



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 70 years, but the basic elements of the program remain the same: a designated portion of state revenues is 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 local political 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 2003. The total state LGF was \$671.3 million and the total state LGRAF was \$94.6 million in calendar year 2003.

Revenue Sources (Ohio Revised Code 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.

House Bill 94, 124th General Assembly, the Fiscal Year 2002-2003 Biennial Budget Bill, temporarily replaced the permanent LGF and LGRAF funding mechanism (described in the previous paragraph as one of many steps taken in response to a slumping state economy and accompanying drop-off in state tax revenues). 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 county funds received the same amount they received during the corresponding months of the July 2000 through May 2001 period. In addition, in 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 (see **Distribution Base**). 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, the FY 2004—2005 Biennial Budget Bill. During each month of the July 2003 — June 2004 period and the July 2004 — June 2005 period, the Local Government Fund and Local Government Revenue Assistance Fund receive the same amount they received during the corresponding month of the July 2002—June 2003 period. However, the June 2004 and June 2005 distributions were reduced by the July 2003 H.B. 405 adjustment (\$25.3 million for LGF and \$3.7 million for LGRAF); but these amounts were added back to the July 2004 distribution and will be added back to the July 2005 distribution.

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:

- (a) nine-tenths of the difference between the amount transferred to the state LGF and 145.45 percent of the 1983 deposits tax revenue; plus
- (b) 145.45 percent of the 1983 deposits tax revenue; less
- (c) \$6.0 million.

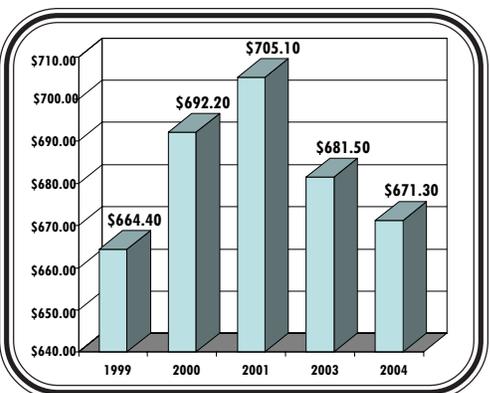
The remainder (one-tenth of the difference between the amount transferred and 145.45 percent of the 1983 deposits tax revenue plus \$6.0 million) is distributed directly to municipalities. Unlike the state LGF, there is no direct distribution to municipalities from the state LGRAF. All monies in this 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

Distributions from State Local Government Fund, Calendar Years 1999 - 2003 (figures in millions)



the remaining revenue in the fund (less \$6.0 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 \$6.0 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 Distribution 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-.53, 5747.61-.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 tax (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 2003:

In 2003, approximately \$662.2 million from the state LGF and \$94.6 million from the state LGRAF was distributed to local governments. An additional \$9.1 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 2003. Table 2 shows the amounts distributed from the state LGRAF to counties in 2003.

Recent Legislation:

H.B. 95, 125th General Assembly (effective June 26, 2003). Section 139:

Continued the freeze on deposits to and distributions from the LGF and LGRAF through FY 2004 and FY 2005. The bill dictated that each month from August 2003 through July 2005 each county will receive the same amount it received during August 2002 through July 2003. June 2004 and June 2005 distributions were reduced by the July 2003 H.B. 405 adjustment (\$25.3 million for LGF and \$3.7 million for LGRAF). However, this amount was added back to the July 2004 distribution and will be added back to the July 2005 distribution. The July 2004 and July 2005 distributions are also subject to a reduction if freeze deposits exceed the amount of deposits that would have been made under permanent law.

H.B. 40, 125th General Assembly (effective March 7, 2003). Section 140:

Provided the administration the authority to reduce the LLSF, 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.

Table 1
Total State Local Government Fund and Dealers in Intangibles Distributions, Calendar Years 1996 – 2003

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	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	670,658,730	-4.93	11,229,780	-29.40	681,888,510	-5.47
2003	662,184,888	-1.26	9,097,256	-18.99	671,282,144	-1.56

Table 2
Total State Local Government Revenue Assistance Fund Distributions, Calendar Years 1996 – 2003

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
2003	94,597,556	-1.26

Table 3
State Local Government Fund - Amounts Distributed to Counties and
Municipalities, by County, Calendar Year 2003

County	To County Undivided Local Government Fund	To Municipalities	Total	County	To County Undivided Local Government Fund	To Municipalities	Total
ADAMS	\$646,342	\$844	\$647,186	MADISON	\$1,335,737	\$77,569	\$1,413,306
ALLEN	4,432,646	316,336	4,748,982	MAHONING	9,674,950	743,169	10,418,119
ASHLAND	2,043,357	164,958	2,208,315	MARION	2,551,975	199,064	2,751,039
ASHTABULA	3,834,041	233,709	4,067,750	MEDINA	6,759,918	319,335	7,079,253
ATHENS	1,875,946	141,539	2,017,485	MEIGS	556,800	10,025	566,825
AUGLAIZE	2,296,228	175,651	2,471,880	MERCER	1,829,423	70,369	1,899,792
BELMONT	2,724,664	23,507	2,748,171	MIAMI	5,171,960	423,763	5,595,722
BROWN	964,748	16,495	981,243	MONROE	357,106	5,795	362,901
BUTLER	14,114,533	1,118,426	15,232,959	MONTGOMERY	32,291,342	3,979,227	36,270,569
CARROLL	688,002	15,354	703,356	MORGAN	366,792	9,372	376,165
CHAMPAIGN	1,362,248	86,546	1,448,794	MORROW	628,757	20,905	649,661
CLARK	5,437,891	519,405	5,957,297	MUSKINGUM	2,877,011	217,015	3,094,026
CLERMONT	3,623,605	53,297	3,676,902	NOBLE	327,951	0	327,951
CLINTON	1,568,627	61,950	1,630,576	OTTAWA	1,602,897	63,253	1,666,150
COLUMBIANA *	3,878,061	193,414	4,071,475	PAULDING	620,111	1,947	622,058
COSHOCTON	1,374,406	58,120	1,432,526	PERRY	801,428	18,984	820,411
CRAWFORD	2,061,049	136,931	2,197,979	PICKAWAY	1,700,827	84,704	1,785,531
CUYAHOGA	115,923,023	13,046,966	128,969,990	PIKE	672,292	17,312	689,603
DARKE	2,324,057	103,002	2,427,059	PORTAGE	6,027,824	467,754	6,495,578
DEFIANCE	1,760,192	112,762	1,872,954	PREBLE	1,402,421	71,513	1,473,934
DELAWARE	4,842,883	213,788	5,056,671	PUTNAM	1,401,566	59,734	1,461,299
ERIE	3,710,035	175,552	3,885,587	RICHLAND	6,079,797	554,084	6,633,881
FAIRFIELD	4,783,625	259,641	5,043,266	ROSS	2,700,967	165,126	2,866,093
FAYETTE	1,110,013	64,018	1,174,030	SANDUSKY	2,824,266	177,216	3,001,481
FRANKLIN	79,832,953	10,306,093	90,139,046	SCIOTO	2,298,050	115,721	2,413,771
FULTON	1,955,534	158,097	2,113,631	SENECA	2,686,026	217,014	2,903,040
GALLIA	857,912	28,799	886,711	SHELBY	2,402,978	227,148	2,630,126
GEAUGA	2,444,437	109,252	2,553,689	STARK	15,226,579	1,308,921	16,535,500
GREENE	8,255,470	273,449	8,528,919	SUMMIT	36,260,297	3,487,518	39,747,815
GUERNSEY	1,400,420	61,091	1,461,511	TRUMBULL	8,752,531	533,553	9,286,085
HAMILTON	54,012,833	6,766,395	60,779,228	TUSCARAWAS	4,293,294	207,054	4,500,348
HANCOCK	3,997,143	244,804	4,241,947	UNION	1,456,321	79,799	1,536,120
HARDIN	1,149,362	62,370	1,211,731	VAN WERT	1,278,302	89,103	1,367,405
HARRISON	521,614	14,575	536,190	VINTON	290,736	0	290,736
HENRY	1,199,891	58,979	1,258,869	WARREN	6,959,888	428,595	7,388,482
HIGHLAND	1,270,623	70,026	1,340,648	WASHINGTON	2,211,808	136,234	2,348,043
HOCKING	775,366	39,934	815,300	WAYNE	4,869,356	269,834	5,139,190
HOLMES	798,149	14,272	812,421	WILLIAMS	1,937,219	150,470	2,087,689
HURON	2,651,218	253,574	2,904,791	WOOD	5,571,691	484,595	6,056,286
JACKSON	1,078,187	0	1,078,187	WYANDOT	1,023,380	58,601	1,081,981
JEFFERSON	3,913,372	210,804	4,124,176				
KNOX	1,876,580	125,122	2,001,702	TOTAL	\$613,161,259	\$58,120,885	\$671,282,144
LAKE	17,931,555	1,317,670	19,249,225				
LAWRENCE	1,660,406	39,585	1,699,991				
LICKING	6,546,867	359,234	6,906,100				
LOGAN	1,729,185	118,108	1,847,293				
LORAIN	16,576,569	1,119,707	17,696,276				
LUCAS	25,262,819	3,525,339	28,788,158				

* Includes \$1,447,555 redirected to the county's fiscal agent.

Table 4
State Local Government Revenue Assistance Fund - Amounts Distributed
to Counties, by County, Calendar Year 2003

County	To County Undivided Local Government Revenue Assistance Fund	County	To County Undivided Local Government Revenue Assistance Fund
ADAMS	\$241,201	LOGAN	\$391,990
ALLEN	900,720	LORAIN	2,374,939
ASHLAND	438,431	LUCAS	3,765,687
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	1,495,1017	MORGAN	122,312
CLINTON	340,133	MORROW	268,264
COLUMBIANA *	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	TOTAL	\$94,597,556

* Includes \$437,441 redirected to the county's fiscal agent.