

LOCAL GOVERNMENT FUNDS STATE AND COUNTY

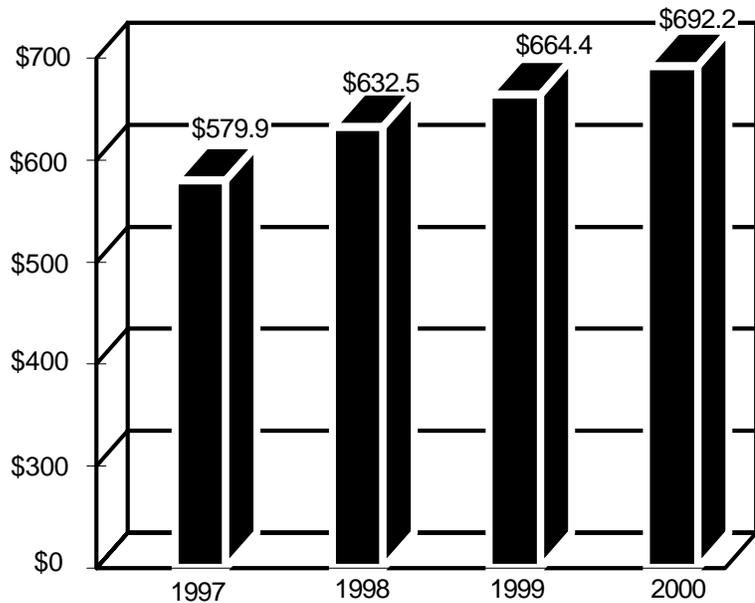
This section deals with two major programs that share state revenues with local governments: the "state local government fund" and the "state local government revenue assistance fund". These funds are both supported by five state-imposed taxes although their relative shares of these taxes are different (see **REVENUE SOURCES section**).

The state local government fund has existed since the inception of the state sales tax in 1935. The fund has undergone many changes in the last 65 years, but the basic elements of the program remain the same: a designated portion of state revenues are deposited in the fund; a statutory formula is used to allocate the monies monthly among 88 companion "county undivided local government funds"; and the county budget commissions authorize the distribution of the undivided fund monies to the subdivisions.

Since July, 1989, the state local government revenue assistance fund has also provided local subdivisions with shared state tax revenues. The state local government revenue assistance fund is much smaller than the state local government fund, approximately 1/7th in size. The state local government revenue assistance fund is allocated among the 88 county undivided local government revenue assistance funds based on county population, a much simpler allocation method than the state local government fund (see **DISTRIBUTION BASE section**).

The accompanying tables show state and county undivided local government fund and state and county undivided local government revenue assistance fund statistics for calendar year 2000. The total state local government fund was \$692.2 million and total state local government revenue assistance fund was \$99.0 million in 2000.

**Distributions From State Local Government Fund
Calendar Years 1997 - 2000
(Dollar Amount in Millions)**



REVENUE SOURCES (R.C. 131.44, 5727.45, 5727.84, 5733.12, 5739.21, 5741.03, 5747.03):

The state local government fund is composed of 4.2 percent of the state sales tax, use tax, personal income tax, corporate franchise tax, and public utility excise tax. In addition, 2.464 percent of the kilowatt hour tax is deposited in the LGF. The state local government revenue assistance fund, which came into being July 1, 1989, is composed of 0.378 percent of the kilowatt hour tax and 0.6 percent of the other five taxes.

A designated share of any state budget surplus is used to reduce the state income tax rates. The cost of the rate cuts to the LGF and LGRAF is reimbursed through a transfer from the surplus (income tax reduction fund) to the LGF and LGRAF. The required transfer from the surplus in 2001 was \$25.6 million to the state local government fund and \$3.7 million to the state local government revenue assistance fund.

House Bill 94 temporarily replaces the permanent LGF and LGRAAF funding mechanism described above. According to uncodified section 140 of the bill, during each month of the July 2001-May 2002 period and the July 2002-May 2003 period, the funds will receive the same amount they received during the corresponding months of the July 2000 through May 2001 period. In addition, during June 2002 and June 2003 the funds will receive the same amount they received in June 2000.

The bill temporarily sets aside the distribution formulas described below. **Between July 2001 and July 2003, counties and municipalities receiving a direct distribution from the LGF will receive the same amounts they received during the corresponding month of the July 2000 through June 2001 period. (The method for distributing monies from the county undivided LGF and LGRAAF to the subdivisions is not affected by this law change).**

DETERMINATION OF COUNTY AND MUNICIPAL PORTIONS (R.C. 5747.50):

Before state local government fund revenues are distributed to local governments, the total amount in the fund is divided into county and municipal portions. This division of the state local government fund is determined by statutory formula. The total amount distributed to the county undivided local government funds equals: (1) nine-tenths of the difference between the amount transferred to the state local government fund and 145.45 percent of the 1983 deposits tax revenue; plus (2) 145.45 percent of the 1983 deposits tax revenue; less (3) \$6 million. The remainder (1/10 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 local government fund, there is no direct distribution to municipalities from the state local government revenue assistance fund. All monies in this fund go to the county undivided local government revenue assistance funds.

DISTRIBUTION BASE (R.C. 5747.501, 5747.61):

Each year, each county's share of the local government fund is determined as follows:

Formula 1: Each county receives 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 distributed 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 local government fund (less \$6 million) is distributed 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.

The higher of these two formula allocations (called the "assigned amount") is taken for each county and these amounts for the 88 counties are added together to get a statewide total. Each county's "assigned amount" is then computed as a percentage of the total of the 88 "assigned amounts." Each county's percentage is its share of the county portion of the state local government fund. These percentages are applied against the total amount in the fund to determine each county's distribution. However, regardless of the resulting amounts, each county is guaranteed at least the amount it actually received in 1983. In addition, each county undivided local government fund receives five mills of the tax on dealers in intangibles attributed to that county.

Each county's share of the state local government revenue assistance fund is determined each year based upon the county's population compared to the total population for the state. The population used is the more recent of either the latest federal estimated census figures or the latest decennial census figures that include population totals as of June 1 of the preceding year.

DIRECT DISTRIBUTIONS TO MUNICIPALITIES (R.C. 5747.50):

Each municipality levying an income tax in the preceding year is eligible to receive a share of the municipal portion of the state local government fund. The share each receives equals its percentage of total municipal income taxes collected in the state in the second preceding year.

MONTHLY DISTRIBUTION PROCEDURE (R.C. 5747.50, 5747.61):

Allocations from the state local government fund to both municipal corporations and counties and from the state local government revenue assistance fund to counties are made on or before the tenth of each month. Only the portion of the state local government fund 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 statutes authorize adjustments to be made in December to ensure each county the minimum allocation to which it is entitled for the entire calendar year. They also authorize 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 local government fund are paid into the municipality's general fund to be used for any lawful purpose. However, the amount which a county receives from the state local government fund is expressly designated for deposit in the county's undivided local government fund, where it is combined with revenue from state-collected intangibles taxes paid by dealers in intangibles which are returned to the counties of origin. The amount which a county

receives from the state local government revenue assistance fund is expressly designated for deposit in the county's undivided local government revenue assistance fund.

From the county undivided local government fund and the county undivided local government revenue assistance fund the monies are disbursed to local governments to be used for current operating expenses to the county government itself, to municipalities, townships, and certain special districts. The statutes provide for these fund distributions to be made according to percentage determinations previously arrived at by each county budget commission on the basis of revenue estimates supplied by the Department of Taxation according to specific statutory guidelines which are intended to yield a distribution which reflects the "needs" of the various recipient governmental units or according to alternative apportionment methods or formulas devised by the county budget commission. Such alternative apportionments are authorized if approved by subdivisions within the county as required by statute.

REVENUES DISTRIBUTED TO LOCAL GOVERNMENTS IN 2000:

In 2000, approximately \$692.2 million from the state local government fund and approximately \$99.0 million from the state local government revenue assistance fund was distributed to local governments. An additional \$13.9 million was distributed to the county undivided local government funds from the tax on dealers in intangibles. Table 50 shows the amounts distributed from the state local government fund to counties and municipalities, by county, in 2000. Table 51 shows the amounts distributed from the state local government revenue assistance fund to counties in 2000.

RECENT LEGISLATION:

House Bill 94; Effective September 6, 2001.

Section 140 - Temporarily replaces the statutory funding mechanism and the county allocation formula for the Local Government Revenue Assistance Fund. Instead of receiving 4.2% and 0.6%, respectively, of collections from the major state tax sources, during each month of the July 2001-May 2002 period and the July 2002-May 2003 period the fund will receive the same amount it received during the corresponding months of the July 2000 through May 2001 period. In addition, during June 2002 and June 2003 the fund will receive the same amount it received in June 2000.

From July 2001 through July 2003, each county and municipality receiving a direct distribution from the LGF will receive the same amount they received during the July 2000 through June 2001 "base year" period.

House Bill 185; Effective July 26, 1999.

R.C. 5747.53 - If an alternative county undivided local government fund apportionment method is to be adopted after January 1, 1998, the legislative authority of the city, located partially or wholly in the county, with the greatest population residing in the county must approve such method before it can be adopted.

R.C. 5747.63 - If an alternative county undivided local government revenue assistance fund method is to be adopted after January 1, 1998, the legislative authority of the city, located partially or wholly in the county, with the greatest population residing in the county must approve such method before it can be adopted.

Senate Bill 3; Effective October 3, 1999.

(Electric Deregulation Bill)

Section 5727.84 - The Local Government Fund receives 2.464 percent of kilowatt-hour tax collections. The Local Government Revenue Assistance Fund receives 0.378 percent of kilowatt-hour tax collections.

Table 48
Total State Local Government Fund and
Dealers in Intangibles Distributions,
Calendar Years 1995 - 2000

Calendar Year	Total State Local Government Fund		Dealers in Intangibles Tax		State LGF and Intangibles Tax Combined	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
1995	\$527,140,814	--	\$9,554,081	--	\$536,694,895	--
1996	543,853,000	3.17%	9,593,486	0.41%	553,446,486	3.12%
1997	579,850,588	6.62	11,021,316	14.88	590,871,904	6.76
1998	632,501,558	9.08	9,983,867	-9.41	642,485,425	8.74
1999	664,772,737	5.10	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

Table 49
Total State Local Government
Revenue Assistance Fund
Calendar Years 1995 - 2000

Calendar Year	Amount	Percent Change
1995	\$73,275,008	--
1996	77,784,374	6.15%
1997	82,876,465	7.05
1998	90,398,292	9.08
1999	95,014,290	5.11
2000	98,953,115	4.15

Table 50
State Local Government Fund*: Amounts Distributed
to Counties and Municipalities, by County, Calendar Year 2000

County	To County			County	To County		
	Undivided Local Government Fund	To Municipalities	Total		Undivided Local Government Fund	To Municipalities	Total
Adams	\$683,878	\$902	\$684,780	Logan	\$1,840,092	\$108,947	\$1,949,039
Allen	4,698,739	333,238	5,031,977	Lorain	17,506,765	1,187,420	18,694,185
Ashland	2,109,728	181,836	2,291,564	Lucas	26,539,886	3,736,097	30,275,983
Ashtabula	3,968,133	250,271	4,218,404	Madison	1,369,018	80,271	1,449,289
Athens	1,944,284	149,298	2,093,582	Mahoning	9,984,110	782,411	10,766,521
Auglaize	2,320,638	180,070	2,500,708	Marion	2,702,043	213,730	2,915,773
Belmont	2,902,849	25,262	2,928,111	Medina	7,110,939	331,086	7,442,025
Brown	1,017,292	16,294	1,033,586	Meigs	592,315	10,916	603,231
Butler	14,505,407	1,160,972	15,666,379	Mercer	1,908,922	79,559	1,988,481
Carroll	733,132	16,710	749,842	Miami	5,508,278	446,369	5,954,647
Champaign	1,448,583	91,258	1,539,841	Monroe	377,617	6,158	383,775
Clark	5,765,916	546,619	6,312,535	Montgomery	32,973,263	4,249,132	37,222,395
Clermont	3,781,850	54,840	3,836,690	Morgan	387,720	10,507	398,227
Clinton	1,539,514	63,368	1,602,882	Morrow	652,304	22,363	674,667
Columbiana	3,761,798	200,368	3,962,166	Muskingum	3,037,983	231,315	3,269,298
Coshocton	1,464,370	62,453	1,526,823	Noble	351,095	0	351,095
Crawford	2,205,711	146,162	2,351,873	Ottawa	1,704,327	66,451	1,770,778
Cuyahoga	121,468,177	13,730,537	135,198,714	Paulding	658,619	1,886	660,505
Darke	2,374,944	111,894	2,486,838	Perry	829,115	20,794	849,909
Defiance	1,814,202	120,082	1,934,284	Pickaway	1,740,320	91,010	1,831,330
Delaware	4,775,778	225,269	5,001,047	Pike	705,979	17,330	723,309
Erie	3,940,980	196,981	4,137,961	Portage	6,355,074	493,218	6,848,292
Fairfield	5,028,996	270,032	5,299,028	Preble	1,443,531	73,412	1,516,943
Fayette	1,163,792	67,486	1,231,278	Putnam	1,448,583	62,607	1,511,190
Franklin	78,857,480	10,715,085	89,572,565	Richland	6,187,104	584,507	6,771,611
Fulton	2,029,532	160,007	2,189,539	Ross	2,858,015	176,124	3,034,139
Gallia	887,841	30,558	918,399	Sandusky	3,009,567	185,998	3,195,565
Geauga	2,500,606	113,127	2,613,733	Scioto	2,440,616	122,463	2,563,079
Greene	8,655,505	289,813	8,945,318	Seneca	2,731,722	230,148	2,961,870
Guernsey	1,483,314	66,949	1,550,263	Shelby	2,512,603	204,272	2,716,875
Hamilton	53,963,825	7,163,030	61,126,855	Stark	16,017,136	1,402,105	17,419,241
Hancock	4,242,189	248,513	4,490,702	Summit	36,502,526	3,661,478	40,164,004
Hardin	1,192,208	65,394	1,257,602	Trumbull	9,054,592	569,857	9,624,449
Harrison	546,218	15,155	561,373	Tuscarawas	4,552,239	224,086	4,776,325
Henry	1,235,779	61,544	1,297,323	Union	1,455,529	75,343	1,530,872
Highland	1,347,549	70,615	1,418,164	Van Wert	1,333,025	94,662	1,427,687
Hocking	823,432	42,216	865,648	Vinton	308,155	0	308,155
Holmes	844,270	14,179	858,449	Warren	6,896,872	440,168	7,337,040
Huron	2,827,073	261,637	3,088,710	Washington	2,344,633	143,959	2,488,592
Jackson	1,101,277	0	1,101,277	Wayne	5,034,047	275,882	5,309,929
Jefferson	4,180,305	224,749	4,405,054	Williams	2,045,950	160,519	2,206,469
Knox	1,942,390	134,195	2,076,585	Wood	5,369,356	494,506	5,863,862
Lake	19,190,885	1,391,323	20,582,208	Wyandot	<u>1,077,913</u>	<u>59,405</u>	<u>1,137,318</u>
Lawrence	1,757,370	42,922	1,800,292				
Licking	6,622,184	382,777	7,004,961	TOTAL	\$631,109,421	\$61,124,461	\$692,233,882

* The state local government fund consists of 4.2% of monthly collections of the personal income tax, state sales tax, state use tax, corporation franchise tax, and public utility excise tax.
** Includes \$1,564,626 redirected to the county's fiscal agent. Does not include \$356,623 withheld for repayment of a state loan.

Table 51
State Local Government Revenue Assistance Fund *:
Amounts Distributed to Counties, by County, Calendar Year 2000

County	To County Undivided Local Government Revenue Assistance Fund	County	To County Undivided Local Government Revenue Assistance Fund
Adams	\$252,355	Logan	\$407,871
Allen	945,782	Lorain	2,490,703
Ashland	461,128	Lucas	3,959,557
Ashtabula	911,893	Madison	367,017
Athens	542,810	Mahoning	2,252,499
Auglaize	415,807	Marion	571,800
Belmont	610,650	Medina	1,271,345
Brown	360,123	Meigs	211,916
Butler	2,916,892	Mercer	363,680
Carroll	256,840	Miami	866,404
Champaign	337,056	Monroe	135,566
Clark	1,283,015	Montgomery	4,929,580
Clermont	1,553,308	Morgan	128,318
Clinton	352,919	Morrow	277,779
Columbiana	984,465	Muskingum	745,669
Coshocton	318,809	Noble	108,959
Crawford	416,814	Ottawa	361,782
Cuyahoga	12,188,256	Paulding	177,241
Darke	478,280	Perry	302,699
Defiance	351,551	Pickaway	474,317
Delaware	813,986	Pike	245,187
Erie	691,017	Portage	1,334,930
Fairfield	1,094,607	Preble	381,583
Fayette	251,525	Putnam	311,218
Franklin	9,014,710	Richland	1,124,126
Fulton	369,833	Ross	666,247
Gallia	295,037	Sandusky	549,219
Geauga	783,786	Scioto	709,343
Greene	1,294,191	Seneca	530,531
Guernsey	361,879	Shelby	418,932
Hamilton	7,480,549	Stark	3,293,690
Hancock	608,417	Summit	4,746,875
Hardin	280,056	Trumbull	1,986,797
Harrison	142,098	Tuscarawas	782,198
Henry	264,149	Union	348,638
Highland	356,318	Van Wert	266,594
Hocking	256,036	Vinton	107,326
Holmes	334,046	Warren	1,289,123
Huron	532,244	Washington	559,786
Jackson	287,454	Wayne	972,141
Jefferson	658,169	Williams	335,458
Knox	470,591	Wood	1,054,883
Lake	1,975,435	Wyandot	<u>201,499</u>
Lawrence	568,737		
Licking	1,208,466	TOTAL	\$98,953,115

* The state local government revenue assistance fund consists of 0.6% of monthly collections of the personal income tax, state sales tax, state use tax, corporation franchise tax, and public utility excise tax.

** Includes \$459,253 redirected to the county's fiscal agent.