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his chapter deals with two major programs that share state revenues with local governments: the Local Government Fund (LGF) and the Local Government Revenue Assistance Fund (LGRAF). These funds are both supported by six state-imposed taxes; however, the relative shares of these taxes are different (see **Revenue Sources** section).

The LGF 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 into the LGF; a statutory formula is used to allocate the monies monthly to the county undivided LGF of the 88 counties; and the county budget commissions authorize the distribution of the undivided fund monies to the subdivisions.

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Since July 1989, the state LGRAF has also provided local subdivisions with shared state tax revenues. The LGRAF is approximately one-seventh the size of the LGF. The state LGRAF is allocated to each of 88 counties' undivided LGRAF based upon the percentage of each county's population to statewide population (see **Distribution Base** section).

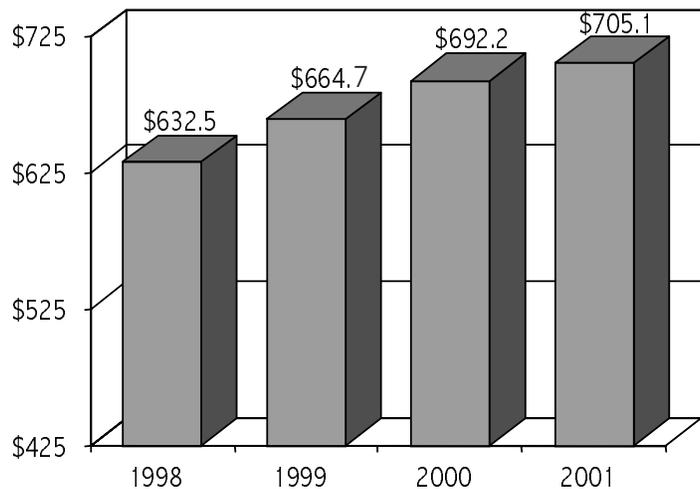
The accompanying tables show state and county undivided LGF and state and county undivided LGRAF statistics for Calendar Year 2001. The total state LGF was \$705.1 million, and the total state LGRAF was \$100.8 million in 2001.

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

The state LGF is composed of 4.2 percent of state Sales and Use taxes, Individual Income tax, Corporate Franchise tax, and Public Utility Excise tax. In addition, 2.646 percent of the Kilowatt-Hour tax is deposited into the LGF. The state LGRAF, 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.

House Bill 94 temporarily replaces the permanent LGF and LGRAF 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.

**Distributions from State Local Government Fund
Calendar Years 1998-2001
(Dollar Amounts in Millions)**



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, less any H.B. 405 adjustments. (The method for distributing monies from the county undivided LGF and LGRAF to the subdivisions is not affected by this law change).

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 is determined by statutory formula. The total amount distributed to the county undivided LGF equals: (1) nine-tenths of the difference between the amount transferred to the state LGF 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 LGF, there is no direct distribution to municipalities from the state LGRAF. All monies in this fund are distributed to the county undivided LGRAF.

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

Each year, each county's share of the LGF 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 LGF (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 LGF. 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 LGF receives five mills of the tax on dealers in intangibles attributed to that county.

Each county's share of the state LGRAF is determined each year based upon the county's population percentage as compared to the total population for the state. The population figure 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 LGF. The share each receives equals 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):

Allocations from the state LGF to both municipal corporations and counties and from the state LGRAF to counties are made on or before the tenth of each month. Only 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 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 of 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. However, the amount which a county receives from the state LGF is expressly designated for deposit into the county's undivided LGF, 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 LGRAF is expressly designated for deposit into the county's undivided LGRAF. From the county undivided LGF and the county undivided LGRAF, the monies are disbursed to local governments to be used for current operating expenses of the county government, 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. This is done according to specific statutory guidelines which are 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 the county budget commission. Alternative apportionment methods are authorized if approved by subdivisions within the county as required by statute.

REVENUES DISTRIBUTED TO LOCAL GOVERNMENTS IN 2001:

In 2001, approximately \$705.1 million from the state LGF and \$100.8 million from the state LGRAF was distributed to local governments. An additional \$15.9 million was distributed to the county undivided LGF from the tax on dealers in intangibles. Table 1 shows the amounts distributed from the state LGF to counties and municipalities in 2001. Table 2 shows the amounts distributed from the state LGRAF to counties in 2001.

RECENT LEGISLATION:**House Bill 405; Effective December 31, 2001, Section 140 and House Bill 390; Effective March 4, 2002, Section 140**

— Allows the General Revenue Fund to be credited in February 2002, June 2002, February 2003, and June 2003 the difference between the "base year" freeze amounts and the amounts actually deposited in the LGF and LGRAF, if the funds had not been frozen. A pro rata share of the amount credited to the General Revenue Fund from the LGF and the LGRAF could reduce each recipient's distribution. Additionally, there will be no amounts credited to the LGF or the LGRAF from the Kilowatt-Hour tax during the freeze.

House Bill 94; Effective September 6, 2001, Section 140

— Temporarily replaces the statutory funding mechanism and the county allocation formula for the LGF and LGRAF.

During each month of the July 2001 – May 2002 period and the July 2002 – May 2003 period, the funds will receive the same amounts that were received during the corresponding months of the July 2000 — May 2001 period. In addition, during June 2002 and June 2003 the funds will receive the same amount 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 that was received during the July 2000 — June 2001 “base year” period.

House Bill 185; Effective July 26, 1999.

R.C. 5747.53 – If an alternative county undivided LGF 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 a method before it can be adopted.

R.C. 5747.63 – If an alternative county undivided LGRAF 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).

R.C. 5727.84 – The LGF receives 2.646 percent of Kilowatt-Hour tax collections. The LGRAF receives 0.378 percent of Kilowatt-Hour tax collections.

**Table 1
Total State Local Government Fund and
Dealers in Intangibles Distributions,
Calendar Years 1996 – 2001**

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
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	975,470,148	5.13
2000	692,233,886	4.13	13,901,032	29.95	706,134,918	4.54
2001	705,065,192	1.90	15,905,620	14.42	721,327,377	2.15

**Table 2
Total State Local Government
Revenue Assistance Fund Distributions
Calendar Years 1996 – 2001**

Calendar Year	Amount	Change
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
2001	100,780,133	1.8

Table 3
State Local Government Fund^(a): Amounts Distributed to Counties and Municipalities, by County, Calendar Year 2001

County	To County Undivided Local Government			County	To County Undivided Local Government		
	Fund	To Municipalities	Total		Fund	To Municipalities	Total
Adams	\$686,844	\$908	\$687,752	Logan	\$1,837,809	\$125,815	\$1,963,623
Allen	4,702,879	339,908	5,042,787	Lorain	17,552,826	1,203,700	18,756,526
Ashland	2,170,008	177,820	2,347,828	Lucas	26,500,920	3,789,615	30,290,536
Ashtabula	4,071,085	251,412	4,322,498	Madison	1,419,040	83,247	1,502,287
Athens	1,993,114	152,100	2,145,214	Mahoning	10,179,662	798,514	10,978,176
Auglaize	2,428,410	188,389	2,616,799	Marion	2,707,410	214,183	2,921,593
Belmont	2,901,296	25,294	2,926,591	Medina	7,176,987	342,755	7,519,743
Brown	1,027,236	17,648	1,044,884	Meigs	593,202	10,797	603,999
Butler	14,984,141	1,200,548	16,184,689	Mercer	1,944,914	75,997	2,020,911
Carroll	733,053	16,536	749,589	Miami	5,498,199	455,337	5,953,536
Champaign	1,450,543	93,001	1,543,545	Monroe	380,376	6,231	386,607
Clark	5,782,689	558,071	6,340,760	Montgomery	33,683,067	4,279,793	37,962,860
Clermont	3,829,554	57,176	3,886,730	Morgan	390,685	10,115	400,801
Clinton	1,640,973	66,432	1,707,405	Morrow	668,247	22,487	690,734
Columbiana(b)	3,764,647	207,588	3,972,235	Muskingum	3,039,614	233,377	3,272,992
Coshocton	1,462,300	62,538	1,524,838	Noble ^(c)	349,587	0	349,587
Crawford	2,194,933	147,270	2,342,203	Ottawa	1,707,911	67,954	1,775,865
Cuyahoga	121,318,159	14,018,207	135,336,366	Paulding	660,698	2,081	662,778
Darke	2,467,264	110,917	2,578,180	Perry	852,507	20,455	872,961
Defiance	1,865,815	121,256	1,987,072	Pickaway	1,798,663	91,142	1,889,804
Delaware	5,116,204	229,722	5,345,927	Pike	715,251	18,537	733,789
Erie	3,941,382	189,485	4,130,867	Portage	6,408,624	502,642	6,911,266
Fairfield	5,080,208	278,742	5,358,950	Preble	1,491,373	76,705	1,568,078
Fayette	1,175,639	68,791	1,244,431	Putnam	1,490,828	64,162	1,554,990
Franklin	82,532,198	11,064,059	93,596,256	Richland	6,415,343	595,429	7,010,772
Fulton	2,080,597	169,415	2,250,012	Ross	2,864,453	177,584	3,042,037
Gallia	898,618	30,961	929,579	Sandusky	3,007,315	190,372	3,197,687
Geauga	2,595,974	117,254	2,713,228	Scioto	2,443,471	124,384	2,567,855
Greene	8,761,413	293,950	9,055,363	Seneca	2,852,581	233,294	3,085,875
Guernsey	1,485,147	65,826	1,550,974	Shelby	2,550,410	241,597	2,792,007
Hamilton	55,894,247	7,273,077	63,167,325	Stark	16,062,304	1,408,100	17,470,404
Hancock	4,242,213	262,383	4,504,596	Summit	37,480,403	3,746,516	41,226,919
Hardin	1,222,576	66,995	1,289,571	Trumbull	9,274,038	573,863	9,847,901
Harrison	555,205	15,647	570,853	Tuscarawas	4,561,509	222,905	4,784,414
Henry	1,276,041	63,332	1,339,374	Union	1,545,113	85,129	1,630,242
Highland	1,352,033	75,021	1,427,053	Van Wert	1,360,446	95,799	1,456,245
Hocking	824,853	42,920	867,773	Vinton ^(c)	309,724	0	309,724
Holmes	849,971	15,275	865,245	Warren	7,101,029	459,730	7,560,759
Huron	2,822,876	272,081	3,094,957	Washington	2,350,236	146,418	2,496,653
Jackson ^(c)	1,139,162	0	1,139,162	Wayne	5,135,318	289,382	5,424,700
Jefferson	4,164,785	226,702	4,391,487	Williams	2,063,189	161,824	2,225,013
Knox	1,992,497	134,615	2,127,111	Wood	5,895,336	519,574	6,414,910
Lake	19,027,589	1,416,086	20,443,675	Wyandot	1,089,278	62,803	1,152,081
Lawrence	1,765,436	42,621	1,808,057				
Licking	6,938,854	386,310	7,325,164	Total	\$642,620,561	\$62,444,631	\$705,065,192

(a) The state Local Government Fund consists of 4.2% of monthly collections of the Individual Income tax, state Sales and Use tax, Corporation Franchise tax, and Public Utility Excise tax.

(b) Includes \$1,595,668 redirected to the county's fiscal agent. Does not include \$356,623 withheld for repayment of a state loan.

(c) Counties in which no municipality levies an income tax, and to which no direct distributions of state LGF to municipalities are made.

Table 4
State Local Government Revenue Assistance
Fund^(a): Amounts Distributed to Counties, by
County, Calendar Year 2001

County	To County Undivided Local Government Revenue Assistance Fund	County	To County Undivided Local Government Revenue Assistance Fund
Adams	\$256,968	Logan	\$417,474
Allen	959,812	Lorain	2,530,558
Ashland	467,242	Lucas	4,013,080
Ashtabula	926,792	Madison	371,794
Athens	552,090	Mahoning	2,276,020
Auglaize	422,819	Marion	591,405
Belmont	630,821	Medina	1,307,977
Brown	369,795	Meigs	215,357
Butler	2,979,023	Mercer	368,637
Carroll	261,922	Miami	883,200
Champaign	344,417	Monroe	138,229
Clark	1,301,789	Montgomery	5,045,849
Clermont	1,592,152	Morgan	130,329
Clinton	362,183	Morrow	285,619
Columbiana (b)	999,217	Muskingum	759,370
Coshocton	324,383	Noble	122,954
Crawford	422,497	Ottawa	369,085
Cuyahoga	12,339,922	Paulding	180,069
Darke	485,400	Perry	307,428
Defiance	356,352	Pickaway	480,464
Delaware	884,000	Pike	250,191
Erie	700,226	Portage	1,358,192
Fairfield	1,125,749	Preble	388,946
Fayette	255,108	Putnam	315,985
Franklin	9,192,716	Richland	1,153,462
Fulton	377,310	Ross	678,253
Gallia	298,923	Sandusky	556,046
Geauga	800,423	Scioto	720,753
Greene	1,327,638	Seneca	537,430
Guernsey	367,512	Shelby	428,118
Hamilton	7,566,444	Stark	3,347,022
Hancock	620,588	Summit	4,823,919
Hardin	284,203	Trumbull	2,020,136
Harrison	144,252	Tuscarawas	795,609
Henry	268,138	Union	360,611
Highland	365,661	Van Wert	270,350
Hocking	260,982	Vinton	110,066
Holmes	341,676	Warren	1,345,893
Huron	541,904	Washington	566,892
Jackson	292,563	Wayne	992,356
Jefferson	664,320	Williams	339,638
Knox	481,115	Wood	1,075,804
Lake	2,023,938	Wyandot	205,214
Lawrence	577,481		
Licking	1,225,881	Total	\$100,780,133

(a) The state Local Government Revenue Assistance Fund consists of 0.6% of monthly collections of the Individual Income tax, state Sales and Use tax, Corporation Franchise tax, and Public Utility Excise tax.
 (b) Includes \$466,135 redirected to the county's fiscal agent.