



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 received a 3.68 percent share of all general revenue tax collections. Beginning in August 2011, the amount credited to the LGF will be 75% of the amount received during the respective month in the previous year.

During the 2011 calendar year, approximately \$661.9 million was distributed to counties from the state LGF. This amount includes nearly \$598.1 million distributed to county undivided LGFs and \$13.8 million from the tax on dealers in intangibles. Additionally, nearly \$50.0 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.

In 2011, House Bill 153 (the main operating budget bill for FY 2012 and 2013) funded the LGF based on 75% of the July 2010-June 2011 distributions. Items to note:

- July 2011 was still based on permanent law, so the new funding calculation did not begin until August 2011.
- An additional \$49.27 million was allocated to the LGF for FY 2012 only.
- Beginning in January 2012, Dealers in Intangibles will only be credited to the GRF and no longer be distributed to the counties.

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.

Beginning in August 2011, each county and municipality that receives a direct state distribution is to receive the same percentage share of the fund as it did during the respective month of FY 2011. There is a guarantee that any county that received less than \$750,000 in LGF in FY 2011 will have no reduction in monthly distributions for FY 2012 and FY 2013. Additionally, any county that received over \$750,000 in FY 2011 that would be below \$750,000 after the “freeze/cut” would receive no less than \$750,000.

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.

Recent Legislation

House Bill 153, 129th General Assembly (FY 2012-2013 biennial budget bill; budget provisions effective July 1, 2011)

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- July 2011 was still based on permanent law, so the new funding calculation did not begin until August 2011. An additional \$49.27 million was allocated to the LGF for FY 2012 only.
- Beginning in January 2012, Dealers in Intangibles will only be credited to the GRF and no longer be distributed to the counties.
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- There is a guarantee that any county that received less than \$750,000 in LGF in FY 2011 will have no reduction in monthly distributions during FY 2012 and FY 2013. Additionally, any county that received over \$750,000 in FY 2011 that would be below \$750,000 after the “freeze/cut” would receive no less than \$750,000.

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
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
2011 ²	648,162,293	-0.28	13,751,305	1.60	661,913,598	-0.24

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

2 2011 displays the beginning effects of H.B. 153

Table 2

State Local Government Fund - Amounts Distributed to Counties and Municipalities, by County: Calendar Year 2011							
County	To Counties ¹	To Municipalities	Total	County	To Counties ¹	To Municipalities	Total
ADAMS	\$828,246	\$727	\$828,972	LOGAN	\$1,824,875	\$101,639	\$1,926,514
ALLEN	\$4,583,602	\$272,225	\$4,855,827	LORAIN	\$16,241,611	\$963,571	\$17,205,182
ASHLAND	\$2,122,278	\$141,955	\$2,264,234	LUCAS	\$24,873,110	\$3,033,753	\$27,906,864
ASHTABULA	\$4,029,988	\$201,120	\$4,231,108	MADISON	\$1,444,110	\$66,752	\$1,510,862
ATHENS	\$2,057,543	\$121,802	\$2,179,345	MAHONING	\$10,234,556	\$639,539	\$10,874,095
AUGLAIZE	\$2,308,081	\$151,158	\$2,459,239	MARION	\$2,686,158	\$171,306	\$2,857,464
BELMONT	\$2,847,135	\$20,229	\$2,867,364	MEDINA	\$6,977,691	\$274,806	\$7,252,497
BROWN	\$1,125,806	\$14,195	\$1,140,001	MEIGS	\$716,304	\$8,627	\$724,931
BUTLER	\$14,502,678	\$962,469	\$15,465,147	MERCER	\$1,866,402	\$60,557	\$1,926,959
CARROLL	\$841,281	\$13,213	\$854,493	MIAMI	\$5,144,751	\$364,672	\$5,509,423
CHAMPAIGN	\$1,447,024	\$74,478	\$1,521,502	MONROE	\$463,252	\$4,987	\$468,239
CLARK	\$5,716,001	\$446,977	\$6,162,979	MONTGOMERY	\$32,111,455	\$3,424,349	\$35,535,805
CLERMONT	\$4,382,082	\$45,865	\$4,427,947	MORGAN	\$460,325	\$8,065	\$468,390
CLINTON	\$1,617,309	\$53,311	\$1,670,620	MORROW	\$821,584	\$17,990	\$839,573
COLUMBIANA ²	\$4,130,483	\$166,444	\$4,296,927	MUSKINGUM	\$3,115,832	\$186,754	\$3,302,586
COSHOCTON	\$1,443,212	\$50,016	\$1,493,228	NOBLE	\$417,966	0	\$417,966
CRAWFORD	\$2,106,584	\$117,837	\$2,224,420	OTTAWA	\$1,670,528	\$54,433	\$1,724,962
CUYAHOGA	\$112,345,988	\$11,227,650	\$123,573,638	PAULDING	\$743,201	\$1,676	\$744,877
DARKE	\$2,384,381	\$88,639	\$2,473,020	PERRY	\$934,412	\$16,337	\$950,748
DEFIANCE	\$1,817,903	\$97,038	\$1,914,942	PICKAWAY	\$1,841,856	\$72,892	\$1,914,748
DELAWARE	\$4,961,596	\$183,976	\$5,145,572	PIKE	\$867,750	\$14,898	\$882,648
ERIE	\$3,755,146	\$151,072	\$3,906,218	PORTAGE	\$6,256,550	\$402,528	\$6,659,079
FAIRFIELD	\$5,023,119	\$223,436	\$5,246,555	PREBLE	\$1,517,967	\$61,541	\$1,579,508
FAYETTE	\$1,164,435	\$55,091	\$1,219,526	PUTNAM	\$1,454,011	\$51,404	\$1,505,415
FRANKLIN	\$75,772,462	\$8,868,974	\$84,641,435	RICHLAND	\$6,170,851	\$476,820	\$6,647,671
FULTON	\$1,978,312	\$136,051	\$2,114,363	ROSS	\$2,859,117	\$142,100	\$3,001,217
GALLIA	\$1,000,998	\$24,783	\$1,025,782	SANDUSKY	\$2,871,531	\$152,504	\$3,024,035
GEAUGA	\$2,736,457	\$94,018	\$2,830,474	SCIOTO	\$2,558,840	\$99,585	\$2,658,424
GREENE	\$8,134,264	\$235,319	\$8,369,582	SENECA	\$2,734,602	\$186,753	\$2,921,355
GUERNSEY	\$1,499,007	\$52,572	\$1,551,579	SHELBY	\$2,407,882	\$195,474	\$2,603,356
HAMILTON	\$53,133,890	\$5,822,864	\$58,956,754	STARK	\$15,879,210	\$1,126,400	\$17,005,610
HANCOCK	\$3,956,452	\$210,668	\$4,167,120	SUMMIT	\$34,652,749	\$3,001,206	\$37,653,955
HARDIN	\$1,218,623	\$53,673	\$1,272,296	TRUMBULL	\$9,122,329	\$459,153	\$9,581,482
HARRISON	\$618,265	\$12,543	\$630,808	TUSCARAWAS	\$4,332,512	\$178,182	\$4,510,694
HENRY	\$1,246,217	\$50,755	\$1,296,972	UNION	\$1,542,133	\$68,672	\$1,610,805
HIGHLAND	\$1,383,911	\$60,261	\$1,444,172	VAN WERT	\$1,322,182	\$76,678	\$1,398,861
HOCKING	\$890,855	\$34,366	\$925,221	VINTON	\$370,906	0	\$370,906
HOLMES	\$957,424	\$12,282	\$969,706	WARREN	\$7,035,340	\$368,830	\$7,404,169
HURON	\$2,707,285	\$218,214	\$2,925,500	WASHINGTON	\$2,366,669	\$117,237	\$2,483,906
JACKSON	\$1,155,742	0	\$1,155,742	WAYNE	\$4,945,478	\$232,207	\$5,177,685
JEFFERSON	\$3,888,788	\$181,409	\$4,070,197	WILLIAMS	\$1,933,882	\$129,198	\$2,063,080
KNOX	\$2,000,099	\$107,675	\$2,107,774	WOOD	\$5,765,410	\$417,021	\$6,182,431
LAKE	\$16,977,754	\$1,133,929	\$18,111,683	WYANDOT	\$1,040,941	\$50,429	\$1,091,371
LAWRENCE	\$1,899,866	\$34,065	\$1,933,931				
LICKING	\$6,600,197	\$309,141	\$6,909,338	TOTAL	\$611,897,591	\$50,016,007	\$661,913,598

¹ Includes dealers in intangibles tax distributions for counties.

² Includes \$3,054,986 redirected to the county's fiscal agent.