



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 with the 2008 calendar year, the newly consolidated LGF receives a 3.68 percent share of all general revenue tax collections.

During the 2009 calendar year, approximately \$654.6 million was distributed to local governments from the state LGF. This amount includes \$13.2 million 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 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
1999	\$664,772,737	---	\$10,697,411	---	\$675,470,148	---
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

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 2009							
County	To Counties ¹	To Municipalities	Total	County	To Counties ¹	To Municipalities	Total
ADAMS	\$749,692	\$745	\$750,437	LOGAN	\$1,787,521	\$104,273	\$1,891,794
ALLEN	4,548,708	279,280	4,827,988	LORAIN	16,013,365	988,544	17,001,909
ASHLAND	2,097,323	145,634	2,242,958	LUCAS	24,723,818	3,112,379	27,836,197
ASHTABULA	3,981,136	206,332	4,187,468	MADISON	1,426,785	68,482	1,495,267
ATHENS	2,047,945	124,959	2,172,904	MAHONING	10,136,656	656,114	10,792,770
AUGLAIZE	2,281,053	155,075	2,436,128	MARION	2,643,004	175,746	2,818,750
BELMONT	2,807,857	20,754	2,828,611	MEDINA	6,887,667	281,928	7,169,596
BROWN	1,110,925	14,563	1,125,488	MEIGS	642,666	8,850	651,517
BUTLER	14,359,162	987,413	15,346,575	MERCER	1,844,797	62,126	1,906,923
CARROLL	788,952	13,555	802,507	MIAMI	5,087,932	374,123	5,462,055
CHAMPAIGN	1,427,816	76,408	1,504,224	MONROE	417,538	5,116	422,654
CLARK	5,639,736	458,562	6,098,297	MONTGOMERY	31,306,802	3,513,098	34,819,900
CLERMONT	4,321,860	47,054	4,368,914	MORGAN	413,099	8,274	421,373
CLINTON	1,596,655	54,693	1,651,348	MORROW	757,304	18,456	775,760
COLUMBIANA ²	4,073,334	170,758	4,244,092	MUSKINGUM	3,048,603	191,594	3,240,197
COSHOCTON	1,424,593	51,312	1,475,905	NOBLE	375,086	0	375,086
CRAWFORD	2,078,559	120,891	2,199,450	OTTAWA	1,649,867	55,844	1,705,711
CUYAHOGA	110,095,720	11,518,637	121,614,357	PAULDING	666,844	1,719	668,564
DARKE	2,356,181	90,936	2,447,117	PERRY	921,617	16,760	938,377
DEFIANCE	1,800,906	99,553	1,900,460	PICKAWAY	1,817,931	74,782	1,892,712
DELAWARE	4,819,842	188,744	5,008,587	PIKE	768,385	15,284	783,668
ERIE	3,700,858	154,988	3,855,845	PORTAGE	6,190,896	412,961	6,603,857
FAIRFIELD	4,966,959	229,227	5,196,186	PREBLE	1,498,265	63,136	1,561,401
FAYETTE	1,157,639	56,519	1,214,157	PUTNAM	1,435,852	52,736	1,488,589
FRANKLIN	75,255,824	9,098,831	84,354,655	RICHLAND	6,091,029	489,178	6,580,207
FULTON	1,952,414	139,577	2,091,991	ROSS	2,822,728	145,783	2,968,511
GALLIA	1,016,176	25,426	1,041,602	SANDUSKY	2,835,119	156,456	2,991,576
GEAUGA	2,702,061	96,454	2,798,515	SCIOTO	2,570,574	102,166	2,672,740
GREENE	8,066,507	241,417	8,307,924	SENECA	2,699,551	191,593	2,891,144
GUERNSEY	1,510,051	53,935	1,563,985	SHELBY	2,378,874	200,540	2,579,414
HAMILTON	52,397,368	5,973,775	58,371,143	STARK	15,726,117	1,155,593	16,881,710
HANCOCK	3,900,195	216,128	4,116,323	SUMMIT	34,445,667	3,078,988	37,524,655
HARDIN	1,201,109	55,064	1,256,173	TRUMBULL	9,029,172	471,053	9,500,224
HARRISON	554,835	12,868	567,703	TUSCARAWAS	4,290,995	182,800	4,473,795
HENRY	1,230,022	52,070	1,282,092	UNION	1,549,545	70,452	1,619,996
HIGHLAND	1,369,664	61,823	1,431,487	VINTON	332,858	0	332,858
HOCKING	887,232	35,256	922,489	WARREN	6,889,189	378,389	7,267,578
HOLMES	945,700	12,600	958,300	WASHINGTON	2,345,541	120,276	2,465,817
HURON	2,694,790	223,870	2,918,660	WAYNE	4,875,190	238,225	5,113,415
JACKSON	1,143,159	0	1,143,159	WILLIAMS	1,908,463	132,546	2,041,009
JEFFERSON	3,839,261	186,111	4,025,372	WOOD	5,585,738	427,829	6,013,567
KNOX	1,974,700	110,465	2,085,165	WYANDOT	<u>1,028,416</u>	<u>51,736</u>	<u>1,080,153</u>
LAKE	16,832,389	1,163,317	17,995,706				
LAWRENCE	1,871,991	34,948	1,906,939				
LICKING	6,555,952	317,153	6,873,105	TOTAL	\$603,301,362	\$51,312,271	\$654,613,633

¹ Includes dealers in intangibles tax distributions for counties.

² Includes \$2,029,235 redirected to the county's fiscal agent.