



## Local Government Fund

This chapter deals with two revenue-sharing funds that were merged into one during fiscal year 2008: the Local Government Fund (LGF) and the Local Government Revenue Assistance Fund (LGRAF).

The LGF dates back to the Jan. 1, 1935 birth of the state sales tax. The fund has undergone many changes in ensuing decades, but the basic elements remain: a designated portion of state revenues is deposited into the LGF, a statutory formula is used to allocate revenue monthly to the undivided LGFs of each of Ohio's 88 counties, and county budget commissions determine the distribution of the undivided fund moneys to local subdivisions.

In 1989, the General Assembly created the state LGRAF, providing local subdivisions with an additional share of state tax revenue, allocated to each of Ohio's 88 county undivided LGRAFs according to each county's share of the total state population. The LGRAF was eliminated as a separate fund by consolidation into the LGF effective Jan. 1, 2008 as part of a broader overhaul of revenue sharing in Ohio. Starting in the 2008 calendar year, the newly consolidated LGF receives a 3.68 percent share of all general revenue tax collections.

During the 2007 calendar year, approximately \$674.8 million from the state LGF and \$94.6 million from the state LGRAF was distributed to local governments. The LGF amount includes \$12.6 million that was distributed to the county undivided LGFs from the tax on dealers in intangibles. In 2008, approximately \$757.8 million was distributed to local governments from the LGF. Of this amount, nearly \$11.9 million was distributed to county undivided LGFs from the tax on dealers in intangibles.

### Revenue Sources

(Ohio Revised Code 131.44, 5727.45, 5727.84, 5733.12, 5739.21, 5741.03, 5747.03)

Before January 2008, permanent law called for the state LGF to receive a 4.2 percent share of collections from four major taxes: the sales and use, individual income, corporation franchise, and public utility excise taxes. In addition, the law called for 2.646 percent of the kilowatt-hour tax to be deposited into the LGF. Permanent law also called for the

state LGRAF to receive a 0.6 percent share of the four major taxes and 0.378 percent of the kilowatt-hour tax.

Between mid-2001 and mid-2007, the 124th, 125th and 126th general assemblies set aside the statutory revenue sharing formulas for both funds as part of a series of temporary "freezes." As part of these freezes, LGF and LGRAF revenue was distributed to counties based largely on the amount received during the previous year.

In 2007, House Bill 119 – the main operating budget bill for fiscal year 2008-09 – extended the freeze through the end of the 2007 calendar year, then set into motion a major restructuring of these funds. Starting in January 2008:

- The LGRAF was consolidated into the LGF.
- The new consolidated LGF was funded based on a 3.68 percent share of all general revenue tax collections, rather than the older system of percentages that varied based on the tax.

### Distributions to Local Governments

(R.C. 5747.50, 5747.501)

From mid-2001 through mid-2007, a permanent statutory formula for calculating the amount of money to be distributed

to local governments through the LGF was suspended as part of a series of local government fund "freezes."

H.B. 119 extended the freeze through the end of 2007 and permanently revamped the statutory formula for calculating distributions. Starting with the 2008 calendar year:

- subject to available resources, each county's undivided LGF fund receives at least what it received in combined distributions from the LGF and LGRAF during the 2007 calendar year.
- subject to available resources, each of the more than 500 municipalities that received a direct distribution from the LGF in 2007 receives an equal amount in subsequent calendar years.

If revenue in the LGF is not sufficient to meet the minimums described above, then each county and municipality receives a prorated share of the state LGF proportionate to that received in 2007.

If additional revenue is available once these distributions have been made, it is distributed to the 88 county undivided LGFs based on each county's proportionate share of the state



population, using U.S. Census Bureau estimates from the previous year. No additional revenue is allocated directly to municipalities, which may not receive directly from the state LGF more than they received in 2007.

## Monthly Distribution Procedure

(R.C. 5747.50)

Distributions from the state LGF to municipal corporations and counties are made on or before the tenth of each month.

## Use of Funds

(R.C. 5747.50–5747.53)

All amounts received by a municipal corporation directly from the state LGF are paid into the municipality's general fund to be used for any lawful purpose.

The amount that each county receives from the state LGF is expressly designated for deposit into the county's undivided LGF, where it is combined with the share of dealers in intangibles tax revenue that is collected by the state and returned to the county of origin.

Before January 2008 (when the state LGRAF was merged with the LGF), the amount that each county received from the state LGRAF was also expressly designated for deposit into the county's undivided LGRAF.

Revenue from county undivided LGFs (and, before January 2008, county undivided LGRAFs) are disbursed to local governments to be used for current operating expenses of the county government, municipalities, townships, and certain special districts. These distributions are either done according to statutory guidelines that are intended to distribute revenue in a manner that reflects the needs of the various recipient governmental units or according to alternative apportionment methods devised by local county budget commissions. Such 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 distribution requirements outlined above. The bill guaranteed that, during fiscal years 2006-07, no subdivision would receive less than the proportionate share received from the county undivided fund during the fiscal year 2004-05 period without the consent of the subdivision. H.B. 119 of

the 127th General Assembly continued this "freeze" through the end of calendar year 2007. Beginning in calendar year 2008, new LGF funding mechanisms took effect.

## Recent Legislation

**House Bill 119, 127th General Assembly (FY 2008-FY 2009 operating budget bill, effective June 30, 2007).**

**Revenue sharing reforms** – This bill dramatically changed revenue sharing in Ohio. It continued the freeze on distributions through calendar year 2007. Then beginning in January 2008, it consolidated the LGRAF into the LGF and began funding the LGF through a 3.68 percent share of all general revenue fund tax sources (R.C. 131.51, 5747.03, 5747.46 – 5747.48, 5747.50 – 5747.53 and bill sections 757.03, 757.04 and 815.09).

**House Bill 530, 126th General Assembly (effective June 30, 2006).**

**Distribution from county undivided LGF and LGRAFs** – H.B. 530 altered a provision in H.B. 66 pertaining to the percentage share each political subdivision may receive from the monthly county undivided LGF and LGRAF distributions. H.B. 66 required that, during fiscal years 2006 and 2007, each subdivision would receive the same percentage share of the fund as it received in fiscal year 2005. H.B. 530 made an exception to this "freeze" of the subdivision distribution shares. The bill reactivated a provision existing in permanent law that limits the county government's percentage share of the county undivided LGF and LGRAF. This limit is based on the proportion of the county's population that is located within a municipal corporation. The subdivision shares were to be recomputed on a proportional basis if, due to updated county population figures, there was a population change within the county which would affect the amount a county government may receive from the county undivided LGF and LGRAF (Bill sections 606.17, 606.18, 815.03).

**Table 1**

<b>Total State Local Government Fund and Dealers in Intangibles Distributions, Calendar Years 1998-2008</b>						
<b>Calendar Year</b>	<b>Total State Local Government Fund</b>		<b>Dealers in Intangibles Tax</b>		<b>State LGF and Intangibles Tax Combined</b>	
	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>
1998	\$632,501,558	9.08	\$9,983,867	-9.41	\$642,485,425	8.74
1999	\$664,772,737	5.1	\$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	1.9	\$15,905,620	14.42	\$721,327,377	2.15
2002	\$670,658,730	-4.93	\$11,229,780	-29.4	\$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
2005	\$661,828,265	0.00	\$11,660,148	11.60	\$673,488,413	0.18
2006	\$661,828,265	0.00	\$13,908,699	19.28	\$675,736,964	0.33
2007	\$662,184,887	0.00	\$12,605,989	-9.37	\$674,790,876	-0.19
2008 <sup>1</sup>	\$745,905,715	12.67	\$11,852,573	-5.98	\$757,758,288	12.32

<sup>1</sup> 2008 displays the effects of H.B 119 and the combining of the Local Government and Local Government Revenue Assistance Funds.

**Table 2**

<b>Local Government Revenue Assistance Fund Distributions: Calendar Years 1998 - 2007</b>		
<b>Calendar Year</b>	<b>Amount</b>	<b>Change</b>
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
2005	94,597,556	0.00
2006	94,597,556	0.00
2007	94,597,556	0.00

Table 3

State Local Government Fund - Amounts Distributed to Counties and Municipalities, by County: Calendar Year 2007							
County	To County Undivided Local Government Fund <sup>1</sup>	To Municipalities	Total	County	To County Undivided Local Government Fund <sup>1</sup>	To Municipalities	Total
ADAMS	\$645,983	\$844	\$646,827	LICKING	\$6,600,997	\$359,234	\$6,960,231
ALLEN	4,472,556	316,336	4,788,892	LOGAN	1,753,948	118,108	1,872,056
ASHLAND	2,050,767	164,958	2,215,724	LORAIN	16,628,133	1,119,707	17,747,840
ASHTABULA	3,855,641	233,709	4,089,350	LUCAS	25,252,042	3,525,339	28,777,381
ATHENS	1,883,134	141,539	2,024,673	MADISON	1,344,033	77,569	1,421,602
AUGLAIZE	2,301,032	175,651	2,476,683	MAHONING	9,793,809	743,169	10,536,978
BELMONT	2,732,538	23,507	2,756,046	MARION	2,578,887	199,064	2,777,951
BROWN	967,272	16,495	983,767	MEDINA	6,909,461	319,335	7,228,797
BUTLER	14,292,518	1,118,426	15,410,944	MEIGS	558,100	10,025	568,125
CARROLL	688,255	15,354	703,609	MERCER	1,838,331	70,369	1,908,701
CHAMPAIGN	1,366,315	86,546	1,452,861	MIAMI	5,162,724	423,763	5,586,487
CLARK	5,457,552	519,405	5,976,958	MONROE	362,492	5,795	368,287
CLERMONT	3,649,482	53,297	3,702,779	MONTGOMERY	32,265,525	3,979,228	36,244,753
CLINTON	1,550,161	61,950	1,612,111	MORGAN	366,792	9,372	376,165
COLUMBIANA <sup>2</sup>	3,883,961	193,414	4,077,375	MORROW	628,050	20,905	648,954
COSHOCTON	1,382,815	58,120	1,440,935	MUSKINGUM	2,906,924	217,015	3,123,939
CRAWFORD	2,074,418	136,931	2,211,349	NOBLE	327,951	0	327,951
CUYAHOGA	117,499,150	13,046,966	130,546,117	OTTAWA	1,605,349	63,253	1,668,602
DARKE	2,333,417	103,002	2,436,419	PAULDING	620,167	1,947	622,114
DEFIANCE	1,777,655	112,762	1,890,418	PERRY	802,483	18,984	821,466
DELAWARE	4,902,625	213,788	5,116,413	PICKAWAY	1,713,875	84,704	1,798,579
ERIE	3,729,086	175,552	3,904,638	PIKE	673,990	17,312	691,302
FAIRFIELD	4,820,843	259,641	5,080,484	PORTAGE	6,056,116	467,754	6,523,869
FAYETTE	1,112,178	64,018	1,176,196	PREBLE	1,406,522	71,513	1,478,034
FRANKLIN	80,714,835	10,306,093	91,020,928	PUTNAM	1,402,813	59,734	1,462,547
FULTON	1,957,253	158,097	2,115,350	RICHLAND	6,106,978	554,084	6,661,061
GALLIA	883,175	28,799	911,974	ROSS	2,705,613	165,126	2,870,739
GEAUGA	2,447,871	109,252	2,557,123	SANDUSKY	2,832,267	177,216	3,009,483
GREENE	8,269,563	273,449	8,543,012	SCIOTO	2,332,956	115,721	2,448,677
GUERNSEY	1,423,207	61,091	1,484,298	SENECA	2,691,344	217,014	2,908,358
HAMILTON	53,923,648	6,766,395	60,690,043	SHELBY	2,411,094	227,148	2,638,241
HANCOCK	4,036,317	244,804	4,281,121	STARK	15,346,437	1,308,921	16,655,357
HARDIN	1,153,945	62,370	1,216,315	SUMMIT	35,855,557	3,487,518	39,343,075
HARRISON	521,545	14,575	536,121	TRUMBULL	8,780,358	533,553	9,313,912
HENRY	1,216,304	58,979	1,275,282	TUSCARAWAS	4,322,890	207,054	4,529,944
HIGHLAND	1,278,686	70,026	1,348,712	UNION	1,471,641	79,799	1,551,440
HOCKING	790,958	39,934	830,892	VAN WERT	1,287,226	89,103	1,376,329
HOLMES	798,524	14,272	812,796	VINTON	290,738	0	290,738
HURON	2,682,000	253,574	2,935,573	WARREN	6,806,486	428,595	7,235,080
JACKSON	1,207,580	0	1,207,580	WASHINGTON	2,236,581	136,234	2,372,815
JEFFERSON	3,942,023	210,804	4,152,827	WAYNE	4,871,643	269,834	5,141,477
KNOX	1,901,353	125,122	2,026,475	WILLIAMS	1,951,750	150,470	2,102,220
LAKE	17,957,318	1,317,670	19,274,988	WOOD	5,576,390	484,595	6,060,984
LAWRENCE	1,672,178	39,585	1,711,763	WYANDOT	1,024,892	58,601	1,083,493
				<b>TOTAL</b>	<b>\$616,669,991</b>	<b>\$58,120,885</b>	<b>\$674,790,876</b>

1 Includes dealers in intangibles tax distributions for counties.

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

**Table 4**

<b>State Local Government Revenue Assistance Fund - Amounts Distributed to Counties, by County: Calendar Year 2007</b>			
This table shows the amounts distributed from this fund to counties during 2007. Calendar year 2007 was the last year for the LGRAF distribution before it was combined with the LGF.			
<b>County</b>	<b>Amount</b>	<b>County</b>	<b>Amount</b>
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 <sup>1</sup>	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	<b>TOTAL</b>	<b>\$94,597,556</b>

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

Table 5

State Local Government Fund - Amounts Distributed to Counties and Municipalities, by County, Calendar Year 2008							
This table shows the first year of distributions under the consolidated LGF.							
County	To Counties <sup>1</sup>	To Municipalities	Total	County	To Counties <sup>1</sup>	To Municipalities	Total
ADAMS	\$881,202	\$844	\$882,046	LOGAN	\$2,125,515	\$118,109	\$2,243,624
ALLEN	5,283,313	316,338	5,599,651	LORAIN	18,707,671	1,119,713	19,827,384
ASHLAND	2,444,027	164,959	2,608,986	LUCAS	28,570,284	3,525,358	32,095,643
ASHTABULA	4,652,798	233,710	4,886,508	MADISON	1,661,078	77,569	1,738,648
ATHENS	2,363,942	141,540	2,505,482	MAHONING	11,680,705	743,173	12,423,878
AUGLAIZE	2,656,314	175,652	2,831,966	MARION	3,090,096	199,065	3,289,162
BELMONT	3,273,386	23,507	3,296,893	MEDINA	7,990,029	319,337	8,309,366
BROWN	1,294,693	16,495	1,311,188	MEIGS	752,879	10,025	762,904
BUTLER	16,744,935	1,118,432	17,863,367	MERCER	2,150,771	70,370	2,221,142
CARROLL	919,568	15,354	934,922	MIAMI	5,924,475	423,765	6,348,240
CHAMPAIGN	1,662,981	86,547	1,749,528	MONROE	486,499	5,795	492,294
CLARK	6,584,563	519,408	7,103,971	MONTGOMERY	36,337,643	3,979,249	40,316,891
CLERMONT	5,051,706	53,296	5,105,003	MORGAN	481,490	9,372	490,862
CLINTON	1,860,579	61,950	1,922,529	MORROW	883,401	20,905	904,305
COLUMBIANA <sup>2</sup>	4,746,762	193,415	4,940,178	MUSKINGUM	3,563,940	217,016	3,780,956
COSHOCTON	1,660,729	58,121	1,718,850	NOBLE	437,184	0	437,184
CRAWFORD	2,432,132	136,931	2,569,063	OTTAWA	1,922,096	63,254	1,985,350
CUYAHOGA	126,672,361	13,047,036	139,719,397	PAULDING	777,002	1,947	778,949
DARKE	2,745,073	103,002	2,848,075	PERRY	1,074,052	18,984	1,093,036
DEFIANCE	2,082,713	112,763	2,195,477	PICKAWAY	2,125,872	84,704	2,210,577
DELAWARE	5,615,357	213,789	5,829,146	PIKE	895,109	17,312	912,421
ERIE	4,312,013	175,553	4,487,566	PORTAGE	7,212,069	467,756	7,679,825
FAIRFIELD	5,790,775	259,643	6,050,417	PREBLE	1,744,550	71,513	1,816,063
FAYETTE	1,329,457	64,018	1,393,475	PUTNAM	1,673,232	59,734	1,732,966
FRANKLIN	87,943,987	10,306,148	98,250,135	RICHLAND	7,084,460	554,086	7,638,547
FULTON	2,275,314	158,098	2,433,412	ROSS	3,292,752	165,127	3,457,879
GALLIA	1,169,454	28,799	1,198,253	SANDUSKY	3,302,424	177,217	3,479,641
GEAUGA	3,149,596	109,253	3,258,849	SCIOTO	2,978,023	115,722	3,093,745
GREENE	9,372,731	273,451	9,646,182	SENECA	3,145,469	217,015	3,362,484
GUERNSEY	1,748,561	61,091	1,809,652	SHELBY	2,768,774	227,149	2,995,923
HAMILTON	60,119,170	6,766,431	66,885,600	STARK	18,278,781	1,308,928	19,587,708
HANCOCK	4,542,738	244,806	4,787,543	SUMMIT	39,776,342	3,487,536	43,263,879
HARDIN	1,398,606	62,370	1,460,976	TRUMBULL	10,517,678	533,556	11,051,234
HARRISON	646,692	14,576	661,268	TUSCARAWAS	4,989,977	207,055	5,197,033
HENRY	1,453,157	58,979	1,512,136	UNION	1,784,364	79,800	1,864,164
HIGHLAND	1,596,526	70,026	1,666,552	VAN WERT	1,513,517	89,104	1,602,621
HOCKING	1,022,594	39,934	1,062,528	VINTON	387,960	0	387,960
HOLMES	1,102,141	14,272	1,116,412	WARREN	7,960,321	428,597	8,388,918
HURON	3,136,427	253,575	3,390,001	WASHINGTON	2,719,067	136,235	2,855,302
JACKSON	1,339,206	0	1,339,206	WAYNE	5,689,400	269,835	5,959,235
JEFFERSON	4,491,035	210,805	4,701,841	WILLIAMS	2,228,569	150,161	2,378,730
KNOX	2,309,711	125,123	2,434,834	WOOD	6,506,087	484,597	6,990,684
LAKE	19,549,838	1,317,677	20,867,515	WYANDOT	1,198,826	58,601	1,257,428
LAWRENCE	2,179,984	39,585	2,219,569				
LICKING	7,638,125	359,236	7,997,360	<b>TOTAL</b>	<b>\$699,637,403</b>	<b>\$58,120,885</b>	<b>\$757,758,288</b>

1 Includes dealers in intangibles tax distributions for counties.

2 Includes \$2,236,966 redirected to the county's fiscal agent.