



Tax Analysis Division
P.O. Box 530
Columbus, Ohio 43216-0530
614-466-3960
tax.ohio.gov

Updated Information on Local Distributions

July 23, 2008

This is an update pertaining to this year's Local Government Fund (LGF) and Public Library Fund (PLF)¹ distributions.

1. Monthly cash flow for calendar year 2008

Beginning in calendar year 2008, the LGF and PLF monthly distribution patterns will be much different than experienced in recent years under the so-called "freeze." In the document below, we discuss those changes and provide our original estimate of the monthly cash flow patterns for CY 2008:

http://tax.ohio.gov/channels/other/documents/local_distribution_fund_cash_flow_changes.pdf

Now that we are more than halfway through calendar year 2008, there are sufficient actual (i.e., January-July) distribution data, as well as newly revised estimates of the remaining months, to merit revisions to the monthly cash flow estimates provided in the above, earlier document. Below is our revised estimate of each month's share of total CY 2008 distributions:

	Projected monthly LGF and PLF distributions as % total CY 2008 distributions
January	8.0%
February	10.9%
March	6.3%
April	7.3%
May	13.0%
June	8.0%
July	9.7%
August	7.1%
September	7.1%
October	7.9%
November	8.2%
December	<u>6.5%</u>
Total	100.0%

2. Calendar year 2008 distribution levels

Through July 2008, this calendar year's distributions from both the LGF and PLF were about 1.8 percent below our original projections (which were issued in July 2007). As was indicated in the informational update released in May 2008, we foresee tepid state tax revenue performance for the

¹ Beginning June 20, 2008 a law change went into effect that changes the name of the Library and Local Government Support Fund to the Public Library Fund (SB 185, 127th General Assembly).

remainder of this year and thus expect calendar year 2008 LGF and PLF distributions to fall below the original projections.

As required under Ohio law, in June 2008 the Department issued to each county auditor updated calendar year 2008 county PLF estimates. These estimates, totaling \$452.2 million statewide, reflect revised state tax revenue forecasts. More specifically, **the updated CY 2008 PLF estimates are approximately 2 percent less than the original CY 2008 estimates** (i.e., those generated in July and December 2007).

The Department is not required to issue updated county-by-county LGF estimates for CY 2008 and has no plans to do so. That said, **our current best estimate is that each recipient of LGF monies will receive an amount which is approximately 2 percent below what was originally forecasted for CY 2008.**

3. Calendar year 2009 distributions

In July 2008, the Department of Taxation must provide to each county auditor an estimate of the county's LGF and PLF distributions for calendar year 2009. The estimates will also be available at the following address on the Department of Taxation Web site:

<http://tax.ohio.gov/channels/government/OhioDepartmentofTaxation.stm>

We project the CY 2009 distributions to remain roughly in line with the *updated* CY 2008 distribution estimates. Only very modest growth is expected for CY 2009 relative to the updated CY 2008 distribution estimates, amounting to about 0.1%.² The reason for our relatively stagnant CY 2009 distribution forecast is due to several factors: the continued phase-in of the multi-year tax reform package; and the impact of the current economic slowdown.

4. Closing remarks

Please realize that the estimates for calendar year 2008 and 2009 reflect our best projections of state tax revenue performance during those time periods. The estimates are subject to the many factors – especially developments related to the state's economy - that drive state tax revenues. The CY 2009 estimates are particularly fraught with considerable measurement uncertainty due to the inherent difficulty in accurately forecasting revenues so far in advance.

² To reiterate, we currently expect CY 2008 distributions to fall about 2% below our *original* CY 2008 estimates. Furthermore, the CY 2009 distribution estimates are expected to be somewhat lower than the *original* CY 2008 estimates.