HANDBOOK
Ohio County Commissioners
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CHAPTER 23

OHIO'S LOCAL GOVERNMENT FUND (LGF)

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23.01 INTRODUCTION

Ignited by the 1929 Wall Street Crash on that day in October which became known as "Black Thursday" the Great Depression had settled in over Ohio. Ohioans were hurting and so were their local governments. Ohio's overall unemployment rate was over 37% in 1932. By 1933 more than 40% of factory and 67% of construction workers were unemployed. Nearly 50% of industrial workers in Cleveland were unemployed. In Toledo the figure skyrocketed to 80%. And for those workers lucky enough to still be working in manufacturing jobs they often faced reduced hours and wages. And city dwellers were flocking to the country hoping to be able to grow enough food to feed their families.[1]

Given the magnitude of the jobless problem it was no surprise that homeowners could pay neither their mortgages nor their taxes. Foreclosures of property left many Ohioans homeless and local government property taxes went unpaid. In 1932 and 1933 property taxes, "the mainstay of local finances for over a century and a quarter had come perilously close to breaking down."[2] In many of Ohio's smaller municipalities "anywhere from one-half to three-quarters of property taxes were delinquent . . . and for the state as a whole the average delinquency on current levies was twenty five percent."[3] In 1931 statewide property tax collections were $281 million. In 1932 this amount dropped to $210 million and the following year it fell again to $190 million.[4]

In the wake of this crisis, in 1933, the Ohio Constitution was amended to reduce the limit on unvoted property taxes, also known as "inside millage," from 15 mills to 10 mills. This action reduced current revenue from inside millage by approximately one-third, piling on yet another fiscal challenge to local governments. It was within this economic and cultural context that the Ohio General Assembly enacted Ohio's first sales tax which also established the Local Government Fund.

This Chapter of the *Handbook* discusses Ohio's Local Government Fund (LGF). It will also include some basic, but less detailed, information on Ohio's Public Library Fund (PLF). Both the LGF and PLF are forms of state revenue sharing to local governments and libraries. Both were established during a time when local government services were highly valued by the executive and legislative branches of state government.

For example, even before the establishment of the LGF, earmarking of state revenue for local purposes was not uncommon. Prior to the establishment of the LGF, however,

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[1] The Ohio History Connection. Web Site: http://www.ohiohistorycentral.org/w/Great_Depression?rec=500 . October, 2014.

[2] Ohio Department of Taxation. *A Study of the Tax and Revenue System of the State of Ohio and its Political Subdivisions,* 1947.

[3] Ibid

[4] Ohio Tax & Revenue Commission. Griffenhagen & Associates. The Tax System and Problem & a Proposed Tax Program. Report #10. November 25, 1938.

earmarking of state revenue was for particular governmental units or for specific functions—like schools and poor relief. In 1937, as shown in Table 23-1, the state actually shared nearly three-quarters of total state tax revenue with local governments and schools. Likewise, when considering total state revenue of approximately $217 million, the state shared $116.5 million, or nearly 54% with local governments and schools.

The LGF was established by the General Assembly in 1934 to provide funds for counties, municipalities, townships, and park districts. In 1972, with the enactment of Ohio's state income tax late in the previous year, a dedicated portion of the LGF was set aside solely for distribution to municipalities that levied a municipal income tax. In 1989 the General Assembly established a "second local government fund", the Local Government Revenue Assistance Fund (LGRAF). This fund was similar to the LGF except that no funds were distributed directly to municipalities and the monies in the State Local Government Revenue Assistance Fund (SLGRAF) were distributed to counties entirely on the basis of population, as the state formula did not include a municipal property value factor. This fund no longer exists because it was combined with the LGF in 2008.

The PLF was established in 1985 to fund Ohio's 250 local library districts. The PLF was designed to replace revenue that libraries formerly received from the locally-collected intangible property tax that was repealed in 1986.

The LGF is used by counties, townships, municipalities, and park districts for current operating expenses. Current operating expenses includes all lawful expenditures of a subdivision, except expenditures for public improvements having an expected life of more than five years and debt service principal and interest payments. The PLF is used almost exclusively by public libraries.

This Chapter will trace the history of the LGF and PLF; discuss how state tax revenues are allocated to both funds; explain the formula and methodology used to distribute state tax revenues back to certain municipalities and to the 88 county undivided local government funds (ULGF's) for redistribution within the county; summarize the method used to distribute state tax revenues back to the 88 undivided public library funds; describe the formulas and process used by the county budget commission to make distributions from both funds to eligible entities within each county; and, summarize the process to appeal decisions of the county budget commission to the board of tax appeals. Finally, this Chapter will also summarize some of the recent changes enacted as a part of the FY16/17 state biennial budget (HB 64), some of which are in effect only during FY 16 and 17.

At the end of the Chapter, a series of exhibits and tables will trace historical changes in the LGF, total revenue distributed by year, and other items that will help readers better understand these state revenue sharing programs and recent changes which have reduced funding to both the LFG and PLF.

23.02 TERMINOLOGY USED IN THIS CHAPTER

This Chapter uses a variety of terminology that is shown in abbreviated form in an effort to make it easier to read and understand. Following are some of the abbreviations used:

- BTA—Refers to the Ohio Board of Tax Appeals that among other things hears appeals from political subdivisions if they are not satisfied with distributions made by the County Budget Commission of the County Undivided Local Government Fund.

- CBC—Refers to the County Budget Commission composed of the county auditor, treasurer, and prosecuting attorney and which has responsibility to allocate monies in the County Undivided Local Government Fund and the County Undivided Public Library Fund to political subdivisions and libraries in the county.

- SLGF—Refers to the State Local Government Fund, a fund in the state treasury from which distributions are made to certain municipalities and to County Undivided Local Government Funds where the CBC distributes the funds pursuant to either a statutory or alternative formula.

- County ULGF or ULGF—Refers to the fund in the county treasury to which monies received from the SLGF are deposited and from which distributions are made to political subdivisions by the CBC.

- SLGRAF, LGRAF, County Undivided LGRAF—Refers to the state or county funds that were formerly used to hold and account for the Local Government Revenue Assistance Fund, a second revenue sharing program that was established in 1989 and merged with the SLGF in 2008 and which had implications on how funds were distributed even after it no longer existed.

- SPLF—Refers to the State Public Library Fund. Like the SLGF the SPLF is distributed to counties and placed in a County Undivided Public Library Fund until it is distributed to local libraries by the CBC.

23.03 EARLY HISTORY OF THE LOCAL GOVERNMENT FUND (LGF)

HB 134 of the 90th General Assembly established the Local Government Fund (LGF). It was passed by the Legislature on December 6, 1934. The legislation also enacted Ohio's first sales tax, a bracketed 3% tax. According to the Act the purpose of the legislation included:

> Providing for the levy and collection of a tax upon sales of tangible personal property at retail, for the purposes of emergency poor relief, of affording the advantage of a free education to all the youth of the state, of the general revenues of the state, and of affording revenues, in addition to

those from general property taxes permitted under the constitutional limitations, for the support of local governmental activities.[5]

Governor George White, Ohio's 52nd Governor, signed the legislation a few days after passage to become effective on January 1, 1935. The sales tax was only enacted for one year, but in December of that year it was extended until March, 1937. A year later the sales tax was again extended, but this time with no sunset date.

According to a Cleveland Plain Dealer article on the day Governor White signed the legislation, the Governor declared: "I shall now approve the sales tax with the knowledge that, by doing so, our schools and local governments will be saved from bankruptcy and chaos in the year 1935." Enactment was achieved only "following a raging two year debate".[6]

HB 134 provided that sales tax receipts collected in 1935 would be allocated for three primary uses. A minimum of at least $4 million would go to the "county poor relief excise tax fund" for welfare related purposes. After deductions for state administrative and other purposes, 60% of the remainder would go to the "state public school fund" and all remaining funds, or 40% of the residual, would go to the Local Government Fund "for the purpose of supplementing the local revenues from taxes on property according to value and from other taxes and income available for essential local government purposes." Further, the Act provided that:

> Essential local government purposes includes all functions which any subdivision is required by general law to exercise or discharge, including like functions which are exercised under a charter adopted pursuant to the constitution of this state. Local government by definition for this purpose includes counties, municipal corporations, park districts, and townships.

In 1935, the first year of the LGF's operation, local governments received $10.7 million, or 23.8% of total first year sales tax collections of $45.1 million. That first year the other allocations included $4.0 million for county poor relief; $4.5 million for state emergency poor relief; $16.1 million for the school fund; and $9.8 million for the state general revenue fund. Tables 23-2 and 23-3 include additional data on funding of the SLGF from 1935-1947.

The $10.7 million was distributed to the counties for redistribution within the county on the basis of municipal real, public utility and tangible personal property values during the previous five years. The formula involved adding the municipal property values within all municipalities in each county and dividing this county total by the property values of all property located inside all municipalities statewide, yielding a percentage. Thus,

[5] Ohio Legislative Service Commission. *Local Government Fund in Ohio.* Staff Report to Committee to Study Local Government Financing, April, 1957.
[6] Marshall, Aaron. *Ohio's Pact to Support Local Governments has a 76-Year History.* Cleveland Plain Dealer, March 27, 2011

none of the property values attributable to any unincorporated areas were included in the original formula—a major advantage to local governments in urban counties. This was the beginning of the principle of general operating “revenue sharing” between the State of Ohio and its local governments.

At the county level, each county budget commission was directed to distribute the monies on the basis of “need” for revenue for current operating expenses. In making this determination the commission was to review all tax budgets and revenues from all sources and then determine each subdivision’s “need” to maintain services for “essential local government purposes.”

The law granted a great deal of discretion to the county budget commission. In subsequent years the discretion of the county budget commission would be constrained by legislative action as would the urban county formula advantage for sending monies back to the 88 counties.

Also, as time went on, different funding streams were added to the revenue pot. In 1947, revenue from certain state-collected intangibles taxes was added as a second source of funding. Also in 1947 the Legislature established a County ULGF minimum of $25,000 per year. The concept of a County ULGF minimum has remained in the law since that time.

In 1972, with the enactment of the personal income tax under the Administration of Governor John Gilligan, a portion of the personal income tax was added to the formula along with a portion of the corporate franchise tax. Later, the use tax and the public utility excise tax were added to provide greater reliability to the revenue stream. In 1989 a second revenue sharing fund was created by the General Assembly, the Local Government Revenue Assistance Fund (LGRAF). The LGRAF was later combined with the original LGF in 2008. Finally, as a result of Ohio deregulating its electric industry in 2001, a percentage of the newly-created kilowatt hour tax was added as a source of revenue. Tables 23-4 to 23-8 includes data on the SLGF from 1948-2013, historical data on the LGRAF, and the County ULGF minimums as they have changed over the years.

The next section of this Chapter will discuss the more recent significant changes to the LGF. For a more detailed summary tracing the interesting history of major changes to the LGF that are not detailed in these two sections refer to Exhibit 23-1.

23.04 RECENT ACTIONS IMPACTING THE LOCAL GOVERNMENT FUND

While recent actions reducing the LGF are well known by many, what is not well known is that almost from the beginning there was considerable debate about the type and amount of state assistance that should be provided to Ohio local governments. Before 1935 tax sharing with local governments had generally been for specific or categorical purposes. The LGF was the first time that state revenues were shared for general operating purposes and this was done during the Great Depression when most realized that action was unquestionably required. But as early as 1938 questions were being raised by the Ohio Tax & Revenue Commission about whether the state should continue providing revenue to its local governments as the economy started to rebound and the state needed more revenue. According to a report issued by the Commission:

> The principal tax problems today are directly related to the great new cost to state taxpayers of large aids to local governments, about $134 million out of a total state and local tax bill of $393 million, excluding social security and minor quasi taxes.[7]

Further the Commission lamented that prior to 1935 Ohio**:**

> **. . .** did not share its taxes with localities for general local government use . . . when a substantial allocation of a part of the yield from the retail sales tax was made. It is important to note that the allocation of taxes to the school fund or relief or local highways is a very different means of giving support to local governments from sharing the retail sales tax for local purposes, the allocation by counties only on the tax duplicate with no 'foundation' or other 'program' to direct the funds to localities where funds are most needed[8]

Similar to some reform advocates today the Ohio Tax & Revenue Commission believed that local government reform and consolidation could reduce the need for significant state assistance and included such recommendations as the elimination of townships, consolidation of school districts, and even that the number of counties be reduced by 75% to about 20 counties. Finally, the Commission recommended "that steps be taken to induce, if not require, improvement in the form of county government" including a county board (of commissioners) without administrative duties, a county executive responsible to the board for administrative duties, and "appointment of all county officials and employees, other than board members, on the basis of their fitness, under strict merit provisions".[9]

Since 1935 the SLGF had generally been supported by Governors and the Legislature. While before 2000 there were periods when the state commitment to its local governments could be questioned, with the dawn of the new century this former commitment seems to have eroded from the earlier years. The concept of partnerships in the delivery of services to Ohioans by state government and its local governments

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[7] Ohio Tax & Revenue Commission. Griffenhagen & Associates. *The Tax System and Problem & a Proposed Tax Program.* Report #10, page ii. November 25, 1938.

[8] Ohio Tax & Revenue Commission. Griffenhagen & Associates. *The Tax System and Problem & a Proposed Tax Program.* Report #10, page 31. November 25, 1938.

[9] Ohio Tax & Revenue Commission. Griffenhagen & Associates. *The Allocation and Financing of Local Government Functions in Ohio.* Report #11, pages iv, v, 8, 11-12. November 30, 1938.

has substantially changed—the new Century has not brought good news for local governments in Ohio.

In 2001, as one of many steps taken in response to a slumping economy and an accompanying drop-off in state tax revenues the LGF and LGRAF permanent law formulas were “temporarily” suspended with the enactment of HB 94. Both funds were essentially frozen between August 2001 and July 2003. The economy continued to decline such that the freeze actually gave local governments more funding than they would have received if the permanent law revenue sharing formula had been used. In response, the Legislature, at the urging of the Governor “took back” this excess money in what can only be described as state government wanting the best of both worlds.

In 2003, HB 95, the FY 04/05 State Budget, continued the freeze from the previous biennium and under even gloomier economic realities the General Assembly reduced local government and library funding by an additional $30 million. In the FY 06/07 State Budget, HB 66 again extended the freeze for the next two years.

But it was during the FY 08/09 State Budget that the SLGF went through even more significant changes. HB 119 dramatically changed and revamped the LGF law. The LGF and LGRAF had been frozen by “temporarily” setting aside the revenue sharing formulas in permanent law in two year operating budgets by the 124th, 125th and 126th General Assemblies from mid-2001 through mid-2007 as explained above. In HB 119 the 127th General Assembly extended the freeze through the end of CY 2007 but also took the following actions starting on January 1, 2008:

1. The SLGRAF was combined with the SLGF so there was only one fund. With the combination of the two funds approximately 92% of the new combined SLGF is distributed to County ULGF’s and 8% directly to municipalities that levied income taxes in CY 2007.

2. Permanent law was modified so that the new LGF received 3.68% of all state general revenue tax sources. Prior permanent law provided that the SLGF received 4.2% of the sales and use, personal income, corporate franchise, and the public utility excise taxes and 2.646% of the kWh tax. The SLGRAF had previously received .6% of the same four taxes and .378 of the kWh tax.

3. Distributions to each County ULGF from the SLGF were to be in proportion to what each County ULGF received in CY 2007. Beginning in CY 2008 no County ULGF would receive less than what it received from both the SLGF and the former SLGRAF in CY 2007. The CY 2007 combined amount for both funds was $698.3 million.

4. In the case of direct distributions from the SLGF (8% of the total) to the more than 500 municipalities levying income taxes, each was guaranteed in CY 2008 and later years what they received in CY 2007, which was equal to $58.1 million

statewide. If there is not enough money to make these distributions to municipalities, then each County ULGF and each municipality gets a prorated share of the SLGF proportionate to what they received in CY 2007. The fact that no additional revenue on top of the CY 2007 amount may be distributed to municipalities essentially froze the amount of dollars going to each municipality and also foreclosed any municipalities from participating if they enacted an income tax later. Likewise municipal income rate adjustments are not considered in the future because the formula is established permanently based on CY 2007 amounts.

5. If additional revenue is available it is then distributed to the 88 County ULGF's based on the county's percentage of total state population. This provision of the formula for distribution of the SLGF to the 88 County ULGF's has little relevance today because with recent 50% cuts to the SLGF, the amount distributed in CY 2013 was equal to only $329.1 million and this per capita distribution will only occur if the amount to be distributed exceeds the $698.3 million distributed from both the SLGF and the SLGRAF in CY 2007 as will be explained in greater detail in Sections 28.07, 28.08 and 28.081 of this Chapter.

Prior to the adoption of the FY 12/13 State Budget, the state found itself with an $8 billion budget shortfall that needed to be filled.

HB 153, effective 7-1-11, essentially cut the LGF by 50% over the two year state budget period. The bill provided that the LGF would receive 75% of the July 2010 through June 2011 amount starting in August 2011. Then beginning in August of 2012 the LGF would receive 50% of the July 2010 through June 2011 amount. In addition the following other provisions were contained in HB 153:

1. Beginning in August 2011 through June 2013 each County ULGF and each municipality receiving a direct distribution from the SLGF is to receive the same percentage share it got in the respective month of FY 11. Because the law was partially based on what counties received in CY 2007 the percent was the same during all months.

2. For FY 12 only an additional $49.27 million went to LGF.

3. Beginning in January 2012 the County ULGF will no longer receive any of the tax levied on dealers in intangibles, a source since 1948. Any County ULGF which received less than $750,000 during FY 11 will receive no reduction in monthly distributions during FY 12/13.

4. Any County ULGF that received more than $750,000 in FY 11 that would go under this amount would receive no less than $750,000. Both of these provisions relating to statutory minimums included additional appropriations by the General Assembly and thus did not impact the distributions of counties above

the minimum. Later, however, these additional appropriations to fund the counties subject to the statutory minimum would not be continued and provisions of the law required all counties above the statutory minimum to fund counties subject to the statutory minimum.

5. Provided that the SLGF would return to a percentage of tax receipts formula beginning in FY 14. The percentage would be calculated on the basis of the FY 13 SLGF distributions divided by total state general fund tax collections.

Also, in the FY 13/14 State Budget, HB 59, the July 2013 distributions were set at the same amount as the July 2012 distributions. Then beginning in August 2013 the LGF received 1.66% of total state general fund taxes. This percentage was calculated as previously explained above. The Budget also included a provision making the County ULGF statutory minimum $750,000 *or* the amount actually received by the SLGF during FY 13 permanent. If additional monies are needed to bring the counties up to the statutory minimum the amounts are subtracted from the counties above the "floor" in proportion to their FY 13 amount.

Unlike the previous provisions relating to County ULGF statutory minimums, no additional funding was provided to fund the statutory minimum as was the case in HB 153. As a result, counties above the statutory minimum subsidize those counties that are entitled to the statutory minimum under the law, effectively becoming "donor counties." In addition, the statutory minimum is based on FY 13 which necessitates a relatively complex series of reconciliations in June of each year, the end of the state fiscal year.

23.041 SPECIAL PROVISIONS CONCERNING DIRECT MUNICIPAL DISTRIBUTIONS DURING FY 16/17

The state biennial budget bill for FY 16/17 (HB 64) included provisions in temporary law that will impact the direct distribution of funds to those municipalities that levy municipal income taxes. Unlike the provisions related to red light cameras as discussed in the next Section, which are changes to permanent statutory law, at this time, these provisions will sunset on June 30, 2017, unless extended or made permanent in the next state budget bill or in other legislation. The two changes that will impact the "municipal pot" that is directly distributed to those municipalities levying income taxes are:

1. <u>Reallocation of Funds for Small Townships and Villages</u>—During each of these two fiscal years the amount of money distributed directly to municipalities by the state from the "municipal pot" will be reduced by $12 million. Ten million will be sent to County ULGF's to be distributed by County Budget Commissions to all townships and $2 million will be distributed to villages with a population of less than 1000, based on the 2010 Federal Census. Each month $1 million will be

taken from the "municipal pot" and distributed to the 88 County ULGF's for redistribution to all townships and eligible villages. The funds will be distributed on the basis of a two part formula—road miles and equal shares.

Thus in the case of townships each township in Ohio will each month receive a portion of $833,333. Half of this amount will be distributed so that each township gets an equal share and the other half is distributed on the basis of the number of road miles each township has as a percent of total township road miles. Likewise, in the case of villages, those villages with less than 1,000 people will receive a monthly amount based on a total distribution of $166,666. Half of this amount will be on the basis of equal amounts for all villages under 1,000 people and the other half will be based on their percentage of village road miles for those under the population threshold.

The Tax Commissioner sends these distributions to the county treasurer and identifies the amount each township or village is entitled to and the amounts from the equal distribution and road mileage shares. The monies received by the ULGF in this way, do not go through the regular CBC distribution process (Section 375.10, HB 64 of the 131st General Assembly).

2. Reallocation of Funds for Law Enforcement Officers Training Requirements—During FY 16, $5 million of money distributed directly to municipalities levying income taxes is diverted to the Law Enforcement Assistance Fund (LEAF) at the Attorney General's office to reimburse for new training requirements required of all law enforcement officers. During FY 17 this amount increases to $10 million.

   The Ohio Peace Officer Training Commission is directed to require every police agency, including the county sheriff, to have their appointed peace officers complete a total of 11 hours of continuing professional training in CY 2016 and a total of 20 hours in CY 2017. The current requirement is four hours per year.

   The appointing authority for the police agency receives reimbursement for the training from the Law Enforcement Assistance Fund (ORC Sections 109.802 and 109.803). 100 percent of the 11 hours of training required for FY 16 will be reimbursed. In FY17 each appointing authority will be reimbursed 100 percent for 11 of the required 20 hours. Of the remaining nine hours each appointing authority will receive reimbursement at the rate of 100 percent for the first fifty full-time officers and 80 percent for any additional full-time officers.

   Previously the Law Enforcement Assistance Fund (LEAF) had been funded with casino revenue. The budget directs additional funding derived from the "municipal pot" be transferred to the LEAF. Each month during FY 16, the amount diverted to LEAF will be $416,666. In FY 17 this amount will increase to $833,333 (Section 221.10, HB 64 of the 131st General Assembly).

23.042 PROVISIONS CONCERNING RED LIGHT CAMERAS IMPACTING THE LOCAL GOVERNMENT FUND

The state biennial budget bill for FY 16/17 (HB 64) included provisions relating to the controversy over "red light cameras" that may impact the Local Government Fund. ORC Section 4511.0915 requires that any municipality, county, or township that operated a traffic light photo monitoring device, or red light camera, between March 23, 2015 and June 30, 2015 to either file quarterly reports or statements of compliance with the State Auditor, within 30 days of their due date, as follows:

1. If the red light camera was operated without being in full compliance with statutory provisions requiring a law enforcement officer to be present at the location of the camera at all times during the operation of the device and the jurisdiction also complies with other requirements relating to signage, a traffic safety study, and public awareness requirements, then the report must include a detailed statement of the fines the jurisdiction has billed to violators and the gross amount of fines that have not been billed.

2. In the red light camera was operated in full compliance with the above requirements a signed statement of compliance with the statutory provisions.

The State Auditor forwards a copy of each report and statement of compliance with the Tax Commissioner or notifies the Commissioner of the names of each political subdivision that was required to file a report or statement of compliance and did not do so.

The law then directs the Tax Commissioner to take various actions. In the case where a municipality, county or township is delinquent because they have not filed a report or a statement of compliance, the Tax Commissioner must do the following:

1. In the case the delinquent subdivision is a municipality the payments from the "municipal pot" cease beginning with the next monthly payment. Notice is also given to the county auditor and treasurer directing that municipal payments from the ULGF should also cease beginning with the next required payment and until further notice is provided by the Commissioner.

2. In the case the delinquent subdivision is a county or township the Tax Commissioner provides notice to the county auditor and treasurer directing that payments to the county or township from the ULGF should also cease beginning with the next required payment and until further notice is provided by the Commissioner.

When a delinquent report or statement of compliance is submitted to the State Auditor the payments to subdivisions commence again at the next required payment from both the “municipal pot” and the ULGF, after notification is given to the county auditor and treasurer (ORC 5747.502).

In the case where a subdivision has filed a report but is not in full compliance with statutory requirements, these subdivisions are referred to as “noncompliant.” In the case of noncompliant municipalities, the Tax Commissioner reduces the municipal distribution from the “municipal pot” over a three month period by an amount equal to one-third of the gross amount of fines detailed in the required report. If the amount of the reduction required from the “municipal pot” is greater than the amount of the direct municipal distribution the Tax Commissioner then notifies the county auditor and treasurer, who must withhold one-third from each of the next three ULGF distributions.

The amounts reduced from the “delinquent” or “noncompliant” subdivisions are permanently lost by such political subdivisions. However, the reduced amounts from delinquent and noncompliant subdivisions are not lost to the county and will benefit other political subdivisions in the county. In the case where the tax commissioner has reduced the amount distributed to municipalities from the “municipal pot”, this amount of money is paid to the county where the municipality is located and placed in the ULGF and distributed to the other political subdivisions in the county on a pro rata basis. Likewise, if funds were withheld from any political subdivision from the ULGF as the direction of the Tax Commissioner for being “delinquent” or “noncompliant”, these withheld funds are also distributed to other political subdivisions from the ULGF on a pro rata basis.

23.05 BRIEF DESCRIPTION OF HOW THE LOCAL GOVERNMENT FUND WORKS

The LGF has undergone many changes since 1935 but the basic elements of the program have remained fairly constant since its establishment during the Great Depression. A designated portion or amount of state revenues are deposited into the State Local Government Fund (SLGF); a formula is used to allocate the monies monthly to the 88 County Undivided Local Government Funds (ULGF); and county budget commissions (CBC) determine the distribution of the County ULGF monies to counties, cities, villages, townships and park districts. Local governments not satisfied with the allocation of the CBC may appeal to the State Board of Tax Appeals (BTA).

Under the original LGF law the CBC allocated revenue on the basis of “need”. Currently, the law allows two methods by which ULGF monies may be allocated, either by a “statutory formula” or an “alternative formula”. Under a statutory formula the CBC follows strict statutory provisions for the determination of “need”. An alternative LGF formula may include virtually any factor or factors desired locally provided that the alternative formula must be approved by the county commissioners, the legislative authority of the largest city wholly or partially located in the county, and by a majority of the other municipalities and townships in the county, excluding the county’s largest city. Thus, both the county and the county’s largest city are granted the right to veto an alternative formula.

23.06 SOURCES OF REVENUE FOR THE LGF

The SLGF is currently composed of 1.66% of state tax revenue credited to the state general revenue fund. This amount was calculated in July 2013 by the Tax Commissioner, and first used with the August 2013 distributions, by dividing the total amount distributed to the SLGF in FY 13 by the total amount of tax revenue credited to the state general revenue fund during that same period (ORC 131.51(A)(1)). This occurred after the 50% cut to the SLGF that occurred during two previous years. Prior to this, permanent law provided that the fund received 3.68% of state general revenue fund taxes. The 1.66% is transferred to the SLGF on or before the 7th day of each month for general fund tax collections received during the prior month.

The SLGF also may receive funds when there is a surplus in the state budget. The General Assembly has provided that, when available, budget surpluses are to be refunded to taxpayers. Not later than July 31 of each year the Ohio Office of Budget and Management (OBM) is required to determine if surplus revenue exists at the end of the previous fiscal year. If the surplus is greater than .5%, then the surplus is first allocated to the state budget stabilization, or rainy day fund until the balance in the rainy day fund reaches 8.5% of state GRF revenues during the previous fiscal year. Any excess after this allocation then goes to the income tax reduction fund. OBM then calculates a percentage that represents the balance in the income tax reduction fund divided by the estimated income tax revenue for the current year. If that percent is greater than .35% this amount is then used to reduce individual income taxes (ORC 131.44(B)).

The General Assembly also has provided that funding to the LGF not be reduced because of any income tax refunds that might be made to taxpayers. In this case, OBM is required to transfer funds to the SLGF from the income tax reduction fund " . . . as necessary to offset revenue reductions resulting from the reduction in taxes . . ." (ORC 131.44(C), See also ORC 5747.02(B)).

The sources of revenue that have comprised the Local Government Fund have changed numerous times since its establishment. Originally the SLGF was made up of specified "residual" percentages of the state sales tax. During the period 1935-1938 between 24% and 34% of the residual sales tax went to the SLGF. After these first four years the LGF became subject to specific appropriations from the General Assembly from the sales tax and for a short period of time from the state personal income tax. In the early 1970's the LGF reverted to a percentage of tax receipts formula, with varying percentages of various taxes allocated to the fund. Beginning in 1947 County ULGF's also started to receive portions of various state-collected intangible taxes, and for a number of years these were greater contributors to County ULGF's than were state shared taxes from the SLGF. The state-collected intangibles taxes were not distributed through the SLGF and thus were not subject to the regular formula for distribution to the 88 County ULGF's. Instead, these taxes were distributed back to counties on a "situs" basis, reflecting the county where the intangible tax was derived. Exhibit 23-1 is a LGF Timeline that includes changes that have taken place in LGF revenue sources through the years.

23.07 DIRECT DISTRIBUTIONS FROM SLGF TO MUNICIPALITIES

Direct distributions to municipalities date from 1972 when the state personal income tax became effective. Municipal interests believed that the enactment of a state income tax would make it more difficult to enact new municipal income taxes or to increase current rates, especially because municipal income taxes greater than 1% must be approved by the voters.

In response to this concern the Legislature set aside one-twelfth of an enlarged SLGF exclusively for municipalities that levy municipal income taxes. This direct distribution to cities and villages from the SLGF went to each municipality that levied a municipal income tax. The basis of the distribution was the relative share of statewide municipal income tax collections. In later years the one-twelfth increased to one-twelfth plus an additional $6 million and later to a one-tenth share of the total. This direct distribution is commonly referred to as the "municipal pot."

Under current permanent statutory law the "aggregate municipal share" is equal to approximately 8% of the total SLGF. This amount was determined by dividing the total amount all municipalities received from the SLGF in CY 2007 by the combined total amount of the SLGF and the SLGRAF (ORC 5747.50(C)(1)(a)). The percentage was reduced from 10% to approximately 8% because direct distributions were not made to municipalities from the SLGRAF while it existed.

A number of changes have occurred impacting the "municipal pot" since its original establishment, which are detailed in the LGF Timeline in Exhibit 23-1. Currently, approximately 500 cities and villages share in this "pot". Because of changes in the law only those municipalities which had income taxes in effect in CY 2007 are eligible to receive funds from the municipal share of the SLGF. Thus, each municipality which receives a direct distribution from the SLGF is entitled to a percentage equal to its percent of total statewide distributions from the SLGF in CY 2007.

Other more recent changes concerning the direct distribution of the "municipal pot" were enacted as a part of the FY 16/17 biennial budget, HB 64. As discussed in more detail earlier in this Chapter, for FY16 and 17 only, a portion of the direct distribution pot may be suspended or reduced. During these two fiscal years, monies will be reallocated to villages with a population of less than 1,000 and townships. Likewise, funds will be transferred to reimburse law enforcement agencies for new training requirements that were enacted as a part of the state budget bill. Also, additional monies from the "municipal pot" can be suspended or reduced to certain municipalities who do not comply with new requirements for the filing of reports and the enforcement of red light cameras. For a more detailed discussion of each of these topics refer to Section 23-041.

Distributions are made monthly to eligible municipalities from the SLGF by the 10th of the month. Eight percent of the amount deposited in the SLGF from the preceding month's tax receipts are distributed to the municipalities using the percentage figures explained above (ORC 5747.50(C)(2)).

The total amount that may be distributed to all municipalities may not exceed the actual amount distributed in 2007, or $58.1 million. Due to recent 50% cuts to the SLGF, municipal shares have fallen proportionately below $58.1 million. For example, in CY 2014 the total municipal share dropped to $28.0 million, with $26 million distributed to cities and $2.0 million to villages.

If the maximum amount is reached during any month, then for the rest of the year no further distributions are made to municipalities and these excess monies are distributed to County ULGF's on a per capita basis (5747.50(C)(4)). If a municipality that received a distribution in CY 2007 is dissolved, the distributions to the other municipalities are increased on a pro rata basis (ORC 5747.50(C)(5)).

While the Department of Taxation continues to collect figures on actual municipal income tax collections annually these figures are not used to calculate new percentages for distribution of the municipal pot (ORC 5747.50(D)). Tables 23-4, 23-5 and 23-9 include statistical information on direct municipal distributions.

23.08 DISTRIBUTIONS FROM THE SLGF TO THE 88 COUNTY ULGF's—GENERAL INFORMATION

The formula for distribution of monies in the SLGF to County ULGF's is established in ORC Sections 5747.50 and 5747.501. These two statutes address both the annual certification for the following year by the Tax Commissioner and how monthly distributions to County ULGF's occur. They also contain some very detailed definitions and are very difficult to summarize given the complexity of the law.

The original formula was easy to understand. Monies in the SLGF were first distributed back to the 88 County ULGF on the basis of each county's share, or percent, of statewide municipal property values during the last five years. In the 1940's a population factor was added to the formula. The formula then was based on population and municipal property value factors, with 75% of the distribution based on municipal values and 25% based on each county's share of statewide population. With the addition of state-collected intangibles taxes as a source of revenue for County ULGF's in 1947, the formula remained the same, however, intangible tax revenues did not technically go through the SLGF, but were distributed to County ULGF's by the state on the basis of "situs", or county of origin, of the tax receipts.

This SLGF formula continued to be used until the 1980's when the formula changed as a result of the phase down and repeal of the state-collected intangibles tax. This action resulted in a dramatic change in the formula and a sincere desire by the General Assembly to replace lost revenue by allocating a larger percentage of the corporate franchise tax to the SLGF to replace the intangibles tax. The change in the formula also attempted to avoid major revenue redistributions between the share of the SLGF going directly to municipalities and shares distributed among the 88 County ULGF's.

This complex replacement formula had a very notorious history and was modified to fix some of the unintended results of the first replacement formula that caused over 50 counties to lose money because the formula failed to address the "situs" nature of the larger percent of the corporate franchise tax funding being allocated to the SLGF to replace the lost intangibles tax revenue. It was used until 2008 when the formula was again modified by using base line revenues distributed in CY 2007 as a minimum guarantee and as a mechanism to calculate percentage shares of subsequent year distributions. Under this change in the formula, any reference to the former 25% population and 75% municipal property tax valuation factors were removed from the law, although the minimums continue to somewhat reflect the municipal property tax duplicate and population factors.

Since that time additional changes to the formula have occurred and the staff of the Ohio Department of Taxation may be the only ones who thoroughly understand how the formula actually works and they are very good at explaining the details of the formula. For 25% (22 for CY 2015) of Ohio counties, however, formula details are not very important. This is because the law establishes a statutory minimum that currently applies to those 22 counties. It should be noted, however, that in CY 2013, 23 counties qualified for the statutory minimum and it is anticipated that this number will drop to 21 in CY 2016. The current statutory minimum is the *lower* of two amounts (1) $750,000, or (2) the amount actually received during FY 13. For a listing of counties under the statutory minimum for CY 2015 see Section 28.091.

The next Section is our effort to narratively explain how this complex formula now works, although with some of the recent cuts in the LGF, certain parts of the formula are not relevant because these parts of the formula were enacted prior to the recent 50% cuts to the SLGF making one part of the formula outdated unless the SLGF allocations are significantly increased or long term growth occurs. It should be noted that the next section does not reflect changes made during the 131st General Assembly in the state biennial budget bill (HB 64) and as discussed in detail in Sections 23.041 and 23.042.

23.09 THE FORMULA TO DISTRIBUTE THE SLGF TO COUNTY ULGF's

The formula used to distribute the SLGF to County ULGF's includes provisions concerning the annual certification of estimated receipts to the county auditor, how monthly distributions are made by the state and specification of statutory minimum amounts any County ULGF is to receive.

The Tax Commissioner is required to estimate and certify to the county auditor the amount the County ULGF will receive from the SLGF for the following year by July 25 (ORC 5747.51(A)). This is the amount the CBC uses to make distributions to subdivisions in the county.

The complex formula used to calculate the certified amount is obtained after two calculations are performed by the Tax Commissioner. After each calculation is completed the resulting dollar amounts are added together and this total is the County ULGF certification for the following year. This two-part statutory formula is codified in ORC Sections 5747.50 and 5747.501.

The first calculation used to certify each county's share for the following CY involves multiplying a percentage by a number of dollars. The percentage is the county's proportionate share of the total amount distributed in CY 2007 to all 88 County ULGF's *and* County ULGRAF's as they existed at that time (Note that the LGRAF was combined with the LGF effective January 1, 2008). If this calculation results in any County ULGF receiving less than the statutory minimum, then the statutory minimum is the amount used instead of the calculated amount. The current statutory minimum is either (1) $750,000 or (2) the actual amount received during FY 13.

For example, the following table shows the amounts distributed statewide from both the LGF and the LGRAF during both CY 2007 and CY 2013. This table also includes the total amount distributed directly to municipalities that levy income taxes and the amounts of intangibles tax that went to County ULGF's. This shows both the magnitude of the reductions to the LGF since 2007, and some of the figures will be used to explain the next table:

Calendar Year	**SLGF** (in millions $ rounded)	**Municipal Share** (in millions $ rounded)	**Net to CULGF's** (in millions $ rounded)	**SLGRAF** (in millions $ rounded)	**Total of SLGF & SLGRAF^** (in millions $ rounded)	**Intangibles Tax** (in millions $ rounded)	**Total Distributed to County ULGF's** (in millions $ rounded)
2007	661.8	58.1	603.7	94.6	698.3	12.6	710.9
2013	357.5	28.4	329.1	0*	329.1	0**	329.1

^This is the amount used to determine the percentages in the first calculation because intangible taxes were not part of the SLGF and were distributed to County ULGF's on a situs basis.
*The SLGRAF was combined with the SLGF in 2008.
**Intangibles taxes were eliminated as a source to ULGF's in 2012.

If the calculated amount is less than the statutory minimum for any county the dollars needed to increase those counties to the statutory minimum is taken from all other counties that receive more than the statutory minimum. This is done by proportionately reducing the percentages and dollars the other counties are entitled to under the original calculation. Thus, counties above the statutory minimum subsidize counties that that are below the statutory minimum.

In the following table, we select four counties as examples of how this first calculation works. It should be noted that this is a general example to show how the formula works. The final figures will not be exact because we have rounded figures for simplicity while the state uses exact figures carried out to six decimal points. Thus, the figures will not match exactly with state figures because of rounding variations.

County	**2007 County ULGF** (dollars)	**2007 County ULGRAF** (dollars)	**Total** (in millions $ rounded)	**2007 Statewide Total** (in millions $ rounded)	**% of Total**	**2013 Statewide Total** (in millions $ rounded)	**2013 Calculated Amount** (in millions $ rounded)	**2013 Adjusted Amount** (in millions $ rounded)
Cuyahoga	113,832,597	11,578,401	125.40	698.3	17.96	329.1	59.11	58.20
Trumbull	8,716,062	1,896,001	10.61	698.3	1.52	329.1	5.00	4.92
Adams	644,701	241,201	.89	698.3	.13	329.1	.43	.75
Vinton	290,735	103,360	.39	698.3	.06	329.1	.20	.36

As can be seen from this example, the certifications to both Adams and Vinton counties are increased from the calculated amount because of the statutory minimum. In the case of Adams County their amount is increased from approximately $430,000 to $750,000 while Vinton County's calculated amount is increased from $200,000 to approximately $360,000. Likewise, the calculated amounts for Cuyahoga and Trumbull County are reduced to assure the statutory minimums are met.

The second calculation also uses a percentage and number of dollars. The second percentage is each county's proportionate share of statewide population. To determine the number of dollars used in this calculation the Tax Commissioner first determines the total estimated amount of the SLGF for the next CY, which includes both the municipal share and the County ULGF share. Then it is necessary to subtract the estimated municipal share that will be distributed directly to those municipalities that levy a municipal income tax.

The resulting amount is then compared with the amount that was received in CY 2007 from both the SLGF and the former SLGRAF. If the amount available for distribution during the next CY is more than the amount distributed in CY 2007, then any excess is multiplied by the percentage (of population) and added to the amount derived from the first calculation.

As should be evident this calculation usually results in a product of zero. This is because the second calculation only has practical application if the total amount to be distributed in any year exceeds the CY 2007 amount of $698.3 million, as shown in the first table in this section. Given the recent 50% cuts and the fact that the total amount distributed in CY 2013 was 329.1 million, the second calculation becomes essentially irrelevant. This second calculation was enacted when the two funds were combined and before the recent cuts. The state believed that growth would occur and that the growth that was anticipated would be distributed on the basis of population only, thus reflecting the old LGRAF formula that was based entirely on population and also did not include a municipal share.

After the amounts certified by the Tax Commissioner are allocated among the subdivisions by the CBC's, distributions to County ULGF's are made on a monthly basis by the 10th day of each month. The language in the law relating to monthly distributions to County ULGF's from the SLGF is even more complex than the calculations used to make the annual estimates and certifications explained above.

In addition, monthly distributions are subject to a reconciliation process during June of each year. These reconciliations are necessary to comply with a relatively new statutory requirement which was first permanently applicable in SFY 14. The permanent statutory minimum codified the previous temporary statutory minimum so that the County ULGF minimum guarantee is either $750,000 or the amount actually received in SFY 13, whichever is less (Note: the previous temporary statutory minimum was the lesser of $750,000, or actual FY 11 distributions). The June reconciliation is necessary as a result of this new provision of law that includes a SFY guarantee even though distributions are generally certified and accounted for on a CY basis.

Again, readers are reminded that the summary in this section does not include provisions enacted in the FY 16/17 state biennial budget concerning the diversion of funds from the "municipal pot" which can have some impact on the County ULGF as detailed in Sections 23.041 and 23.042

23.091 COUNTIES THAT RECEIVE STATUTORY MINIMUM ALLOCATIONS

As was previously discussed the formula that is used to distribute monies in the SLGF to County ULGF's has a provision that establishes County ULGF statutory minimums. Those counties where the first calculation described above yields less than the statutory minimum are increased to that minimum while the amounts of all other counties are reduced proportionately to generate the dollars necessary to meet the statutory minimum. Following are the 22 counties, on the basis of the August 2014 revised certification from the Tax Commissioner, that are subject to the statutory minimum, which is either (1) $750,000, or (2) the actual amount received during FY 13:

Counties at $750,000 Statutory Minimum	Counties at FY 2013 Statutory Minimum	
	County	**Amount**
Adams, Brown, Carroll, Fayette, Gallia, Hardin, Henry, Hocking, Holmes, Jackson, Morrow, Perry, Pike, Van Wert*, Wyandot	Harrison	$593,998
	Meigs	686,137
	Monroe	440,232
	Morgan	442,257
	Noble	401,561
	Paulding	713,525
	Vinton	356,348

*Estimated at $754,969 in CY 2016

It should be noted that the number of counties under the statutory minimum will change over time. For example, during CY 2014 there were 23 counties subject to the statutory minimum. Highland County, which was subject to the statutory minimum during 2014 no longer qualified during 2015 because the actual formula amount exceeded the statutory minimum. It also appears that the Van Wert County formula amount will exceed the statutory minimum in 2016 and thus will no longer be governed by the statutory minimum. Changes in the formula also may result from changes in annual census bureau estimates of population.

23.10 PROCEDURAL REQUIREMENTS OF THE OHIO DEPARTMENT OF TAXATION AND DATA THAT MUST BE SUBMITTED TO TAX COMMISSIONER

The Department of Taxation has a myriad of responsibilities as it relates to the SLGF and is required by law to take certain actions and receive certain information by specified dates. Following is a listing with statutory references:

1. Certification of ULGF Amounts to Each County and Certain Municipalities—This must be certified to the county auditor each year not later than July 25 (ORC 5747.501(A) & 5747.51(A).

2. Monthly Payments to Counties—Monthly payments must be made before the 10th day of each month to counties and to cities and villages that receive a share of the “municipal pot” (ORC 5747.50(B) & 5747.50(C)(2)).

3. Receipt of Reports from Various Local Officials—State law requires various reports and information to be submitted to the Tax Commissioner relating to LGF’s. Following is a listing of such information and reports:

    a. Municipalities that levy income taxes and receive a direct distribution from the state are required to certify the amount of municipal income tax collections from the previous year by August 31 of each year. Failure to comply may result in the suspension of direct municipal distributions until the data is filed (ORC 5747.50(D)).

b. The county auditor must annually certify the percentage shares of all subdivisions after CBC action which must be completed by the first Monday of August (ORC 5705.27, 5747.51(J)).

c. The county auditor must annually send a copy of the newspaper notice that must be published and that includes both the amount and percent each subdivision will receive during the next year. This notice must be published within 10 days of CBC action (ORC 5747.51).

In addition to the above reports, additional reporting is required by political subdivisions utilizing “red light cameras.” Certain reports and statements of compliance are required to be filed with the state auditor by all political subdivisions, however, these reports and statements apply almost exclusively to municipalities. For additional information see Section 23.042.

23.11 STATUTORY FORMULA FOR DISTRIBUTION OF THE COUNTY ULGF TO ELIGIBLE SUBDIVISIONS IN THE COUNTY

Each CBC is responsible for distributing the undivided local government fund within its county on the basis of *need*. Originally, considerable discretion was given to the CBC to determine the *need* of political subdivisions; however, in the early years there was much controversy over this discretion as other political subdivisions believed the CBC was biased towards county government because it was composed entirely of county elected officials.

Through the years this belief spurred changes to the law allowing for the enlargement of the membership of the CBC and the provision of law limiting the maximum percent of the County ULGF that the county could receive. Likewise, the argument that the CBC was inherently biased toward the county resulted in the development of the statutory formula to guide the determination of *need* and authority to adopt alternative formulas which will be discussed in the next Section. These actions have limited somewhat the discretion of the CBC, however, the commission still has discretion as it relates to tax budgets and the determination of *claimed needs* versus *actual needs* as specified in tax budgets submitted by subdivisions.

The Tax Commissioner is required to certify to the county auditor not later than July 25th of each year the amount that the County ULGF will receive from the SLGF during the next calendar year (ORC 5747.51 (A)).

ORC Section 5747.51(C)-(I) provides a statutory procedure for allocating the County ULGF. ORC Section 5747.52 contains a form to be used by the CBC when making allocations under this statutory procedure. The statutory formula or apportionment process involves the following major steps:

1. Determining the "*relative need*" of each political subdivision, using the form specified in ORC Section 5747.52. *Need* is determined from the tax budget filed by each subdivision. The CBC must give subdivisions the opportunity to be heard and may inquire into the *claimed needs* of subdivisions as reflected in their tax budgets. The budget commission also has the authority to adjust claimed needs to reflect *actual needs*. For additional information on the calculation of *relative need* refer to the next Section and to Exhibit 23-3.

2. Calculating a "*relative need factor*" for each subdivision by dividing the total County ULGF certification from the Tax Commissioner by the total *relative need* of all subdivisions.

3. Calculating each subdivision's "*proportionate share*" by multiplying each subdivision's relative need times the *relative need factor*.

4. Adjusting the *proportionate share* so that the *proportionate share* of the county does not exceed:

Municipal Population in the County	**County Government's Share May Not Exceed**
Less than 41%	60%
41% to 81%	50%
Greater than 81%	30%

   If this is necessary, the proportionate share of the county is reduced and the proportionate shares of other subdivisions are increased on a pro rata basis.

5. In counties with populations less than 100,000, the *proportionate share* must be adjusted to ensure that townships receive no less than 10% of the total County ULGF. In all cases, the population figures are those published by the Ohio Development Services Agency each year as of July 20 (ORC 5747.51 (H)).

6. Adjustments must also be made if the percentage of the *proportionate share* to any subdivision is less than the average percentage apportioned to any subdivision for CY's 1968-1970.

7. After all adjustments are made, these *proportionate shares* are converted to "*percentage shares*," by the county auditor and become the basis for monthly distributions to participating subdivisions during the next year (ORC 5747.51 (J)).

23.12 DETERMINING RELATIVE NEED UNDER THE STATUTORY FORMULA

The determination of *relative need* under the statutory formula as described in the previous Section is a complex and tedious process. This may be one reason so many counties have opted for an alternative formula which will be discussed in the next Section of this Chapter. The determination of *relative need* is specified in ORC Section 5747.51(C)-(F) and a form for use of the CBC is included in ORC Section 5747.52. Please refer to Exhibit 23-3 which is a summary of the worksheet used to determine relative need for those using the statutory formula. Once relative need is established the remaining calculations are relatively simple as detailed in the previous Section. Exhibit 23-4 shows how relative need is then used to determine the percentage share each subdivision receives of the County ULGF.

23.13 ALTERNATIVE FORMULAS FOR DISTRIBUTION OF THE COUNTY ULGF TO ELIGIBLE SUBDIVISIONS IN THE COUNTY

Instead of utilizing the statutory formula for making allocations to political subdivisions from the County ULGF, ORC Section 5747.53 allows for the development of a locally-adopted alternative formula. In order to adopt such a formula, the following approvals are required:

1. The board of county commissioners.

2. The legislative authority of the city, located wholly or partially within the county with the greatest population residing in the county.

   Prior law provided that the city having the "veto" right over an alternative formula could be a city with most of its population in another county. And this situation came up in Fairfield County where Columbus, which had a very small portion of its total population within Fairfield County, was determined to be the largest city "wholly or partially in the county." As a result of this issue the law was changed so that the largest city was defined to be that city with the "greatest population residing in the county." The effect of this amendment included in HB 185, effective 7-26-99, was to make Lancaster the city requiring approval of the alternative formula in Fairfield County (ORC 5747.53(A)).

   In addition this legislation also allowed this new statutory "default definition" to be modified locally in cases where the CBC had adopted an alternative formula on or before January 1, 1998 and where this formula was adopted by the largest city that did not have the greatest population residing in the county. In this case an alternative definition to the statutory definition means: the "city located wholly or partially in the county with the greatest population whether residing in the county or not" may be adopted by the board of county commissioners and a majority of townships and municipalities in the county. This essentially allows a reversion to the previous definition prior to the change that took place to solve the Fairfield County issue.

3. A majority of boards of township trustees and legislative authorities of municipal

corporations in the county, except for the largest city.

Finally, there is also an exception to this approval process that will be explained in the next Section.

The CBC has wide discretion in developing an alternative formula, provided that the following provisions still apply to the alternative formula:

1. The maximum county shares still apply.

2. The minimum entitlement (10%) to townships must be met (ORC 5747.53(E)).

The CBC, in its sole discretion, may include in its alternative formula "any factor considered to be appropriate and reliable." (ORC 5447.53(D)). The actions of the CBC in allocating the LGF fund under an alternative formula are final and, unlike the allocations under the statutory formula, are not appealable to the BTA, except regarding the issues of abuse of discretion or failure to comply with the locally adopted formula (ORC 5747.53 (G)). The county auditor is also required to certify to the Tax Commissioner the percentage share of the county as a subdivision (ORC 5747.53(F)).

An alternative formula may be revised, amended, and repealed in the same way it is approved. If an alternative formula is repealed and not replaced with a new alternative formula, then the County ULGF is distributed under the statutory method.

The Ohio Supreme Court has held that ORC Section 5747.53 does not require the adoption of an alternative formula for local government distribution on an annual basis, if the approving political subdivisions do not limit their approval to a specified period of time. Only an approving political subdivision that has limited its approval of the alternative formula to specified period of time, such as one year, must re-approve the alternative formula in future years. *City of Lancaster v. Fairfield County Budget Commission, 86 Ohio St. 3d. 137 (1999).*

23.14 OTHER PROVISIONS RELATING TO THE DISTRIBUTION OF COUNTY ULGF TO ELIGIBLE SUBDIVISIONS IN THE COUNTY

There are a couple of provisions of the law relating to the distribution of the County ULGF that should be mentioned. First, in the case of monies going to a municipality under either the statutory formula or an alternative formula if the municipality maintains a municipal university and that university requests funds from the County ULGF then they are entitled to up to 9% of the money allocated to that municipality. This law has no applicability today as former municipal universities have been reorganized into the state university system (ORC 5747.51, 5747.53(F)).

Another unique provision applies to the approval process for adoption of an alternative formula and applies to very few counties and was passed some years ago because of a contentious situation in Columbiana County. HB 329, effective 8-29-02 established a special approval procedure that applies only to counties where the largest city located wholly or partially in the county has a population of 20,000 or less and where the population of this city is less than 15% of the total population of the county.

In this case, if two or more townships or municipalities together have populations making up over 50% of the population of the county and they adopt resolutions voiding the need for the approval of the legislative authority of the largest city located wholly or partially within the county, then the approval of an alternative formula by the largest city is not required (ORC 5747.53 (C)). In order to remove the requirement that the largest city approve the alternative formula in this case, the townships and municipalities must adopt resolutions by the first Monday in August of the year proceeding the year for which distributions will be made pursuant to the alternative formula.

If such action is taken then the alternative formula must be adopted by the county commissioners and by a majority of township trustees and the legislative authorities of municipalities other than the largest city whose vote has been voided. An alternative formula adopted under this provision must be adopted annually, not later than the first Monday of August

23.15 PROCEDURAL REQUIREMENTS FOR THE COUNTY BUDGET COMMISSION AND REPORTING REQUIREMENTS BY COUNTY AUDITOR

The distribution of the County ULGF is the responsibility of the CBC composed of the county auditor, treasurer, and prosecuting attorney. Following are some of the specific requirements under the law in the performance of these responsibilities:

1. <u>Presentation of Materials to County Budget Commission</u>—The county auditor is required to submit various materials to the CBC at its regular meeting to be held on the first Monday of August. These materials include the certification of estimated receipts for the next year to the County ULGF from the Tax Commissioner, the tax budgets and estimates from all political subdivisions, and records from the last session of the CBC (ORC 5705.27, 5747.51(B)).

2. <u>Completion of Allocations by County Budget Commission</u>—The CBC must complete it work by the first Monday of September unless an extension is granted by the Tax Commissioner (5705.27).

3. <u>Certification of Percentage Allocations to Tax Commissioner</u>—The county auditor is required to certify to the Tax Commissioner the percentage shares of all subdivisions for the next year after completion of the work of the CBC (5747.51(J)).

4. <u>Publication of County ULGF Amounts & Percentages</u>—Within 10 days of action

by the CBC the county auditor must publish a notice of both the amounts and percentages that each subdivision will receive during the next year from the County ULGF. The notice must be in a newspaper of countywide circulation and a copy must be also sent to the Tax Commissioner (ORC 5747.51).

5. Notification of Political Subdivisions—After action by the CBC the county auditor must send a notice to the fiscal officer of each political subdivision which includes both its amount and percent of the allocation of the County ULGF for the next year. The notice must be sent by certified mail, return receipt requested (ORC 5747.51).

6. Monthly Deposit & Distribution of County ULGF to Political Subdivisions—By the 10^{th} day of each month the state sends each county a monthly payment from the SLGF. This payment must be deposited into the County ULGF no later than the 15^{th} day of the month. Warrants for the percentage share due to each political subdivision as determined by action of the CBC must be made no later than the 20^{th} day of each month (ORC 5747.50(B).

In addition, the Tax Commissioner may withhold SLGF distributions to counties if the county auditor does not certify the percentage share of the County ULGF going to the county to the Tax Commissioner as required by law. The Director of Budget and Management may also direct the Tax Commissioner to withhold part of the SLGF distribution to the county if a county is indebted or otherwise obligated to the state. The amount withheld is not the entire distribution to the County ULGF, but only for the percent the county government itself is entitled to from the County ULGF. Before such a withholding may occur an itemized statement must be provided to the county auditor at least 30 days before the monies are withheld (ORC 5747.54)

Finally, it should be noted that if any public official fails to maintain records required by the statutes or rules of the Tax Commissioner, State Auditor or State Treasurer that the state may withhold distributions to the county. Likewise the funds may be withheld if any public official fails to comply with any law relating to enforcement of the LGF law (ORC 5747.51).

23.16 APPEALS OF ALLOCATION DECISIONS BY COUNTY BUDGET COMMISSION

ORC Section 5747.55 provides procedures that may be used by any political subdivision that is not satisfied with the action of the CBC. An appeal must be brought within 30 days (ORC 5705.37) after receipt of the order of the CBC. There are very definite steps to follow to perfect an appeal. As in all cases heard by the BTA there is an automatic right to have the case reviewed by the Ohio Supreme Court. However, there is no right to appeal to the BTA any decision made with regard to allocations under an alternative formula, except on the issues of abuse of discretion or failure to comply with the alternative formula (ORC 5747.53 (G)).

An appeal must be signed by the fiscal officer of the political subdivision and must include the following:

1. A statement that the appeal relates to an allocation of County ULGF monies and include the date the subdivision received the notice from the CBC.

2. A description of the error or errors the subdivision contends was made.

3. The specific relief sought by the subdivision.

In addition, the following must be attached to the notice of appeal:

1. A certified copy of the resolution of the subdivision authorizing the fiscal officer to file the appeal.

2. An exact copy of the official certificate, or notice of the action of the CBC concerning the allocation of the County ULGF.

3. An exact copy of the tax budget filed with the CBC by the subdivision with the date of filing included.

4. A statement showing that the appeal concerns the allocation of the County ULGF and the exact amount in dollars allocated to each subdivision.

5. A statement that includes the number of dollars the subdivision believes it should have received.

6. The name of each subdivision that the appealing subdivision believes received more than its proper share of the County ULGF allocation and the number of dollars the appealing subdivision claims were over allocated to each subdivision. In addition the name and address of the fiscal officer of each political subdivision must be submitted.

23.17 THE PUBLIC LIBRARY FUND (PLF)—AN EXECUTIVE SUMMARY

In 1933 legislation was passed that funded public libraries from revenues from Ohio's locally-collected intangible personal property tax. This was a tax levied on individual ownership of intangible assets such as stocks and bonds. Though the tax was state-imposed and applied uniformly throughout Ohio, it was collected locally. The revenue remained with the county of origin, and was distributed by the CBC on the basis of "need." As a result of this distribution methodology libraries in some counties were funded very well, while in other counties library funding was woefully inadequate.

In 1983 the General Assembly repealed the locally-collected intangibles tax as a part of an earlier "tax reform" initiative, and as would be repeated in later years the "reform" at the state level would be primarily at the expense of local jurisdictions. In order to fill the funding gap, however, the Public Library Finance and Support Committee was created by the Legislature to see how the state should replace the lost intangibles tax revenue. The committee found that the loss of revenue from the repeal of the intangibles tax was equal to 6.3% of the state's personal income tax.

In response to the recommendations of the Committee the 115th General Assembly, in HB 291, created the Library and Local Government Support Fund (LLGSF). The LLGSF provided monies from state personal income tax collections to counties on a monthly basis. The receivers of these monies were libraries and other local subdivisions that were receiving aid from the locally-collected intangible property tax that was repealed in 1983. While political subdivisions other than libraries are technically eligible for distributions from this fund in addition to the LGF, other provisions of the law relating to libraries make this very unlikely.

A distribution formula for the newly-created fund was enacted in HB 146 of the 115th General Assembly, which became effective on July 12, 1985. The Library and Local Government Support Fund has received cuts similar in magnitude to those that have been imposed on the Local Government Fund. For example, in FY's 16 and 17 it is estimated that the PLF will receive approximately $390 and $404 million respectively, as shown in the state biennial budget bill. In CY 13 the PLF received approximately $352 Million and during CY 14, $345 million. Compare this with approximately $497 million received during CY 01 and one can see the magnitude of the cuts that have occurred during this century. To put the nature of the cuts in perspective, the PLF receives now approximately the same amount distributed during CY 1996, a little over $343 million.

The LLGSF was renamed the Public Library Fund (PLF) in 2008 and under permanent law (ORC 131.51) now receives 1.66% of state general fund taxes as does the LGF. During FY 16 and 17, however, the PLF will receive a small percentage increase so that during these two fiscal years the Fund will receive 1.7% (Section 375.10, H.B.64, the FY 16/17 biennial operating budget). This change will result in an increase of approximately $10 million in both fiscal years. It is interesting to note that during the FY 16/17 biennial budget period the 251 public library systems in Ohio will receive more financial support from the state than it provides to over 2,300 other political subdivisions. Following is the appropriation data from the FY 16/17 state budget:

Fund	FY 16 Amount	FY 17 Amount
LGF	383,520,000	399,310,000
PLF	389,520,000	404,310,000

23.18 PLF DISTRIBUTIONS TO COUNTIES

The Public Library Finance and Support Committee set two goals for the state's library fund distribution plan. The first goal was "to preserve excellence in existing service", and the second was "to improve library service in under-funded and under-served areas." Because the locally collected intangibles tax remained in the county of origin, some areas had significant resources to invest into public libraries, while others were struggling just to keep the doors open. Thus, part of the goal in developing the formula was, to increase, over a period of years, the capabilities of under-served areas to provide enhanced library services. To accomplish these two goals the distribution formula (ORC 5747.56) for the PLF contained in ORC Section 5747.46 consists of two parts: the *guaranteed share* and the *share of the excess.*

The *guaranteed share* is equal to the previous year's fund total plus an inflation factor. This portion of the fund is distributed to counties based on each county's share of the previous year's fund total.

When there is an amount in excess of the *guaranteed share*, it is distributed among counties based on their *equalization ratios*. The *equalization ratio* is determined by the county's most recent percentage of the state's population and the county's percentage share of the previous year's total distribution. Each county's *equalization ratio* is multiplied by the total amount of the *share of the excess* to determine each county's portion of that amount. The ratio allows those counties that have had the lowest per capita PLF distributions in previous years to see the greatest per capita growth in their funding, while ensuring that all counties have relative growth.

For additional details on the PLF the website of the Ohio Library Council has a wealth of information. The following two links provide valuable and interesting historical and current information:

http://www.olc.org/pdf/LibaryFundingHistory0412.pdf

http://www.olc.org/pdf/PLFWhitepaper1112.pdf

EXHIBIT 23-1
SELECTED CHANGES TO THE LOCAL GOVERNMENT FUND

A Timeline* of Selected Significant Changes

1933

- In November voters approve a Constitutional Amendment reducing the unvoted tax limit from 15 to 10 mills, effectively reducing inside millage by over 30% and exacerbating an already precarious local government revenue problem brought on by the Great Depression.

1934

- In June the Ohio General Assembly enacts legislation implementing the 1933 Constitutional Amendment.
- In December Ohio's first sales tax, a bracketed 3% tax, is enacted and the State Local Government Fund (SLGF) and 88 County Undivided Local Government Funds (ULGF) are established for a one year period beginning on January 1, 1935. Revenues from the tax are to be used first for county poor relief, tax administration, and state purposes with any residual divided between schools, which received 60%, and the SLGF which got 40%. From 1935-1938 the amount of the state sales tax going to the LGF was between 24% and 32% of total state sales tax collections.

1935

- In June the General Assembly enacts emergency legislation establishing the minimum levy for current expenses and debt service at two-thirds of the average millage in effect during the last five years that the former 15 mill limit was in effect.
- In December the Legislature extends the 3% sales tax and the SLGF until March, 1937, when it is scheduled to sunset.
- The LGF law is changed by requiring that up to 9% of distributions to municipalities from the County ULGF must go to municipal universities in cities with a population of less than 400,000 if requested by the municipal university.

1936

- The General Assembly enacts legislation removing the sunset provision from the sales tax and the SLGF, thus making it permanent unless repealed or modified.

1937

- Legislation is enacted providing that at least 10% of the County ULGF fund distributed on the basis of need by the county budget commission in counties with a population of less than 100,000 must, in the aggregate, go to townships.

1939

- The law is changed so that the SLGF becomes subject to appropriations by the General Assembly with the removal of the statutory earmarking requirement that the Fund receive 40% of the residual sales tax. During the first four years the SLGF received, on the average, 29% of the sales taxes collected. This percentage would drop in subsequent years. In 1939, for example the percentage of the sales tax appropriated to the SLGF dropped to 26% and from 1940-1947 the percentage ranged from a low of 18.3% to a high of 23.5%. Direct dollar appropriations to the SLGF from the sales tax, and for one year from the personal income tax, would be the rule until 1973 when the SLGF reverted to percentage allocations of major state taxes as will be noted later in this timeline.

1945

- Legislation is enacted changing the formula for distributing the SLGF to County ULGF's. The original formula provided that 100% of the funds were distributed to counties on the basis of the county's relative share of statewide municipal property tax values during the last five years. The new law provides that $4 million of the total of $16 million appropriated that year would be distributed on the basis of population and $12 million pursuant to the old formula—relative share of municipal property values.

1946

- The appropriation to the SLGF increases from $16 million to $21 million and the permanent law distribution formula is changed so that 25% of the formula is based on the county's relative share of statewide population and 75% on the relative share of municipal property tax duplicates.

- The law was changed to require County Budget Commissions (CBC) to distribute the County ULGF proportionately on the basis of total tax receipts in each political subdivision in the county from real, public utility, and intangible property in the subdivision to the aggregate countywide tax receipts from these sources during the previous five years. The law at that time provided significant discretion to the county budget commission.

1947

- An additional source of revenue was legislatively added to County ULGF's—state collected intangibles taxes. The state collected intangibles taxes from financial institutions and dealers in intangibles, however, were not distributed to counties using the formula used to distribute monies from the SLGF, but was distributed directly to each county on the basis of the location, or "situs", of the tax collection for deposit in the County ULGF. As a result of this additional source of revenue to County ULGF's the intangibles tax becomes the primary source of ULGF receipts from 1953 until the intangibles tax is reduced and eliminated during the early 1980's.

- The SLGF formula used to distribute monies to County ULGF's was modified so that the municipal property tax valuation component of the formula became the valuation of the "second year next preceding the year in which the distribution is made" instead of the values during the previous five years.

- Established a $25,000 annual minimum to be distributed to any County ULGF.

- Modified the provision of law entitling a municipal university, in cities with a population of less than 400,000, to at least 9% of funds distributed to the city by the CBC, by eliminating the 400,000 threshold. Changes to state law making these institutions state universities made this provision, which is still in the law, irrelevant.

- The formula enacted the previous year giving specific direction to CBC's on how to distribute the County ULGF was repealed and it reverted to a "need" basis. This change occurred after a Department of Taxation study proclaimed that "state dictation of the way funds were divided was wrong in principle."

1948

- For the first time in a decade the SLGF received a reduction in funding from $27.3 million to $12.0 million. However, because County ULGF's were now also to receive intangibles taxes in addition to the SLGF, County ULGF's also received 15.1 million from intangibles taxes or a total of 27.1 million.

1949

- The law was changed to clarify that the population used to determine distributions to the County ULGF from the SLGF were to be based on the most recent federal decennial census.

- Increased the $25,000 annual minimum to be distributed to any County ULGF to $30,000.

1957

- Increased the $30,000 annual minimum to be distributed to any County ULGF to $40,000.

- Established a maximum percentage that a CBC could allocate to the county government from the County ULGF. This maximum county percentage was based the percent of municipal population in the county as follows:

Municipal Population in County	Maximum County Government Share of County ULGF
Less than 41%	60%

Greater than 41% but less than 81%	50%
Greater than 81%	30%

For some counties that received a significantly greater percentage than these percentages in 1956 a four year transition period was established to ease the financial impact.

- In the wake of concerns that CBC's gave preference to the county in distributing the County ULGF, legislation was enacted to allow the CBC to be expanded to include two other elected members to participate in decisions relating to County ULGF distributions.

- A special one-time additional appropriation of $12 million to the SLGF was provided as a result of an Ohio Supreme Court ruling on state-collected intangibles taxes which reduced the base for calculation of the financial institutions tax resulting in losses to County ULGF's.

- The County Budget Commission, in the determination of "need" under the statutory formula, was directed to not consider additional taxes voted by the electorate as available revenues when applying the statutory formula to political subdivisions.

1965

- In conjunction with an omnibus "welfare reform" bill transferring certain public assistance programs from municipalities to counties, a special provision is enacted allowing certain counties to get an increased share of the County ULGF from municipalities to compensate for the assumption of the new welfare responsibilities formerly paid for by municipalities. This applied to any county where the county "mandated share" of welfare was greater than its expenditures in 1964.

1967

- Ohio's sales tax rate is increased from 3% to 4%.

1969

- A very specific formula to be used by CBC's is enacted for determining "needs" of eligible political subdivisions for monies from the County ULGF. Under the original law the CBC had significant discretion to determine the "needs" of individual political subdivisions. This formula was enacted because of continuing concerns that the budget commission, composed of county officials, was biased toward county government needs.

- In addition to specifying a detailed formula for the determination of "need" by the CBC, the General Assembly also allowed for the adoption of an "alternative formula" to be used to distribute the County ULGF. This alternative formula would take the place of the statutory formula if approved by the board of county commissioners, the legislative authority of the largest city in the county, and by a majority of boards of township trustees and other municipal legislative authorities, excluding the largest city. This effectively gave both the county and the largest city in the county the right to veto an alternative formula.

- The "township minimum" and "county maximum" elements pertaining to the distribution of the County ULGF under the statutory formula are made applicable to alternative formulas.

- Increased the $40,000 annual minimum to be distributed to any County ULGF to $60,000.

- The law allowing for two additional elected members of the CBC is amended to allow these additional elected members to act on any manner before the commission, not just County ULGF distributions.

1971

- In December Ohio's first personal income tax is passed. The law provides that the new income tax will replace the sales tax as the source of money to fund the SLGF. The law increases the appropriation to the SLGF from $3 million per month from the sales tax to $4 million per month from the personal income tax during the second half of FY 72.

- Set aside 1/12th of the State LGF to be distributed directly to municipalities levying municipal income taxes. The 1/12th pot was distributed directly by the state to those municipalities levying income taxes on the basis of the percent of municipal income tax collections during the previous year as a percent of total statewide municipal income tax collections. This provision was enacted because it was argued by municipal interests that it would be harder to enact future municipal income taxes because of the establishment of the state personal income tax. The data, however, did not seem to support the principle upon which the "set aside" was made because from 1971-1980 the number of municipalities levying income taxes increased from 299 to 452. Further, during this same period, municipalities levying the tax at a rate greater than 1%, the rate above which it required voter approval, increased from 35 to 107. Since 1980 the negative impact on municipal income tax increases seems to be insignificant.

- Increased the $60,000 annual minimum to be distributed to any County ULGF to $110,000.

1972

- For the first time since 1938 the local government fund was again funded by allocating specific percentages of state collected taxes instead of specific appropriations by the General Assembly. The SLGF would now be comprised of 3.5% of the state sales, personal income, and corporate franchise taxes starting in January 1973.

1973

- Increased the $110,000 annual minimum to be distributed to any County ULGF to $150,000.

1981

- In November the Legislature increased the sales tax rate from 4% to 5%. At the same time the percentage of sales tax collections allocated to the SLGF was reduced from 3.5% to 2.8%, or less by administrative actions if necessary, to assure that the SLGF received no benefit from the sales tax rate increase.

- The General Assembly enacted HB 694, effective 11-15-81, a major reform to the state-collected intangibles tax law. It reduced various intangibles taxes and phased out some of the taxes over a period of years while at the same time making those that paid the intangible taxes subject to the corporate franchise tax. In addition, the corporate franchise tax rate structure was modified and the minimum corporate franchise tax amount was increased. To avoid major losses to County ULGF's resulting from changes in intangibles taxes the Legislature specified that increased percentages of the corporate franchise tax would be allocated to the SLGF as follows:

Year	% to SLGF	% to County ULGF	% Directly to Municipalities Levying Income Taxes
1982	11.25	68.9	31.1
1983	10.85	67.7	32.3
1983	27.0	87.0	13.0

  This complex distribution methodology was necessary to assure that there would not be significant reallocations between the SLGF and the direct municipal pot. It was also necessary to assure there were not significant "winners and losers" among the 88 County ULGF's. This was necessary because intangibles taxes were distributed on the basis of situs, not on the two part SLGF formula which included population (25%) and municipal property tax values (75%). The various percentages were based on intangible taxes distributed during 1981. If the additional corporate franchise tax dollars that were being used to replace the intangibles taxes had been simply placed in the SLGF and distributed using the two part formula, it would have significantly reallocated resources among counties.

- Increased the monthly minimum distribution from $10,000 per month to $12,500 per month while still retaining the $150,000 annual minimum.

1982

- In June the 114th General Assembly passed HB 530, effective 6-25-82, which increased personal income tax rates in the upper income tax brackets and also enacted a surcharge on personal income taxes for 1982 & 1983. These "temporary" tax increases were not enacted to benefit the SLGF, but to address a state budget problem. As a result, the percentage of the personal income tax going to the SLGF was reduced from 3.5% to 2.5% for 1983.

- Increased the annual minimum to any County ULGF from the SLGF from $150,000 to $225,000 and provided minimum monthly distributions of $18,750, up from $12,500.

1983

- Effective February 24, 1983 HB 100 made the temporary personal income tax rates and surcharges permanent. The law also restored the percentage of the personal income tax that went to the SLGF from 2.5% to 3.5%, effective January 1, 1984.

- Previously enacted provisions of law allowing certain counties to receive a portion of municipal ULGF allocations to reimburse counties for costs of taking over some municipal public assistance responsibilities was eliminated by phasing out the municipal obligation over a four year period from 1984-1987.

- The Legislature enacted HB 291, effective July 1, 1983. Under this legislation the $150 minimum corporate franchise tax on business returned to $50, the amount in effect prior to the enactment of HB 694. The special schedule of corporate franchise tax allocations to the SLGF specified in the table above was repealed effective August 1, 1983 and a uniform 14.5% of the corporate franchise tax was allocated to the SLGF. The net result was that the SLGF received 3.5% of the sales and personal income tax effective August 31, 1983 instead of January 1, 1984, and also received the benefit of the previously enacted rate and base increases. This formula, however, would be short lived.

- In December, 1983 the Legislature returned to fix the problem it created with the enactment of HB 291. It enacted SB 293, effective January 1, 1984, in response to outcries from over 50 counties who learned that their 1984 allocation from the SLGF would be less, and in some cases significantly less, than received in 1983. These reductions resulted from the enactment of HB 291 as explained above. The problem was caused by making the enlarged SLGF (from increased portions of the corporate franchise tax to replace reductions from intangibles taxes) subject to distribution under the $1/12^{th}/11/12^{th}$ split and the population/municipal property tax duplicate formula which did not reflect the situs nature of the increased corporate franchise tax percentage. While the increase in the percentage of corporate franchise tax distributed to the SLGF replaced the total amount of revenue lost from repeal of the intangibles taxes, it caused severe reallocations among municipalities and County ULGF's and among the 88 County ULGF's.

  As a result SB 293 increased the allocation of the corporate franchise tax going to the SLGF to 15.4%. In addition, municipalities received an additional $6 million on top of its $1/12^{th}$ share. And each County ULGF was to receive the greater of two amounts, either (1) the 1983 amount, or (2) a "proportionate share" of the SLGF based on an even more complex formula than was devised in SB 293. Essentially this formula took into account the three factors that determined the amount received by County ULGF's in the past, population, municipal property values and intangible tax revenue as distributed on a situs basis. The purpose of the formula was to "un-do the perceived adverse apportionment effects of HB 291's abandonment of an intangible tax consideration and its application of the property value/population formula to $11/12^{th}$ of the entire enlarged SLGF." The formula and the way it was distributed at that time, and until recent changes in the SLGF, was summarized in the 2005 update to this Chapter and is reproduced in Exhibit 23-2

1987

- The General Assembly created a second local government revenue sharing program—the Local Government Revenue Assistance Fund (LGRAF), with the enactment of HB 171, effective 7-1-87.

The primary difference from the LGF, as codified in ORC Section 5747.61, is that the LGRAF was distributed to County ULGRAF's solely on the basis of population and no portion of the new fund was distributed directly to municipalities.

- The sources of revenue for the both LGF and the LGRAF are broadened by including both the use tax and the public utility excise tax in the base for both funds.

- Increases the share of specified state taxes to benefit the SLGF and the new SLGRAF. The percentage of taxes going to the SLGF is increased to 4.5% and the base now includes the sales and use, corporate franchise, personal income, and the public utility excise taxes. This percentage is also schedule to increase to 4.6% on July 1, 1989. The SLGRAF is to be composed of .3% of these taxes in FY90, .6% on July 1, 1990, .65% on July 1, 1991, and .7% on July 1, 1992. Unfortunately the SLGRAF never actually reached the .7% level of base funding.

- In order to placate municipalities who did not receive a direct distribution from the ULGRAF, the $1/12^{th}$ municipal share is increased to $1/10^{th}$.

- A Joint Legislative Committee to study the allocation of the SLGF and SLGRAF was established. It was to look at both the way both funds were distributed to counties and municipalities and also how to distribute County ULGF's. The report was due December 1, 1988.

1991

- HB 298, the FY 92/93 State Budget and HB 904, the Capital Improvements Bill collectively set aside the permanent law statutory formula "temporarily" and froze any LGF or LGRAF growth so that for the period from December 1991-July 1993 both funds were to receive each month the amount it had received during the 12 previous month.

1993

- The FY 94/95 State Budget (HB 152) "temporarily" reduced the percent of taxes going to the SLGF from 4.6% to 4.2%. In the case of the SLGRAF, it was "temporarily" reduced from .65% to .6%, but the old percentages were to be restored for August 1995 distributions for July tax receipts.

1995

- HB 117, the FY 96/97 State Budget made the "temporary" reduction in the percent of state taxes going to the LGF and the LGRAF permanent at the 4.2% and the .6% levels respectively contrary to promises the cuts would be temporary, however, a one-time additional $12 million is transferred to the SLGF after the end of FY 95 to be distributed in August 1995.

1997

- SB 310 was enacted which cut the state income tax for TY 1996 as a result of a FY 96 state budget surplus. The state transferred $16.8 million to the SLGF and $2.4 million to the SLGRAF in CY 1997 to offset the loss to the LGF and LGRAF.

1998

- The temporary income tax cut is made permanent with the enactment of HB 215 and the state transferred $11.0 million to the SLGF and $1.6 million to the SLGRAF to compensate for losses resulting from rate reductions in CY 1998.

1999

- Pursuant to HB 215 the state transferred $29.2 million to the SLGF and $4.2 million to the LGRAF to make up for losses resulting from the income tax reductions.

- With the passage of the electric deregulation legislation (SB 3, effective 10-3-99) the LGF and LGRAF also were to receive a portion of the new Kilowatt Hour Tax (kWh). The LGF receives 2.464% and the LGRAF receives .378%.

- HB 185, effective 7-26-99, was enacted which established a statutory definition of the largest city located wholly or partially in a county for the purpose of adopting an alternative formula for distribution of the County ULGF. The former law allowed the largest city wholly or partially located in the county to have veto power over the adoption of an alternative formula. Former law gave authority to large cities with very small populations in another county to have veto authority as the total population in both counties was counted in determining if it was the largest city. The change in the law established a default definition that only counted the population of the city residing within the county in determining if it was the largest city.

- Language allowing counties to recover monies from a municipality as a result of the 1965 transfer of certain welfare functions to counties is removed from the alternative formula statute with the enactment of HB 298, effective 7-26-91.

2000

- Pursuant to HB 215, passed in 1998, the state transferred $12.3 million to the SLGF and $1.8 million to the LGRAF to make up for losses resulting from the income tax reductions.

2001

- Pursuant to HB 215, passed in 1998, the state transferred $25.6 million to the SLGF and $3.7 million to the LGRAF to make up for losses resulting from the income tax reductions.

- “As one of many steps taken in response to a slumping economy and an accompanying drop-off in state tax revenues” the LGF and LGRAF permanent law formulas are “temporarily” suspended with the enactment of HB 94, effective 9-6-01. Both funds were essentially frozen between August 2001 and July 2003 and would receive the same amount of money actually received from July 2000-June 2001.

- The economy gets worse and it is learned that the previously enacted freeze actually benefitted the LGF and LGRAF. Essentially, the freeze yielded more money to local governments than they would have received under the formula. The Legislature essentially “took back” this overage to the LGF’s with the enactment of HB 405 (effective 12-31-01).

2002

- Legislation is enacted effective 8-29-02 which modifies the approval procedure for a County ULGF alternative formula so that approval of the largest city located wholly or partially in the county can be eliminated. This only applies to counties where the largest city located wholly or partially in the county has a population of 20,000 or less and where the population of this city is less than 15% of the total population of the county. The law also established a new procedure in these counties to adopt an alternative formula.

2003

- HB 95, the FY 04/05 State Budget continues the freeze to the LGF and LGRAF.

- With even further economic problems the General Assembly reduces all three local government funds by $30 million with proportionate shares taken from the SLGF, the SLGRAF and the Library and Local Government Support Fund (LLGSF).

2005

- The FY 06/07 State Budget (HB 66, effective 6-60-05) yet again extended the freeze during the two years of the biennium. Also included was a provision that guaranteed that no political subdivision would get a lesser proportionate share from any County ULGF or ULGRAF than it got in FY 04/05. In addition, a provision was added to provide for reductions to the LGF and the LGRAF if the permanent law statutory formula would yield less in the future.

2006

- In the Budget Corrections Bill, HB 530, effective 6-30-06, the provision in HB 66 which prohibited any subdivision to receive lesser proportionate shares from any County ULGF is modified so that such reductions do not apply in situations where population changes are the cause of the change in proportionate shares. This was directed specifically at the county maximum percentages provision of the law.

2007

- The FY 08/09 State Budget (HB 119, effective 7-30-07) dramatically changed and revamped the LGF law. The LGF and LGRAF had been frozen by "temporarily" setting aside the revenue sharing formulas in permanent law in two year operating budgets by the 124th, 125th and 126th General Assemblies from mid-2001 through mid-2007, as explained above. In HB 119 the 127th General Assembly extended the freeze through the end of CY 2007, but also took the following actions starting on January 1, 2008:

    a. The LGRAF was combined with the LGF so there was only one fund.

    b. Permanent law was modified so that the new SLGF received 3.68% of all state general revenue tax sources. Prior permanent law provided that the SLGF received 4.2% of the sales and use, personal income, corporate franchise, and the public utility excise taxes and 2.646% of the kWh tax. The SLGRAF had previously received .6% of the same four taxes and .378 of the kWh tax.

c. Distributions to each County ULGF from the SLGF were to be in proportion to what each County ULGF received in CY 2007. Beginning in 2008 no County ULGF would receive less than what it received from both the LGF and the former LGRAF in 2007.

d. In the case of direct distributions to the more than 500 municipalities levying income taxes, each was guaranteed the amount they received in 2007 during 2008 and in subsequent years. If there was not enough money to make these distributions to municipalities, then each County ULGF and each municipality receives a prorated share of the SLGF proportionate to what they received in 2007. If additional revenue is available it is then distributed to the 88 County ULGF's based on the county's percentage of total state population. The fact that no additional revenue on top of the 2007 amount may be distributed to municipalities essentially froze the amount of dollars going to each municipality and also foreclosed any municipalities from participating if they enacted an income tax later. Likewise, municipal income rate adjustments are not considered in the future because the formula is permanently established based on 2007 amounts.

2011

- While debates about the appropriateness of sharing revenue with local governments for general operating purposes began near the end of the worst part of the Great Depression and local governments have experienced freezes, minor reductions, and "take-backs" at various times during the long history of state revenue sharing, the FY 12/13 State Budget substantially reduced LGF revenue sharing with general purpose local governments.

  HB 153, effective 7-1-11, essentially cut the LGF by 50% over the two year state budget period. The bill provided that the LGF would receive 75% of the July 2010 through June 2011 amount starting in August 2011. Then beginning in August of 2012 the LGF would receive 50% of the July 2010 through June 2011 amount. In addition the following other provisions were contained in HB 153:

  a. Beginning in August 2011 through June 2013 each County ULGF and each municipality receiving a direct distribution from the SLGF was to receive the same percentage share it got in the respective month of FY 11.

  a. For FY 12 only an additional 49.27 million went to LGF.

  b. Beginning in January 2012 the County ULGF will no longer receive any of the tax levied on dealers in intangibles, a source since 1948.

  c. Any County ULGF which received less than $750,000 during FY 11 will receive no reduction in monthly distributions during FY 12/13.

  d. Any County ULGF that received more than $750,000 in FY 11 that would go under this amount would receive no less than $750,000.

  e. Provided that the LGF would return to a percentage of tax receipts formula beginning in FY 14. The percentage would be calculated on the basis of the FY 13 SLGF distributions divided by total state general fund tax collections.

2013

- HB 59, the FY 13/14 State Budget bill set the July 2013 distributions at the same amount at the

July 2012 distributions. Then beginning in August 2013 the LGF received 1.66% of total state general fund taxes. This percentage was calculated as explained above.

- HB 59 also included a provision making the County ULGF minimum $750,000 or the amount actually received by the SLGF during FY 13 permanent. If additional monies are needed to bring the counties up to the $750,000 minimum the amounts are subtracted from the counties above the floor in proportion to their FY 13 amount.

2014

- The General Assembly enacted SB 243 which appropriated $10 million from the Local Government Innovation Fund for distribution to townships. The funds went to county ULGF's and were then distributed to townships. The formula for distribution was that half was distributed on the basis of township road miles and the other equally among all townships.

2015

- The FY 16/17 state biennial budget (HB 64) increased the percentage of state taxes distributed to the Public Library Fund from 1.66% to 1.70% for FY's 16 and 17.

- The state budget also diverted significant monies from the portion of the LGF distributed directly to those municipalities levying income taxes. The following two provisions are effective only during FY 16 and 17, unless subsequently re-enacted by the Legislature:

  a. During FY 16, $5 million is transferred to the Attorney General's Office to reimburse law enforcement agencies required to complete increased professional training. During FY 15, the amount transferred is increased to $10 million.

  b. During both FY's 16 and 15, $12 million per year is transferred to County ULGF's for redistribution to all townships and to villages with a population of less than 1,000 based on the 2010 Federal Census. Funds to both all townships and eligible villages are on a two part formula. Half of the funds are distributed equally and the other half on the basis of road miles. Of the $12 million, $10 goes to townships and $2 million if for villages and distributed through county undivided local government funds. For more information on both of these diversions refer to Section 23.041.

- The state biennial budget also changed permanent law to penalize those local governments (primarily municipalities) who were not in compliance with a state law dealing with the enforcement of red light cameras. The provisions provide for deductions from the SLGF "municipal pot" and the County ULGF for those not in compliance after the filing of reports to statements of compliance with the State Auditor. For detailed information on these provisions, see Section 23.042.

*Note that the Timeline does not rigorously distinguish state fiscal years from county fiscal (calendar) years, thus some of the dates may not correspond perfectly. Also, in some cases the year may be the year in which legislation was passed even though the effective date of the provision may be the next year.

EXHIBIT 23-2

THE DISTRIBUTION OF THE SLGF PRIOR TO THE CURRENT FORMULA

The formula used to divide SLGF monies into municipal and County ULGF shares and the allocation to the 88 County ULGF's was primarily based on changes made in the law in SB 293 in 1983 as a result of the phased out repeal of the state collected intangibles tax. This was the formula in effect until it was again changed with the enactment of HB 119, effective 6-30-07. Following is a copy of the *County Commissioners Handbook* Sections of the 2005 edition of this Chapter relating to this formula.

23.04 DETERMINING THE AMOUNT OF LGF MONIES AVAILABLE FOR DISTRIBUTION TO COUNTIES - ORC 5747.50

Following is the formula in ORC 5747.501 used by the tax commissioner to determine the amount of monies available for distribution to all of the county undivided local government funds in a forthcoming calendar year.

1. Estimate what 4.2% of the state sales and use tax, personal income tax, corporate franchise tax, and public utility excise tax, and 2.646% of the kilowatt hour tax, will yield.

2. Calculate nine-tenths of the difference between the amount transferred to the state LGF in 1983 and 145.45% of the 1983 deposits tax revenue received from financial institutions.

3. Add 145.45% of the 1983 deposits tax revenue received from financial institutions.

4. Subtract $6 million. The resulting number is the total amount available to distribute to all of the county undivided local government funds in the forthcoming year.

5. The remainder (one-tenth of the difference between the amount transferred and 145.45%of the 1983 deposits tax revenue plus $6 million) is distributed directly by the state to municipalities that levy municipal income taxes (ORC 5747.50 (C)).

23.05 CALCULATION OF EACH COUNTY'S UNDIVIDED LGF - ORC 5747.501

By the 15th day of December each year, the tax commissioner must estimate and certify the amount to be paid in to the state LGF for distribution to the counties in the following year. The tax commissioner makes two calculations of each county's entitlement to LGF monies by using two formulas as follows:

1. Formula #1 - Following is the procedure used to calculate this formula amount:

    a. Determine 145.45% of the deposits tax the county received from financial institutions in 1983.

    b. Determine how much the county would receive if nine-tenths of the remaining revenue in the state fund (less $6 million) apportioned as follows:

        i. 25% based on population.

        ii. 75% based on the value of real, public utility and tangible personal property located within any municipal corporation within the county. The minimum distribution from the population/municipal valuation segment is $225,000.

    c. The amounts in (A) and (B) above are added together to determine the county's "formula 1" amount.

2. Formula #2 - The following procedure is used to calculate this formula amount:

    a. Nine-tenths of the total state LGF (less $6 million) based on population (25%) and municipal property values (75%). The minimum distribution is $225,000.This is the county's "formula 2" amount.

The higher of these two formula allocations (called the "assigned amount") is taken for each county and these amounts are added together to get a statewide total. Each county's "assigned amount" is then computed as a percentage of the total of the 88 "assigned amounts." Each county's percentage is its share of the county portion of the state LGF. These percentages are applied against the total amount in the fund to determine each county's distribution. Each county is guaranteed at least the amount it received in 1983.

Allocations to county treasurers are made by the tenth day of each month. Details concerning the distribution of the state LGF are found in ORC sections 5747.50 and 5747.501.

Source: *County Commissioners Handbook*, 2005 Revision

EXHIBIT 23-3

CALCULATION OF POLITICAL SUBDIVISION RELATIVE NEED FROM COUNTY ULGF UNDER THE STATUTORY FORMULA

STEP 1	**DETERMINE COMBINED TOTAL ESTIMATED EXPENDITURES**	
Line 1	**From General Fund**	**$**
Line 2	**From Special Funding but excluding funds established for roads & bridges; street construction & maintenance; state highway improvements; and for gas, water, sewer & electric public utilities**	**$**
Line 3	**TOTAL OF ESTIMATED EXPENDITURES**	**$**
STEP 2	**DETERMINE DEDUCTIONS FROM ESTIMATED EXPENSES IF INCLUDED IN ABOVE EXPENDITURES**	
Line 4	**For Permanent Improvements**	**$**
Line 5	**Transfers to road and bridge fund (counties and townships) and for street construction, maintenance, &repair and for state highway improvements (municipalities)**	**$**
Line 6	**For Debt Charges**	**$**
Line 7	**For Judgments**	**$**
Line 8	**SUBTOTAL TO BE DEDUCTED FROM EXPENDITURES**	**$**
STEP 3	**DETERMINE OTHER DEDUCTIONS FROM ESTIMATED EXPENDITURES**	
Line 9	**Inside Property Tax Millage Revenue**	**$**
Line 10	**Any Public Library Money distributed by County Budget Commission**	**$**
Line 11	**Estimated unencumbered general fund balances as of December 31 of current year as shown in tax budget *SEE NOTES A and B below***	**$**
Line 12	**Revenue from all other sources as shown in the general fund and the non- exempt funds specified above except (1) revenues from additional taxes or service charges voted by the electorate, and (2) revenue from special assessments and revenue bond collections *SEE NOTES A, B, C, and D below***	**$**
Line 13	**SUBTOTAL TO BE DEDUCTED FROM EXPENDITURES**	**$**
STEP 4	**CALCULATION OF RELATIVE NEED**	
Line 14	**Line 3 minus Lines 8 and 13**	**$**

NOTES:

- **A**—Money in a reserve balance account by a county, township, or municipality pursuant to ORC Sections 5705.13 and 5705.132 is not considered as an unencumbered balance.
- **B**—Special rules apply on how to treat non-expendable trust funds as it relates to deductions from expenditures. See ORC Sections 5705.131 and 5747.51.
- **C**—Special rules apply related to situations where a municipal charter which prohibits a municipal income tax is amended to allow the legislative authority to enact the tax. In such cases, the municipal income tax is considered "an additional tax voted by the electorate."
- **D**—In the case of the county permissive real and manufactured home tax, utilities service tax, motor vehicle license tax, and the 1% permissive sales and use tax enacted pursuant to ORC 5739.02, these taxes, including those upheld by a referendum, are not considered "an additional tax voted by the electorate. Note that the ½% permissive sales and use tax enacted pursuant to ORC 5739.026 is not included in this provision.

EXHIBIT 23-4

DETERMINATION OF POLITICAL SUBDIVISION PERCENTAGE SHARES OF THE COUNTY ULGF

STEP 5	**CALCULATION OF RELATIVE NEED FACTOR**	
Line 15	**The total County ULGF for the next year as certified by the Tax Commissioner on July 25th is divided by the total relative need of all political subdivisions from Line 14 of Exhibit 23-3.**	
STEP 6	**CALCULATION OF EACH POLITICAL SUBDIVISION'S PROPORTIONATE SHARE**	
Line 16	**For each political subdivision take the subdivision's relative need from Line 14 of Exhibit 23-3 and multiply it by the relative need factor from Line 15**	
STEP 7	**ADJUST PROPORTIONATE SHARES FOR COUNTY MAXIMUM PERCENTAGES**	
Line 17	**If the county proportionate share in Line 16 exceeds the maximum county percentage based on the percent of municipal population in the county the county proportionate share must be reduced and the proportionate shares of other subdivisions must be increased pro-rata**	
STEP 8	**ADJUST PROPORTIONATE SHARES FOR AGGREGATE TOWNSHIP MINIMUM PERCENTAGE (10%)**	
Line 18	**If all townships in the county combined do not receive at least 10% of the County ULGF then at least 10% must be provided and adjustments must be made on a pro-rata basis**	
STEP 9	**ADJUST PROPORTIONATE SHARES TO MEET THE MINIMUM GUARANTEE OR "FLOOR" REQUIREMENTS OF LAW**	
Line 19	**This adjustment is based on Division I of ORC Section 5747.51 which establishes a political subdivision minimum or "floor" based on the average percentages of the County ULGF from 1968-1970 multiplied by the total amount of County ULGF apportioned in CY 1970**	
STEP 10	**DETERMINATION OF FINAL POLITICAL SUBDIVISION PROPORTIONATE SHARES**	
Line 20	**The final proportionate share for each political subdivision is the amount in Line 16 after applying any adjustments required by Lines 17, 18 or 19.**	
STEP 11	**CALCULATION OF PERCENTAGE SHARE FOR EACH POLITICAL SUBDIVISION**	
Line 21	**The county auditor computes the percentage share for each political subdivision and (1)certifies it to the Tax Commissioner (2) publishes a notice of amounts and percentages in a newspaper of countywide circulation, and (3) sends the percentage and amounts for the next calendar year to all political subdivisions by certified mail, return receipt requested. This notice serves as service for any political subdivision that wants to appeal to the Board of Tax Appeals**	

TABLE 23-1

STATE COLLECTED & LOCALLY SHARED TAXES & LICENSES

For Year Ending December 31, 1937

Tax Source	Total Collections (in millions)	State Share (in millions)	Local Share (in millions)
Retail Sales	49.9	8.1	41.8
Gas Excise	34.4	19.4	15.0
Motor Vehicle License	25.3	7.5	17.9
Liquid Fuel Excise	12.7	.1	12.6
Public Utility Excise	11.0	5.3	5.7
Cigarette Excise	7.4	.1	7.3
State Situs Intangibles	6.2	.2	6.0
Beer/Liquor Permits	5.6	0	5.6
Bottled Beer	2.0	0	2.0
Admissions	1.6	0	1.6
Motor Transportation	.5	.4	.1
Use	.7	0	.7
Malt & Wort	.5	0	.5
TOTAL	157.5	41.0 (26%)	116.5 (74%)

STATE REVENUE IN 1937

STATE TAXES	**69. 8 m. (Includes $41.0 million above)**
STATE NON-TAX REVENUE	**40.8 m.**
STATE COLLECTED/LOCALLY DISTRIBUTED TAXES	**116.5 m.**
TOTAL	**217.1 m.**
PERCENT OF TOTALSTATE REVENUE TO LOCAL GOVERNMENTS	**53.7%**

Source: Ohio Tax and Revenue Commission. *The Tax System & Problems in Ohio & a Proposed Program. Report 10.* November 25, 1938.

TABLE 23-2

THE EARLY YEARS: STATE LOCAL GOVERNMENT FUND (SLGF) ALLOCATION OF STATE SALES TAX COLLECTIONS

Residual Amount & Share of State Sales Tax Allocated to SLGF

CY 1935-1938

Calendar Year	Amount (in millions)	% of Total Sales Tax Collected
1935	10.7	23.8
1936	17.9	31.6
1937	15.1	30.1
1938	10.9	27.9

Average Percent to SLGF 1935-1938 = 29%

Note: During the first years of Ohio's sales tax the new SLGF was to receive 40% of the "residual" after deductions were made for county poor relief and state tax administration. The other 60% of the "residual" went to the state public school fund.

TABLE 23-3

THE EARLY YEARS: STATE APPROPRIATIONS TO THE STATE LOCAL GOVERNMENT FUND (SLGF)

Fixed Dollar Appropriations to SLGF

CY 1939-1947

Calendar Year	Amount (in millions)	% of Total Sales Tax Collected
1939	12.0	26.3
1940	12.0	23.5
1941	12.0	19.0
1942	12.0	20.0
1943	12.0	19.4
1944	12.0	18.3
1945	16.0	21.6
1946	21.0	20.3
1947	27.3	21.7

Note: Beginning in 1939 Ohio law was changed so that the SLGF no longer received the "residual" 40% as shown in Table 23-2 and became subject to annual lump sum appropriations from the General Assembly.

Source: (both tables) Saenger, Martha L. *The Ohio Local Government Fund History and Commentary.* Ohio Department of Taxation, July, 1985.

TABLE 23-4

ALLOCATIONS TO COUNTY UNDIVIDED LOCAL GOVERNMENT FUNDS FROM THE STATE LOCAL GOVERNMENT FUND & INTANGIBLES TAXES

CALENDAR YEARS 1948 & 1949 AND STATE FISCAL YEARS 1950-1981

Figures in Millions

Year	State LGF	Intangibles	Total ULGF	% Change	% of Total ULGF From Intangibles
CY 1948	12.0	15.1	27.1		55.7
Jan. - July 1949	6.0	15,900	6.0		.26
FY 1950	18.0	15.4	33.4		46.2
1951	18.0	15.8	33.8	1.2	46.8
1952	12.0 9.4	16.8	38.2	13.0	44.0
1953	18.0	17.5	35.5	-7.1	49.2
1954	20.0	18.7	38.7	9.0	48.3
1955	20.0	21.6	41.6	7.5	52.0
1956	22.0	21.4	43.5	4.6	49.3
1957	22.0	23.4	45.4	4.4	51.5
1958	24.0	24.8	48.8	7.5	51.0
1959	24.0	26.1	50.2	2.9	52.1
1960	24.0	27.3	51.3	2.2	53.2
1961	24.0	28.8	52.8	2.9	54.5
1962	24.0	30.3	54.3	2.8	55.8
1963	24.0	32.7	56.7	4.4	57.7
1964	24.0	34.8	58.8	3.7	59.2
1965	24.0	37.4	61.4	4.4	61.0
1966	24.0	40.3	64.3	4.7	62.7
1967	24.0	43.7	67.7	5.3	64.5

1968	**24.0**	**46.7**	**70.7**	**4.4**	**66.1**
1969	**24.0**	**51.0**	**75.0**	**6.1**	**68.0**
1970	**34.0**	**54.9**	**88.9**	**18.5**	**61.8**
1971	**36.0**	**56.8**	**92.8**	**4.4**	**61.2**
1972*	**42.0**	**61.6**	**103.6**	**11.6**	**59.4**
1973**	**53.3**	**68.1**	**121.4**	**17.2**	**56.1**
1974	**55.2**	**75.8**	**131.0**	**7.9**	**57.9**
1975	**59.9**	**82.7**	**142.6**	**8.9**	**58.0**
1976	**63.8**	**88.9**	**152.7**	**7.1**	**58.2**
1977	**74.1**	**97.8**	**171.9**	**12.6**	**56.9**
1978	**87.3**	**108.2**	**195.5**	**13.7**	**55.3**
1979	**96.4**	**119.5**	**215.9**	**10.4**	**55.3**
1980	**102.8**	**129.4**	**232.1**	**7.5**	**55.7**
1981	**105.9**	**135.3**	**241.2**	**3.9**	**56.1**

Note: In 1948 County Undivided Local Government Funds started to receive revenues from intangibles taxes paid by financial institutions and dealers in intangibles in addition to revenues from the State Local Government Fund (SLGF)

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***In 1972 1/12th of the amount in the SLGF began to be distributed directly to municipalities that levied municipal income taxes. This 1/12th only applied to the SLGF, not to intangible taxes, which were distributed to the county ULGF directly on the basis of the situs of the intangible tax collected.

****In 1973 the SLGF was reconstituted by allocating certain specified percentages of certain state taxes for deposit to the SLGF.

Source: Saenger, Martha L. *The Ohio Local Government Fund History and Commentary.*
Ohio Department of Taxation, July, 1985

TABLE 23-5

STATE DISTRIBUTIONS FROM THE STATE LOCAL GOVERNMENT FUND TO COUNTY UNDIVIDED LOCAL GOVERNMENT FUNDS & DIRECTLY TO MUNICIPALITIES

AND

DISTRIBUTIONS OF INTANGIBLE TAXES TO COUNTY UNDIVIDED LOCAL GOVERNMENT FUNDS

CALENDAR YEARS 1982-2014
Figures in Millions

Calendar Year	Total SLGF	Municipal Share	Total SLGF to CULGF	Intangible Taxes	Total County ULGF	% Change of CULGF
1982	161.4	9.5	151.9	99.5	251.4	
1983	165.9	11.2	154.1	104.5	259.2	3.1
1984*	277.4	17.0	260.5	4.8	265.2	2.3
1985	298.4	18.7	279.7	6.0	285.8	7.8
1986	313.9	20.0	293.9	6.7	300.6	5.2
1987**	337.7	23.1	314.6	7.7	322.3	7.2
1988	361.0	27.5	333.5	8.3	341.8	6.1
1989+	407.4	32.1	375.2	7.7	382.9	12.0
1990	425.3	33.9	391.4	4.8	396.8	3.6
1991	425.7	34.0	391.7	7.2	398.9	.5
1992	425.7	34.0	391.7	7.0	398.7	0
1993	445.8	35.3	410.6	8.0	418.5	5.0
1994	478.1	39.3	438.8	8.5	447.3	6.8
1995	526.2	43.9	482.3	9.6	491.8	9.9
1996	543.9	45.8	498.0	9.6	507.6	3.2
1997	579.9	49.4	530.4	11.0	541.4	6.7
1998	632.5	54.7	577.8	10.0	587.8	7.9
1999	664.4	57.4	607.0	10.7	617.7	5.1
2000	692.2	61.1	631.1	13.9	645.0	4.4
2001	705.1	62.4	642.6	15.9	658.5	2.1
2002	670.3	59.0	622.6	11.2	633.8	-3.8

2003	**661.9**	**58.1**	**603.8**	**9.1**	**612.9**	**-3.3**
2004	**661.9**	**58.1**	**603.8**	**10.4**	**614.2**	**.2**
2005	**661.9**	**58.1**	**603.8**	**11.7**	**615.5**	**.2**
2006	**661.9**	**58.1**	**603.8**	**13.9**	**617.7**	**.4**
2007	**662.2**	**58.1**	**604.1**	**12.6**	**616.7**	**-.2**
2008++	**745.9**	**58.1**	**687.8**	**11.8**	**699.6**	**13.4**
2009	**641.4**	**51.3**	**590.1**	**13.2**	**603.3**	**-13.8**
2010	**650.0**	**52.0**	**598.0**	**13.5**	**611.5**	**1.4**
2011	**648.2**	**50.0**	**598.2**	**13.8**	**611.9**	**0**
2012	**465.0**	**34.8**	**430.2**	**6,619*** **	**430.2**	**-29.7**
2013	**357.5**	**28.4**	**329.1**	**0**	**329.1**	**-23.5**
2014	**350.1**	**28.0**	**322.1**	**0**	**322.1**	**-2.1**

***Note:** The collections from intangible taxes are reflective of repeal of certain portions of intangibles taxes.

****Note:** During this year direct distributions to municipalities increase from 1/12th to 1/10th plus $6 Million.

+Note that the Local Government Revenue Assistance Fund (LGRAF) was established effective July 1, 1989. Total do not include the LGRAF. See Table 23-6 for data on LGRAF from 1989-2007.

++Note: The LGRAF was combined with the LGF in 2008. Totals from 2008-2013 are reflective of the combination of the two funds. See Table 23-6 for data on LGRAF.

Source: Ohio Department of Taxation. Annual Reports, 1981-2013, Tax Data Series Tables LG-1 & 2, April 30, 2015

***This is the actual distribution of $6,619 in 2012.

TABLE 23-6

TOTAL ALLOCATIONS TO COUNTY UNDIVIDED LOCAL GOVERNMENT REVENUE ASSISTANCE FUNDS

CY 1989-2008

Calendar Year	Amount (in millions)
1989	12.9
1990	38.1
1991	57.3
1992	57.3
1993	59.3
1994	68.4
1995	72.9
1996	77.4
1997	82.9
1998	90.4
1999	95.0
2000	99.0
2001	100.8
2002	95.8
2003	94.6
2004	94.6
2005	94.6
2006	94.6
2007	94.6
2008	0 Combined with LGF

Source: Ohio Department of Taxation. Annual Reports, 1990-2009.

TABLE 23-7

TOTAL COUNTY ULGF, LGRAF, & DEALERS IN INTANGIBLES TAX DISTRIBUTIONS
CY 1989-2014

All Figures in Millions

CY	ULGF	Intangibles	LGRAF	Total	% Change
1989	375.2	7.7	12.9	395.8	
1990	391.4	4.8	38.1	430.3	8.7
1991	391.7	7.2	57.3	456.2	6.0
1992	391.7	7.0	57.3	456.0	0.0
1993	410.6	8.0	59.3	477.9	4.8
1994	438.8	8.5	68.4	515.7	7.9
1995	482.3	9.6	72.9	564.8	9.5
1996	498.0	9.6	77.4	585.0	3.6
1997	530.4	11.0	82.9	624.3	6.7
1998	577.8	10.0	90.4	678.2	8.6
1999	607.0	10.7	95.0	712.7	5.1
2000	631.1	13.9	99.0	744.0	4.4
2001	642.6	15.9	100.8	759.3	2.1
2002	622.6	11.2	95.8	729.6	-3.9
2003	603.8	9.1	94.6	707.5	-3.0
2004	603.8	10.4	94.6	708.8	.2
2005	603.8	11.7	94.6	710.1	.2
2006	603.8	13.9	94.6	712.3	.3
2007	604.1	12.6	94.6	711.3	-.1
2008	687.8	11.8	0	699.6	-1.7
2009	590.1	13.2	0	603.3	-13.8
2010	598.0	13.5	0	611.5	1.4
2011	598.2	13.8	0	612.0	0.0
2012	430.2	$6,619*	0	430.3	-29.7
2013	329.1	0	0	329.1	-23.5
2014	322.1	0	0	322.1	-2.1

Source: Ohio Department of Taxation. Annual Reports, 1990-2013 and Tax Data Series Table LG-1 & 2, April 30, 2015
*This is the actual distribution of $6,619 in 2012.

TABLE 23-8

ANNUAL MINIMUM ALLOCATIONS TO COUNTY UNDIVIDED LOCAL GOVERNMENT FUNDS FROM THE STATE LOCAL GOVERNMENT FUND

Year Enacted by General Assembly	Amount (in millions)
1947	$25,000
1949	30,000
1957	40,000
1969	60,000
1971	110,000
1973	150,000
1981	225,000
2013	750,000 or amount received in FY 2013

TABLE 23-9

DIRECT DISTRIBUTIONS TO MUNICIPALITIES LEVYING INCOME TAXES FROM THE STATE LOCAL GOVERNMENT FUND

1972-2014
Figures In Millions

Year	Amount	% Change		Year	Amount	% Change
1972	4.0			1993	35.3	3.8
1973	4.4	10.0		1994	39.3	11.3
1974	4.8	9.1		1995	43.9	11.7
1975	5.1	6.3		1996	45.8	4.3
1976	5.6	9.8		1997	49.4	8.2
1977	6.7	19.6		1998	54.7	10.7
1978	7.6	13.4		1999	57.4	4.9
1979	8.4	10.5		2000	61.1	6.4
1980	8.6	2.4		2001	62.4	2.1
1981	9.1	5.8		2002	59.0	-5.4
1982	9.4	3.3		2003	58.1	-1.5
1983	11.2	19.1		2004	58.1	0.0
1984	17.0	51.8		2005	58.1	0.0
1985	18.7	10.0		2006	58.1	0.0
1986	20.0	12.3		2007	58.1	0.0
1987	23.1	15.5		2008	58.1	0.0
1988	27.5	19.0		2009	51.3	-11.7
1989	32.1	16.7		2010	52.0	1.4
1990	33.9	5.6		2011	50.0	-3.8
1991	34.0	0.3		2012	34.8	-30.4
1992	34.0	0.0		2013	28.4	-18.4
				2014	28.0	-1.4