

Local Government Funds — State and County



This 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**).

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 and determine the distribution of the undivided fund monies to the subdivisions.

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 LGRAF is allocated to each of the 88 counties' undivided LGRAF according to each county's share of the total state population (see **Distribution Base**).

The accompanying tables show state and county undivided LGF and state and county undivided LGRAF statistics for calendar year 2002. The total state LGF was \$681.5 million, and the total state LGRAF was \$95.8 million in 2002.

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 five state taxes: sales and use, individual income, corporation franchise, and public utility excise. 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 0.6 percent of the five taxes and 0.378 percent of the kilowatt-hour tax.

H.B. 94, 124th General Assembly, FY 2002-2003 Biennial Budget Bill, temporarily replaced 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 received 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 received the same amount they received in June 2000.

The bill also temporarily set aside the distribution formulas described below. Between July 2001 and July 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, less any H.B. 405 and H.B. 40 adjustments. (The method for distributing monies from the county undivided LGF and LGRAF to the subdivisions is not affected by this law change.)

This "freeze" was continued with H.B. 95, 125th General Assembly, FY 2004-2005 Biennial Budget Bill (see **Recent Legislation**).

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

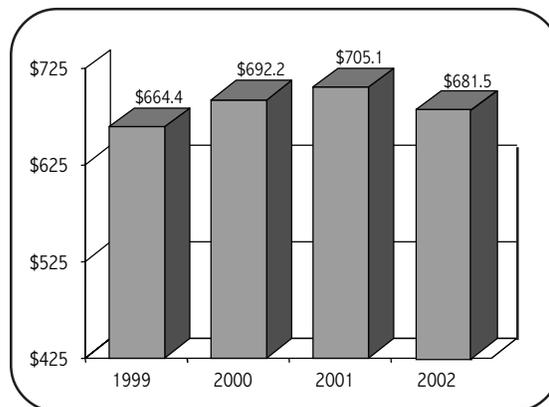
Before state LGF revenues are distributed to local governments, the total amount in the fund is divided into county and municipal portions. This division of the state LGF is determined by statutory formula. The total amount distributed to the county undivided LGF equals: (1) nine-tenths of the difference 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 (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 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

Distributions from State Local Government Fund, Calendar Years 1999 - 2002 (figures in millions)



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 as a share of 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 10th 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 2002:

In 2002, approximately \$670.3 million from the state LGF and \$95.8 million from the state LGRAF was distributed to local governments. An additional \$11.2 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 2002. Table 2 shows the amounts distributed from the state LGRAF to counties in 2002.

RECENT LEGISLATION:

H.B. 95, 125th General Assembly (effective June 26, 2003, FY 2004-2005 Biennial Budget Bill).

Section 139 – Continues the "freeze" on deposits to and distributions from the LGF and LGRAF. The bill dictates that each month from August 2003 through July 2004 each county will receive the same amount it received during August 2002 through July 2003. June 2004 distributions will be reduced by the July 2003 H.B. 405 adjustment (\$25.3 million and \$3.7 million for LGRAF). However, this amount will be added back to the July 2004 distribution.

H.B. 40, 125th General Assembly (effective March 7, 2003).

Section 140 –

Provided the administration the authority to reduce the LLGSF, LGF, and LGRAF funds by \$30 million to address budgetary shortfalls for FY 2003.

H.B. 405, 124th General Assembly (effective December 31, 2001) and H.B. 390, 124th General Assembly (effective March 4, 2002).

Section 140 –

Allowed 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 were no amounts credited to the LGF or the LGRAF from the kilowatt-hour tax during the freeze.

H.B. 94, 124th General Assembly (effective September 6, 2001, FY 2002-2003 Biennial Budget Bill).

Section 140 –

Temporarily replaced 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 received the same amounts that were received during the corresponding months of the July 2000 through May 2001 period. In addition, from June 2002 to June 2003 the funds received the same amount received in June 2000. From July 2001 through July 2003, each county and municipality receiving a direct distribution from the LGF received the same amount that was received during the July 2000 – June 2001 “base year” period.

**Table 1
Total State Local Government Fund and
Dealers in Intangibles Distributions,
Calendar Years 1996 – 2002**

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 Amount
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
2001	705,421,757	1.90	15,905,620	14.42	721,327,377	2.15
2002	670,302,107	-4.98	11,229,780	-29.40	681,531,887	-5.51

**Table 2
Total State Local Government
Revenue Assistance Fund Distributions,
Calendar Years 1996 – 2002**

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
2002	95,808,389	-4.93

Table 3
State Local Government Fund^(a): Amounts Distributed to Counties and
Municipalities, by County, Calendar Year 2002

County	To County Undivided Local Government			County	To County Undivided Local Government		
	Fund	To Municipalities	Total		Fund	To Municipalities	Total
ADAMS	\$654,600	\$857	\$655,457	LICKING	\$6,622,420	\$364,615	\$6,987,035
ALLEN	4,490,974	320,964	4,811,938	LOGAN	1,747,985	119,389	1,867,374
ASHLAND	2,068,608	167,604	2,236,212	LORAIN	16,847,303	1,136,317	17,983,620
ASHTABULA	3,882,687	237,246	4,119,933	LUCAS	25,493,368	3,577,564	29,070,932
ATHENS	1,899,032	143,616	2,042,648	MADISON	1,351,777	78,662	1,430,439
AUGLAIZE	2,323,483	178,077	2,501,560	MAHONING	9,972,651	754,028	10,726,680
BELMONT	2,759,505	23,866	2,783,371	MARION	2,587,349	202,093	2,789,442
BROWN	977,563	16,705	994,269	MEDINA	6,848,322	323,854	7,172,176
BUTLER	14,281,017	1,134,291	15,415,308	MEIGS	564,124	10,182	574,306
CARROLL	696,917	15,594	712,511	MERCER	1,852,452	71,556	1,924,008
CHAMPAIGN	1,380,068	87,815	1,467,883	MIAMI	5,240,551	429,962	5,670,513
CLARK	5,506,786	526,989	6,033,774	MONROE	361,198	5,881	367,080
CLERMONT	3,672,663	54,039	3,726,702	MONTGOMERY	32,788,584	4,039,102	36,827,686
CLINTON	1,600,912	62,801	1,663,713	MORGAN	371,086	9,528	380,614
COLUMBIANA ^(a)	3,573,486	196,146	3,769,632	MORROW	636,463	21,220	657,684
COSHOCTON	1,390,959	59,006	1,449,965	MUSKINGUM	2,911,123	220,268	3,131,391
CRAWFORD	2,088,378	138,989	2,227,367	NOBLE ^(b)	331,515	0	331,515
CUYAHOGA	118,271,427	13,237,457	131,508,884	OTTAWA	1,623,857	64,173	1,688,030
DARKE	2,352,325	104,607	2,456,932	PAULDING	628,205	1,971	630,176
DEFIANCE	1,782,462	114,450	1,896,912	PERRY	811,314	19,285	830,599
DELAWARE	4,893,595	216,917	5,110,512	PICKAWAY	1,714,300	85,995	1,800,294
ERIE	3,762,882	178,469	3,941,350	PIKE	680,883	17,539	698,421
FAIRFIELD	4,845,503	263,339	5,108,843	PORTAGE	6,108,619	474,611	6,583,229
FAYETTE	1,131,234	64,956	1,196,190	PREBLE	1,419,557	72,503	1,492,060
FRANKLIN	80,822,894	10,452,779	91,275,673	PUTNAM	1,418,841	60,598	1,479,439
FULTON	1,979,853	160,221	2,140,074	RICHLAND	6,142,810	562,214	6,705,024
GALLIA	868,864	29,227	898,091	ROSS	2,733,943	167,605	2,901,547
GEAUGA	2,474,032	110,794	2,584,826	SANDUSKY	2,860,910	179,789	3,040,698
GREENE	8,355,640	277,501	8,633,141	SCIOTO	2,326,649	117,430	2,444,080
GUERNSEY	1,424,699	62,060	1,486,759	SENECA	2,717,227	220,234	2,937,460
HAMILTON	55,603,006	6,866,404	62,469,410	SHELBY	2,430,798	229,459	2,660,257
HANCOCK	4,310,557	248,115	4,558,672	STARK	15,559,720	1,328,743	16,888,463
HARDIN	1,163,634	63,273	1,226,907	SUMMIT	36,365,073	3,538,184	39,903,256
HARRISON	528,156	14,783	542,939	TRUMBULL	8,858,961	541,585	9,400,546
HENRY	1,214,734	59,825	1,274,559	TUSCARAWAS	4,341,484	210,256	4,551,740
HIGHLAND	1,286,091	70,959	1,357,050	UNION	1,473,169	80,715	1,553,884
HOCKING	785,301	40,523	825,824	VAN WERT	1,294,512	90,430	1,384,942
HOLMES	808,277	14,456	822,733	VINTON ^(b)	293,443	0	293,443
HURON	2,685,120	257,125	2,942,245	WARREN	7,060,924	434,538	7,495,462
JACKSON ^(b)	1,091,240	0	1,091,240	WASHINGTON	2,238,774	138,240	2,377,015
JEFFERSON	3,963,322	213,966	4,177,287	WAYNE	4,895,869	273,540	5,169,408
KNOX	1,898,410	127,022	2,025,432	WILLIAMS	1,962,364	152,729	2,115,093
LAKE	18,177,689	1,337,042	19,514,731	WOOD	5,628,435	491,223	6,119,657
LAWRENCE	1,680,025	40,200	1,720,224	WYANDOT	1,036,096	59,391	1,095,487
				TOTAL	\$622,563,618	\$58,968,269	\$681,531,887

(a) Includes \$1,471,198 redirected to a bank designated as the county's fiscal agent.

(b) 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*: Amounts Distributed to Counties, by
County, Calendar Year 2002

County	To County Undivided Local Government Revenue Assistance Fund	County	To County Undivided Local Government Revenue Assistance Fund
ADAMS	\$244,290	LOGAN	\$396,952
ALLEN	912,342	LORAIN	2,405,503
ASHLAND	444,107	LUCAS	3,814,416
ASHTABULA	881,002	MADISON	353,382
ATHENS	524,827	MAHONING	2,163,103
AUGLAIZE	401,937	MARION	562,547
BELMONT	600,014	MEDINA	1,243,913
BROWN	351,659	MEIGS	204,716
BUTLER	2,832,351	MERCER	350,389
CARROLL	249,013	MIAMI	839,658
CHAMPAIGN	327,466	MONROE	131,416
CLARK	1,237,396	MONTGOMERY	4,797,812
CLERMONT	1,513,964	MORGAN	123,887
CLINTON	344,412	MORROW	271,624
COLUMBIANA*	949,803	MUSKINGUM	721,906
COSHOCTON	308,370	NOBLE	117,309
CRAWFORD	401,583	OTTAWA	350,899
CUYAHOGA	11,728,583	PAULDING	171,171
DARKE	461,393	PERRY	292,232
DEFIANCE	338,713	PICKAWAY	456,670
DELAWARE	842,322	PIKE	237,865
ERIE	665,558	PORTAGE	1,291,140
FAIRFIELD	1,070,597	PREBLE	369,770
FAYETTE	242,486	PUTNAM	300,362
FRANKLIN	8,739,622	RICHLAND	1,096,860
FULTON	358,719	ROSS	644,782
GALLIA	284,122	SANDUSKY	528,499
GEAUGA	761,013	SCIOTO	685,137
GREENE	1,262,478	SENECA	510,815
GUERNSEY	349,344	SHELBY	407,048
HAMILTON	7,191,337	STARK	3,181,642
HANCOCK	590,006	SUMMIT	4,585,570
HARDIN	270,146	TRUMBULL	1,920,360
HARRISON	137,119	TUSCARAWAS	756,323
HENRY	254,879	UNION	343,016
HIGHLAND	347,719	VAN WERT	256,972
HOCKING	248,114	VINTON	104,663
HOLMES	324,872	WARREN	1,280,655
HURON	515,164	WASHINGTON	538,813
JACKSON	278,123	WAYNE	943,480
JEFFERSON	631,336	WILLIAMS	322,812
KNOX	457,444	WOOD	1,022,783
LAKE	1,924,515	WYANDOT	195,091
LAWRENCE	548,931		
LICKING	1,165,233	TOTAL	\$95,808,389

* Includes \$443,083 redirected to a bank designated as the county's fiscal agent.