	SENECA	2,689,581	217,014	2,906,595
GUERNSEY	1,418,631	61,091	1,479,722	SHELBY	2,409,746	227,148	2,636,894
HAMILTON	54,561,869	6,766,395	61,328,264	STARK	15,317,770	1,308,921	16,626,691
HANCOCK	4,028,729	244,804	4,273,534	SUMMIT	35,905,538	3,487,518	39,393,056
HARDIN	1,154,160	62,370	1,216,530	TRUMBULL	8,764,453	533,553	9,298,006
HARRISON	521,547	14,575	536,122	TUSCARAWAS	4,317,684	207,054	4,524,738
HENRY	1,217,651	58,979	1,276,630	UNION	1,473,068	79,799	1,552,868
HIGHLAND	1,276,324	70,026	1,346,350	VAN WERT	1,296,923	89,103	1,386,026
HOCKING	791,767	39,934	831,701	VINTON	290,735	0	290,735
HOLMES	798,960	14,272	813,231	WARREN	6,783,396	428,595	7,211,991
HURON	2,674,865	253,574	2,928,438	WASHINGTON	2,229,915	136,234	2,366,149
JACKSON	1,092,105	0	1,092,105	WAYNE	4,859,108	269,834	5,128,942
JEFFERSON	3,936,277	210,804	4,147,081	WILLIAMS	1,952,923	150,470	2,103,393
KNOX	1,894,767	125,122	2,019,889	WOOD	5,584,363	484,595	6,068,958
LAKE	17,959,277	1,317,670	19,276,947	WYANDOT	1,025,247	58,601	1,083,848
LAWRENCE	1,665,425	39,585	1,705,010				
LICKING	6,675,519	359,234	7,034,753	<b>TOTAL</b>	<b>\$617,616,079</b>	<b>\$58,120,885</b>	<b>\$675,736,965</b>

<sup>1</sup> Includes \$1,447,555 redirected to the county's fiscal agent.  
Does not include \$356,623 withheld for repayment of a state loan.

**Table 4**  
**State Local Government Revenue Assistance Fund - Amounts**  
**Distributed to Counties, by County:**  
**Calendar Year 2006**

County	Amount	County	Amount
ADAMS	\$241,201	LOGAN	\$391,990
ALLEN	900,720	LORAIN	2,374,939
ASHLAND	438,431	LUCAS	3,765,688
ASHTABULA	869,817	MADISON	348,863
ATHENS	518,175	MAHONING	2,135,284
AUGLAIZE	396,839	MARION	555,679
BELMONT	592,668	MEDINA	1,228,543
BROWN	347,295	MEIGS	202,117
BUTLER	2,796,776	MERCER	345,914
CARROLL	245,875	MIAMI	829,067
CHAMPAIGN	323,358	MONROE	129,759
CLARK	1,221,627	MONTGOMERY	4,737,850
CLERMONT	1,495,101	MORGAN	122,312
CLINTON	340,133	MORROW	268,264
COLUMBIANA <sup>1</sup>	937,708	MUSKINGUM	712,781
COSHOCTON	304,464	NOBLE	116,146
CRAWFORD	396,454	OTTAWA	346,481
CUYAHOGA	11,578,401	PAULDING	168,995
DARKE	455,517	PERRY	288,516
DEFIANCE	334,387	PICKAWAY	450,829
DELAWARE	833,142	PIKE	234,872
ERIE	657,052	PORTAGE	1,274,786
FAIRFIELD	1,057,358	PREBLE	365,105
FAYETTE	239,393	PUTNAM	296,540
FRANKLIN	8,629,478	RICHLAND	1,083,226
FULTON	354,203	ROSS	636,626
GALLIA	280,489	SANDUSKY	521,731
GEAUGA	751,453	SCIOTO	676,433
GREENE	1,246,777	SENECA	504,282
GUERNSEY	344,901	SHELBY	401,943
HAMILTON	7,099,061	STARK	3,141,233
HANCOCK	582,575	SUMMIT	4,527,335
HARDIN	266,705	TRUMBULL	1,896,001
HARRISON	135,374	TUSCARAWAS	746,737
HENRY	251,634	UNION	338,829
HIGHLAND	343,399	VAN WERT	253,693
HOCKING	244,985	VINTON	103,360
HOLMES	320,805	WARREN	1,265,349
HURON	508,649	WASHINGTON	531,917
JACKSON	274,603	WAYNE	931,617
JEFFERSON	623,197	WILLIAMS	318,679
KNOX	451,712	WOOD	1,009,896
LAKE	1,900,513	WYANDOT	192,625
LAWRENCE	541,946		
LICKING	1,150,376	<b>TOTAL</b>	<b>\$94,597,556</b>

<sup>1</sup> Includes \$437,441 redirected to the county's fiscal agent.