



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 Local Government Revenue Assistance Fund (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 with the 2008 calendar year, the newly consolidated LGF receives a 3.68 percent share of all general revenue tax collections.

During the 2010 calendar year, approximately \$611.5 million was distributed to counties from the state LGF. This amount includes nearly \$598.0 million distributed to county undivided LGFs and \$13.5 million from the tax on dealers in intangibles. Additionally, nearly \$52.0 million in LGF monies was distributed directly to municipalities.

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 day 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 intended to distribute revenue in a manner that reflects local needs 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.

Table 1

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
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	661,828,265	0.00	12,605,989	-9.37	674,434,254	-0.19
2008 ¹	745,649,267	12.67	11,852,573	-5.98	757,501,840	12.32
2009	641,403,389	-13.98	13,210,244	11.45	654,613,633	-13.58
2010	649,981,842	1.34	13,534,972	2.46	663,516,814	1.36

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

Table 2

State Local Government Fund - Amounts Distributed to Counties and Municipalities, by County: Calendar Year 2010							
County	To Counties ¹	To Municipalities	Total	County	To Counties ¹	To Municipalities	Total
ADAMS	\$759,922	\$755	\$760,677	LUCAS	\$25,047,409	\$3,154,005	\$28,201,414
ALLEN	4,607,397	283,015	4,890,412	MADISON	1,444,540	69,398	1,513,938
ASHLAND	2,123,461	147,582	2,271,043	MAHONING	10,272,550	664,889	10,937,439
ASHTABULA	4,038,507	209,092	4,247,599	MARION	2,684,254	178,096	2,862,350
ATHENS	2,076,869	126,630	2,203,499	MEDINA	6,966,458	285,699	7,252,157
AUGLAIZE	2,308,516	157,149	2,465,665	MEIGS	651,105	8,969	660,074
BELMONT	2,848,778	21,031	2,869,809	MERCER	1,866,876	62,957	1,929,833
BROWN	1,125,942	14,758	1,140,700	MIAMI	5,153,152	379,127	5,532,279
BUTLER	14,505,528	1,000,619	15,506,147	MONROE	424,285	5,185	429,470
CARROLL	799,209	13,736	812,945	MONTGOMERY	31,968,989	3,560,084	35,529,073
CHAMPAIGN	1,447,563	77,430	1,524,993	MORGAN	418,624	8,385	427,009
CLARK	5,715,144	464,695	6,179,839	MORROW	767,512	18,703	786,215
CLERMONT	4,382,324	47,683	4,430,007	MUSKINGUM	3,090,337	194,156	3,284,493
CLINTON	1,617,698	55,424	1,673,122	NOBLE	380,114	0	380,114
COLUMBIANA ²	4,132,605	173,042	4,305,647	OTTAWA	1,671,877	56,591	1,728,468
COSHOCTON	1,445,718	51,998	1,497,716	PAULDING	675,980	1,742	677,722
CRAWFORD	2,105,855	122,507	2,228,362	PERRY	934,314	16,984	951,298
CUYAHOGA	111,812,246	11,672,693	123,484,939	PICKAWAY	1,865,472	75,782	1,941,254
DARKE	2,385,895	92,152	2,478,047	PIKE	778,846	15,488	794,334
DEFIANCE	1,832,703	100,885	1,933,588	PORTAGE	6,261,591	418,484	6,680,075
DELAWARE	4,962,619	191,269	5,153,888	PREBLE	1,517,898	63,980	1,581,878
ERIE	3,761,263	157,060	3,918,323	PUTNAM	1,454,909	53,442	1,508,351
FAIRFIELD	5,030,716	232,293	5,263,009	RICHLAND	6,138,578	495,720	6,634,298
FAYETTE	1,157,241	57,275	1,214,516	ROSS	2,868,644	147,733	3,016,377
FRANKLIN	75,892,967	9,220,523	85,113,490	SANDUSKY	2,873,771	158,549	3,032,320
FULTON	1,978,181	141,444	2,119,625	SCIOTO	2,560,216	103,532	2,663,748
GALLIA	1,030,624	25,766	1,056,390	SENECA	2,737,058	194,155	2,931,213
GEAUGA	2,739,968	97,744	2,837,712	SHELBY	2,409,922	203,222	2,613,144
GREENE	8,209,178	244,646	8,453,824	STARK	15,920,715	1,171,048	17,091,763
GUERNSEY	1,504,240	54,656	1,558,896	SUMMIT	34,909,373	3,120,168	38,029,541
HAMILTON	53,175,608	6,053,671	59,229,279	TRUMBULL	9,127,264	477,353	9,604,617
HANCOCK	3,946,152	219,018	4,165,170	TUSCARAWAS	4,342,716	185,244	4,527,960
HARDIN	1,218,217	55,800	1,274,017	UNION	1,543,140	71,394	1,614,534
HARRISON	562,256	13,040	575,296	VAN WERT	1,318,498	79,718	1,398,216
HENRY	1,246,192	52,766	1,298,958	VINTON	337,305	0	337,305
HIGHLAND	1,384,371	62,650	1,447,021	WARREN	7,038,372	383,450	7,421,822
HOCKING	874,545	35,728	910,273	WASHINGTON	2,367,144	121,885	2,489,029
HOLMES	958,065	12,768	970,833	WAYNE	4,951,895	241,412	5,193,307
HURON	2,708,174	226,864	2,935,038	WILLIAMS	1,933,513	134,319	2,067,832
JACKSON	1,155,417	0	1,155,417	WOOD	5,702,035	433,551	6,135,586
JEFFERSON	3,890,880	188,600	4,079,480	WYANDOT	1,041,880	52,428	1,094,308
KNOX	2,002,680	111,943	2,114,623				
LAKE	17,085,219	1,178,876	18,264,095	TOTAL	\$611,518,269	\$51,998,545	\$663,516,814
LAWRENCE	1,899,883	35,415	1,935,298				
LICKING	6,602,194	321,395	6,923,589				
LOGAN	1,811,428	105,667	1,917,095				
LORAIN	16,238,984	1,001,765	17,240,749				

1 Includes dealers in intangibles tax distributions for counties.

2 Includes \$2,056,375 redirected to the county's fiscal agent.