



Local Government Fund

The Local Government Fund (LGF) dates back to Jan. 1, 1935, when the state sales tax was established. 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.

Before January 2008, permanent law called for the state LGF to receive a portion of collections from four major taxes: sales and use, individual income, corporation franchise, and public utility excise taxes. Permanent law also called for the state Local Government Revenue Assistance Fund (LGRAF) to receive a portion of the four major taxes and 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." 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 enacted by House Bill 119 (127th General Assembly). Starting with the 2008 calendar year, the newly consolidated LGF received a 3.68 percent share of all general revenue tax collections.

Then, beginning in July 2011, amounts credited to the LGF were based upon percentages of amounts credited during FY 2011 per House Bill 153 (129th General Assembly). From July 2011 to June 2012, the LGF was funded at 75 percent of the FY 2011 distributions (with an additional \$49.27 million allocated to the LGF in FY 2012 only), and from July 2012 to June 2013, the LGF was funded at 50 percent of the FY 2011 distributions.

Under HB 59 (the main operating bill for FY 2014 and FY 2015), beginning in August 2013, the fund received 1.66 percent of all GRF tax revenue collections of the previous month.

During the 2014 calendar year, approximately \$322.1 million was distributed to counties and approximately \$28.0 million was distributed directly to municipalities from the Local Government Fund.

Revenue Source

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

Beginning with the August 2013 distribution, the fund

receives 1.66 percent of all GRF tax revenue collections of the previous month.

Distributions

(R.C. 5747.50, 5747.501)

Distributions are made to each county as follows:

- Subject to available resources, each county's undivided LGF fund receives a percentage share equal to 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 percentage share in subsequent calendar years.
- 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.

Counties are guaranteed an amount not less than \$750,000 or the amount they received during FY 2013. Any additional money needed to bring the counties onto the guarantee is contributed by counties that received more than the \$750,000 amount in proportion to their FY 2013 distributions.

Distribution Procedure

(R.C. 5747.50)

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

Use of Funds

(R.C. 5747.50- 5747.53)

The amount that each county receives from the state LGF is expressly designated for deposit into the county's undivided LGF. The amount received by a municipal corporation directly from the state LGF is paid into the municipality's general fund to be used for any lawful purpose.

Recent Legislation

House Bill 59, 130th General Assembly (FY 2014-2015 biennial budget bill; budget provisions effective July 1, 2013)

- set the July 2013 distribution equal to the July 2012 distribution.
- beginning with the August 2013 distribution, the fund receives 1.66 percent of all GRF tax revenue collections of the previous month.
- codifies that counties are guaranteed an amount not less than \$750,000 or the amount they received during FY 2013. Any additional monies needed to bring the counties onto the guarantee are contributed by counties that received more than the \$750,000 amount in proportion to their FY 2013 distributions.

House Bill 64, 131st General Assembly (FY 2016-2017 biennial budget bill; budget provisions effective July 1, 2015)

- reduces the total amount available for direct distribution to municipal corporations by \$5 million over FY 2016 and \$10 million over FY 2017. These amounts are to be deposited into the state’s Law Enforcement

Assistance Fund (Fund 5L50) to reimburse appointing authorities for costs associated with continuing professional education programs for appointed peace officers and troopers.

- reduces direct distribution to municipalities by \$1 million in each month of FY 2016 and FY 2017. Of this amount, the bill specifies that \$833,333 in each month shall be provided as a supplement to small townships and \$166,667 in each month shall be provided as a supplement to villages with populations under 1,000 residents in the 2010 federal decennial census.
- requires local governments that operated traffic cameras between March 23, 2015, and June 30, 2015 to file reports with the Auditor of State (AOS). For a local government that files a report and is noncompliant with state traffic camera law or delinquent in filing, the bill requires the Department of Taxation to reduce that jurisdiction’s direct municipal payments from the LGF or the jurisdiction’s distribution from the county undivided local government fund.

History of Major Changes

1934	Local Government Fund was created in December 1934. Revenue from the new 3 percent state sales tax was used for a county poor relief excise fund and a state public school fund, with remaining revenue to be used for the new “Local Government Fund.” State LGF was distributed to 88 county undivided LGFs based on each county’s proportionate share of municipal valuation.
1939	The earmarking concept was replaced by annual appropriations.
1945	LGF was distributed 75 percent based on each county’s share of municipal valuation and 25 percent based on population.
1972	Municipalities imposing an income tax receive 1/12th of the LGF.
1973	Fixed-dollar LGF allocations were replaced by revenue sharing concept; 3.5 percent of the state income tax, sales tax and corporate franchise tax were dedicated to the LGF. Minimum annual county undivided LGF distribution of \$150,000.
1982	The portion of the corporate franchise tax earmarked for the LGF was increased: 3.5 percent of franchise tax was earmarked for state LGF and 7.75 percent of the franchise tax was distributed to counties based on their share of 1981 intangibles tax revenues. Minimum LGF distribution increased to \$225,000.

1983	HB 291 repealed the special contribution schedule for the franchise tax; 14.5 percent of the franchise tax was dedicated to the LGF with no special allocations to counties based on historical intangibles tax. SB 293 remedied distributional inequalities and increased the fund by changing the corporate franchise tax share from 14.5 to 15.4 percent.
1987	HB 171 created the Local Government Revenue Assistance Fund (LGRAF). The percentage earmarked for the LGF increased to 4.5 percent in February 1988 and to 4.6 percent in July 1989. The LGRAF and LGF received monies from two additional state revenue sources: the use tax and the public utility excise tax.
1989	Funding for the LGRAF began in July 1989, comprised of 0.3 percent of the same major tax sources that fund the LGF; this share was scheduled to increase to 0.6 percent in FY 1991, 0.65 percent in FY 1992, and 0.70 percent in FY 1993. HB 111 stipulated that the LGRAF would be distributed based on population.
1991	HB 298 and HB 904 temporarily suspended the LGF and LGRAF funding percentages from January 1992 through July 1993, constituting a “freeze” on distributions.
1994	The “freeze” was lifted beginning in FY 1994, and the respective LGF and LGRAF funding percentages were reduced to 4.2 percent and 0.6 percent.

History of Major Changes - continued

2001	SB 3 enacted a kilowatt hour tax with a portion of revenues earmarked for the LGF (2.464 percent) and the LGRAF (0.378 percent). HB 94 enacted a "freeze" in which each county undivided LGF (as well as each municipality receiving a direct LGF distribution) and each county undivided LGRAF would receive the same amount that it received in FY 2001. The 125th and 126th General Assemblies continued the freeze.
2007	HB 119 extended the freeze through the end of calendar year 2007 and restructured LGF and LGRAF; LGRAF was consolidated into the LGF. LGF is funded based on 3.68 percent of all general revenue tax collections.
2012	HB 153 funded LGF at a percentage of prior year distributions in FY 2012 and FY 2013 with an additional appropriation in FY 2012. Beginning with the August 2013 distribution, the LGF receives 1.66 percent of all GRF tax revenue collections of the prior month. Guarantee that no county that received less \$750,000 in FY 2011 would have zero reduction in FY 2012 and FY 2013. Any county that received over \$750,000 after the "freeze" would receive no less than \$750,000.
2013	HB 59 codified that counties are guaranteed an amount not less than \$750,000 or the amount received in FY 2013.

2015	<p>Reduces the amount available for direct distribution to municipal corporations by \$5 million over FY 2016 and \$10 million over FY 2017. These amounts are to be deposited into the state's Law Enforcement Assistance Fund to reimburse appointing authorities for costs associated with continuing professional education programs for appointed peace officers and troopers.</p> <p>Reduces direct distribution to municipalities by \$1 million in each month of FY 2016 and FY 2017. Of this amount, the bill specifies that \$833,333 in each month shall be provided as a supplement to small townships and \$166,667 in each month shall be provided as a supplement to villages with populations under 1,000 residents in the 2010 Census of Population.</p> <p>Requires local governments that operated traffic cameras between March 23, 2015 and June 30, 2015 to file reports with the state auditor. For a local government that files a report and is noncompliant with state traffic camera law or delinquent in filing, the bill requires the department to reduce that jurisdiction's direct municipal payments from the LGF or the jurisdiction's distribution from the county undivided local government fund.</p>
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Local Government Fund and Dealers in Intangibles Distributions, Calendar Years 2010-2014						
Calendar Year	Local Government Fund		Dealers in Intangibles Tax		LGF and Intangibles Tax Combined	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
2010	\$649,981,842		\$13,534,972		\$663,516,814	
2011	648,162,293	-0.3	13,751,305	1.6	661,913,598	1.40
2012	464,967,126	-28.3	6,619	-100.0	464,973,745	-0.2
2013	357,452,112	-23.1	0	-100.0	357,452,112	-29.8
2014	350,096,602	-2.1	0	N/A	350,096,602	-2.1

Source: Ohio Department of Taxation

Table 2							
State Local Government Fund - Amounts Distributed to Counties and Municipalities, by County: Calendar Year 2014							
County	To Counties	To Municipalities	Total	County	To Counties	To Municipalities	Total
ADAMS	\$750,000	\$407	\$750,407	LOGAN	\$960,238	\$56,915	\$1,017,153
ALLEN	\$2,411,045	\$152,439	\$2,563,484	LORAIN	\$8,551,982	\$539,576	\$9,091,558
ASHLAND	\$1,124,492	\$79,492	\$1,203,984	LUCAS	\$12,990,276	\$1,698,827	\$14,689,103
ASHTABULA	\$2,130,799	\$112,622	\$2,243,421	MADISON	\$763,842	\$37,380	\$801,221
ATHENS	\$1,085,040	\$68,206	\$1,153,246	MAHONING	\$5,308,286	\$358,126	\$5,666,412
AUGLAIZE	\$1,216,965	\$84,645	\$1,301,610	MARION	\$1,404,954	\$95,927	\$1,500,881
BELMONT	\$1,504,091	\$11,328	\$1,515,419	MEDINA	\$3,614,870	\$153,885	\$3,768,755
BROWN	\$750,000	\$7,949	\$757,949	MEIGS	\$686,137	\$4,831	\$690,968
BUTLER	\$7,661,848	\$538,959	\$8,200,807	MERCER	\$986,003	\$33,910	\$1,019,914
CARROLL	\$750,000	\$7,399	\$757,399	MIAMI	\$2,716,747	\$204,207	\$2,920,954
CHAMPAIGN	\$764,338	\$41,706	\$806,044	MONROE	\$440,232	\$2,793	\$443,025
CLARK	\$3,016,729	\$250,296	\$3,267,025	MONTGOMERY	\$16,510,109	\$1,917,551	\$18,427,660
CLERMONT	\$2,310,120	\$25,683	\$2,335,804	MORGAN	\$442,257	\$4,516	\$446,774
CLINTON	\$855,807	\$29,853	\$885,660	MORROW	\$750,000	\$10,074	\$760,074
COLUMBIANA ¹	\$2,180,169	\$93,205	\$2,273,374	MUSKINGUM	\$1,617,565	\$104,577	\$1,722,143
COSHOCTON	\$760,659	\$28,008	\$788,667	NOBLE	\$401,561	\$0	\$401,561
CRAWFORD	\$1,114,072	\$65,986	\$1,180,058	OTTAWA	\$884,450	\$30,481	\$914,931
CUYAHOGA	\$56,900,554	\$6,287,206	\$63,187,760	PAULDING	\$713,525	\$938	\$714,463
DARKE	\$1,259,698	\$49,636	\$1,309,333	PERRY	\$750,000	\$9,148	\$759,148
DEFIANCE	\$947,534	\$54,339	\$1,001,873	PICKAWAY	\$971,962	\$40,818	\$1,012,780
DELAWARE	\$2,565,760	\$103,022	\$2,668,782	PIKE	\$750,000	\$8,342	\$758,342
ERIE	\$1,976,176	\$84,597	\$2,060,773	PORTAGE	\$3,308,369	\$225,406	\$3,533,775
FAIRFIELD	\$2,644,078	\$125,119	\$2,769,197	PREBLE	\$801,945	\$34,461	\$836,407
FAYETTE	\$750,000	\$30,850	\$780,850	PUTNAM	\$770,448	\$28,785	\$799,233
FRANKLIN	\$39,156,316	\$4,966,406	\$44,122,722	RICHLAND	\$3,229,201	\$267,007	\$3,496,209
FULTON	\$1,047,953	\$76,185	\$1,124,138	ROSS	\$1,508,572	\$79,573	\$1,588,145
GALLIA	\$750,000	\$13,878	\$763,878	SANDUSKY	\$1,517,024	\$85,399	\$1,602,423
GEAUGA	\$1,448,851	\$52,648	\$1,501,499	SCIOTO	\$1,347,299	\$55,765	\$1,403,064
GREENE	\$4,298,831	\$131,773	\$4,430,603	SENECA	\$1,446,671	\$104,577	\$1,551,248
GUERNSEY	\$788,842	\$29,439	\$818,281	SHELBY	\$1,269,266	\$109,460	\$1,378,727
HAMILTON	\$27,072,008	\$3,260,660	\$30,332,667	STARK	\$8,265,041	\$630,756	\$8,895,797
HANCOCK	\$2,070,454	\$117,969	\$2,188,423	SUMMIT	\$18,038,815	\$1,680,601	\$19,719,416
HARDIN	\$750,000	\$30,055	\$780,055	TRUMBULL	\$4,814,817	\$257,114	\$5,071,931
HARRISON	\$593,998	\$7,024	\$601,022	TUSCARAWAS	\$2,281,136	\$99,777	\$2,380,913
HENRY	\$750,000	\$28,421	\$778,421	UNION	\$814,071	\$38,455	\$852,525
HIGHLAND	\$750,000	\$33,745	\$783,745	VAN WERT	\$750,000	\$42,938	\$792,938
HOCKING	\$750,000	\$19,244	\$769,244	VINTON	\$356,348	\$0	\$356,348
HOLMES	\$750,000	\$6,877	\$756,877	WARREN	\$3,603,091	\$206,536	\$3,809,627
HURON	\$1,432,509	\$122,195	\$1,554,703	WASHINGTON	\$1,242,112	\$65,650	\$1,307,762
JACKSON	\$750,000	\$0	\$750,000	WAYNE	\$2,611,891	\$130,030	\$2,741,921
JEFFERSON	\$2,055,485	\$101,585	\$2,157,070	WILLIAMS	\$1,023,478	\$72,348	\$1,095,826
KNOX	\$1,054,658	\$60,295	\$1,114,953	WOOD	\$2,982,860	\$233,522	\$3,216,382
LAKE	\$8,958,760	\$634,972	\$9,593,733	WYANDOT	\$750,000	\$28,239	\$778,239
LAWRENCE	\$997,752	\$19,076	\$1,016,827				
LICKING	\$3,485,027	\$173,111	\$3,658,138	Total	\$322,088,873	\$28,007,728	\$350,096,602

Source: Ohio Department of Taxation

¹ Includes \$1.1 million redirected from Columbiana County to its fiscal agent.