

Local Government Funds - State & 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 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 2004. The total state LGF was \$672.3 million and the total state LGRAF was \$94.6 million in calendar year 2004.

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 biennium budget bill, temporarily replaced the permanent LGF and LGRAF funding mechanism described in the above paragraph. 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 in **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 biennium 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 received the same amount they received during the corresponding month of the July 2002 - June 2003 period. However, the May 2004 and May 2005 deposits were reduced by the June 2003 H.B. 405 adjustments (\$25.3 million for LGF and \$3.7 million for LGRAF); but these amounts were added back to the June 2004 and June 2005 deposits.

H.B. 66 of the 126th General Assembly, the FY 2006-2007 biennium budget bill, basically extended the temporary freeze that was included in H.B. 95. Each month, during the July 2005 - June 2006 period, the LGF and LGRAF will receive the same amount they received in such month during the July 2004 - June 2005 period. In addition, during the period of July 2006 - June 2007, the LLSGF will receive the same amounts it received in such month during the July 2005 - June 2006 period.

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.

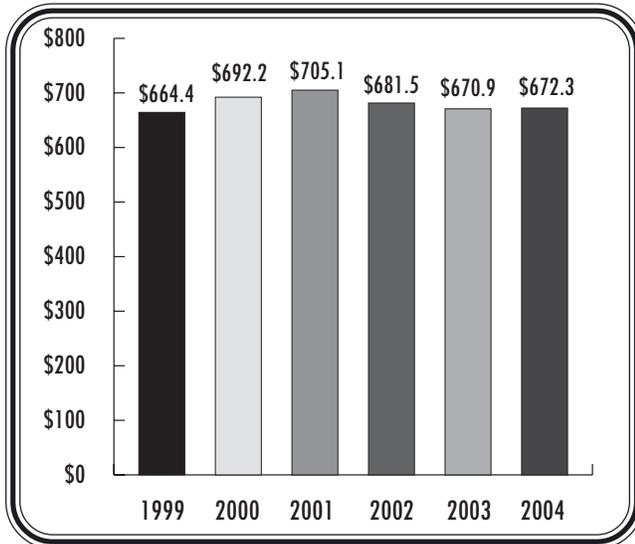
The total amount distributed to the county undivided LGF equals: (a) nine-tenths of the difference between the amount transferred to the state LGF and 145.45 percent of the 1983 deposits tax revenue; plus (b) 145.45 percent of the 1983 deposits tax revenue; less (c) \$6.0 million. The remainder (one-tenth 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 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

Distributions from State Local Government Fund, Calendar Years 1999-2004



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. 5747.50-5747.53, 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. 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. 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.

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.

Revenues Distributed to Local Governments in 2004:

In 2004, approximately \$672.3 million from the state LGF and \$94.6 million from the state LGRAF was distributed to local governments. An additional \$10.4 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 2004. Table 2 shows the amounts distributed from the state LGRAF to counties in 2004.

LGRAF through FY 2006 and FY 2007. Amounts deposited into the funds from July 2005 through June 2006 are to equal 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 is to compare the amounts distributed to the fund under the H.B. 66 freeze in the respective fiscal years and compare 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.

Recent Legislation

H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill, effective June 30, 2005). Section 557.12:

The bill continued the freeze on deposits and distributions from the LGF and

Table 1
Local Government Fund and Dealers in Intangibles Distributions, Calendar Years 1996 - 2004

Calendar Year	Local Government Fund		Dealers in Intangibles Tax		Total 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	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

Table 2
Local Government
Revenue Assistance Fund Distributions,
Calendar Years 1996 - 2004

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	1.80
2002	95,808,389	-4.93
2003	94,597,556	-1.26
2004	94,597,556	0.00



Table 3
Local Government Fund - Amounts Distributed to Counties and Municipalities, by County, Calendar Year 2004

County	To County Undivided Local Government		Total	County	To County Undivided Local Government		Total
	Fund	To Municipalities			Fund	To Municipalities	
ADAMS	\$647,350	\$844	\$648,195	LUCAS	\$25,186,401	\$3,525,339	\$28,711,741
ALLEN	4,438,576	316,336	4,754,911	MADISON	1,335,793	77,569	1,413,362
ASHLAND	2,044,219	164,958	2,209,177	MAHONING	9,756,482	743,169	10,499,651
ASHTABULA	3,835,066	233,709	4,068,775	MARION	2,559,502	199,064	2,758,567
ATHENS	1,876,249	141,539	2,017,788	MEDINA	6,815,910	319,335	7,135,245
AUGLAIZE	2,297,115	175,651	2,472,766	MEIGS	556,717	10,025	566,742
BELMONT	2,725,071	23,507	2,748,578	MERCER	1,831,138	70,369	1,901,507
BROWN	966,024	16,495	982,519	MIAMI	5,171,320	423,763	5,595,083
BUTLER	14,130,055	1,118,426	15,248,481	MONROE	357,109	5,795	362,904
CARROLL	688,318	15,354	703,672	MONTGOMERY	32,219,864	3,979,228	36,199,092
CHAMPAIGN	1,362,040	86,546	1,448,586	MORGAN	366,797	9,372	376,169
CLARK	5,441,446	519,405	5,960,851	MORROW	628,925	20,905	649,830
CLERMONT	3,637,579	53,297	3,690,876	MUSKINGUM	2,878,241	217,015	3,095,256
CLINTON	1,549,049	61,950	1,610,998	NOBLE	327,953	0	327,953
COLUMBIANA	3,523,825	193,414	3,717,239	OTTAWA	1,603,323	63,253	1,666,576
COSHOCTON	1,375,146	58,120	1,433,267	PAULDING	620,113	1,947	622,060
CRAWFORD	2,060,416	136,931	2,197,347	PERRY	802,117	18,984	821,101
CUYAHOGA	116,842,872	13,046,966	129,889,838	PICKAWAY	1,707,811	84,704	1,792,515
DARKE	2,326,076	103,002	2,429,078	PIKE	703,159	17,312	720,471
DEFIANCE	1,766,464	112,762	1,879,227	PORTAGE	6,034,635	467,754	6,502,389
DELAWARE	4,847,368	213,788	5,061,155	PREBLE	1,403,436	71,513	1,474,949
ERIE	3,723,529	175,552	3,899,080	PUTNAM	1,401,571	59,734	1,461,305
FAIRFIELD	4,789,691	259,641	5,049,332	RICHLAND	6,082,562	554,084	6,636,645
FAYETTE	1,107,566	64,018	1,171,584	ROSS	2,709,041	165,126	2,874,167
FRANKLIN	79,884,366	10,306,093	90,190,459	SANDUSKY	2,824,029	177,216	3,001,244
FULTON	1,970,466	158,097	2,128,563	SCIOTO	2,300,053	115,721	2,415,774
GALLIA	856,619	28,799	885,418	SENECA	2,685,940	217,014	2,902,954
GEAUGA	2,443,623	109,252	2,552,875	SHELBY	2,403,147	227,148	2,630,295
GREENE	8,262,889	273,449	8,536,338	STARK	15,342,897	1,308,921	16,651,818
GUERNSEY	1,409,309	61,091	1,470,400	SUMMIT	35,866,245	3,487,518	39,353,762
HAMILTON	54,393,565	6,766,395	61,159,960	TRUMBULL	8,744,164	533,553	9,277,718
HANCOCK	3,998,682	244,804	4,243,486	TUSCARAWAS	4,298,355	207,054	4,505,409
HARDIN	1,150,174	62,370	1,212,543	UNION	1,457,844	79,799	1,537,643
HARRISON	521,619	14,575	536,194	VAN WERT	1,278,979	89,103	1,368,082
HENRY	1,200,401	58,979	1,259,380	VINTON	290,736	428,595	719,331
HIGHLAND	1,272,146	70,026	1,342,172	WARREN	6,895,456	0	6,895,456
HOCKING	775,961	39,934	815,895	WASHINGTON	2,213,157	136,234	2,349,391
HOLMES	798,246	14,272	812,517	WAYNE	4,839,893	269,834	5,109,727
HURON	2,652,590	253,574	2,906,164	WILLIAMS	1,938,071	150,470	2,088,541
JACKSON	1,078,704	0	1,078,704	WOOD	5,574,454	484,595	6,059,048
JEFFERSON	3,914,829	210,804	4,125,633	WYANDOT	1,022,941	58,601	1,081,542
KNOX	1,877,274	125,122	2,002,396				
LAKE	17,959,451	1,317,670	19,277,121	TOTAL	\$614,155,965	\$58,120,885	\$672,276,850
LAWRENCE	1,775,854	39,585	1,815,440				
LICKING	6,603,580	359,234	6,962,813				
LOGAN	1,727,358	118,108	1,845,466				
LORAIN	16,590,868	1,119,707	17,710,574				

Table 4
Local Government Revenue Assistance Fund - Amounts
Distributed to Counties, by County, Calendar Year 2004

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	3,765,688
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	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	TOTAL	\$94,597,556
LICKING	1,150,376		