CHAPTER 19

OHIO'S LOCAL GOVERNMENT FUNDS

Local Government Fund (LGF)

Local Government Revenue Assistance Fund (LGRAF)

Library and Local Government Support Fund (LLGSF)

Revised January 2005

19.01 INTRODUCTION

This chapter deals with three major funds through which the state of Ohio shares state tax revenue with local governments: the Local Government Fund (LGF), the Local Government Revenue Assistance Fund (LGRAF), and the Library and Local Government Support Fund (LLGSF).

The LGF was established by the General Assembly in 1934. The smaller LGRAF, which is about one-seventh the size of the LGF, was established in 1989 to provide additional support for local governments. The LLGSF was established in 1985 to fund Ohio's 250 local library districts. The LLGSF was designed to replace revenue that libraries formerly received from the locally-collected intangible property tax that was repealed in 1986.

The LGF and the LGRAF are used primarily by counties, townships, cities and villages for current operating expenses. Current operating expenses authorized for LGF and LGRAF revenue use generally include all lawful expenditures of a subdivision, except expenditures for public improvements having an expected life of more than five years, payments of interest for the retirement of bonds and notes, and payments to a sinking fund for certificates of indebtedness. The LLGSF is used almost exclusively by public libraries.

This chapter will trace the history and background of each fund, discuss the revenue sources that make up each fund, and describe the process for making distributions from each fund to eligible entities within each county. In the interest of clarity, each of the three funds — the LGF (19.02 -19.11) the LGRAF (19.12 - 19.13) and the LLGSF (19.14 - 19.17) – will be discussed separately.

At the end of the chapter, after the discussions of the three funds, we will outline the recent pieces of legislation that have been enacted to change the operation of the funds. These changes have resulted in a succession of cuts and freezes that have taken local governments away from the statutory distribution formulas (19.18 - 19.20).

19.02 HISTORY AND BACKGROUND OF THE LOCAL GOVERNMENT FUND (LGF)

The Local Government Fund (LGF) has existed since 1934. At that time, during the peak of the Great Depression, many local governments in Ohio were experiencing severe financial difficulties. In 1933, the Ohio Constitution had been amended to reduce the allowable amount of unvoted property taxes, also known as "inside millage," from 15 mills to 10 mills.

In an effort to shore up the local revenues eroded by this reduction of inside millage from 15 mills to 10 mills, the General Assembly, on December 13th, 1934, enacted in House Bill 134 the state's first sales tax, at a rate of 3%.

One of the stated purposes of the sales tax at the time of its enactment was the "support of local government activities." In support of this goal, lawmakers established the LGF in the same bill in which they enacted the first state sales tax. In 1935, the first year of the LGF's operation, local governments received $10.7 million, about 40% of the monies generated by the sales tax, after specified amounts dedicated to old age pensions, poor relief, and administrative expenses were removed. This was the beginning of the principle of "revenue sharing" between the state of Ohio and its local government units. The state public school fund received the other 60% of the state sales tax revenue.

As time went on, different funding streams were added to the formula. In 1947, revenue from the state-collected dealers in intangibles tax was added as a second source of funding. In 1972, a portion of the personal income tax was added to the formula, along with a portion of the corporation franchise tax. Later, the public utility excise tax was added to provide greater reliability to the revenue stream. Finally, as a result of Ohio deregulating its electric industry in 2001, a percentage of the newly-created kilowatt hour tax was added to the formula.

The LGF has undergone many changes since its inception, but the basic elements of the program have remained fairly constant over the years: a designated portion of state revenues are deposited into the LGF; a formula is used to allocate the monies monthly to the county undivided local government fund in each Ohio county; and county budget commissions authorize and determine the distribution of the undivided fund monies to eligible local entities, which currently include counties, cities, villages, townships and park districts.

19.03 SOURCES OF FUNDS FOR THE LGF

The ORC currently provides that the LGF is composed of the following percentages of four specified major state taxes:

1. 4.2% of the personal income tax - ORC 5747.03.

2. 4.2% of the sales and use tax - ORC 5739.21, 5741.03.

3. 4.2% of the corporation franchise tax - ORC 5733.12.

4. 4.2% of the public utility excise tax - ORC 5727.45.

Before 1991, the LGF received 4.5% of the collections from the state's personal income tax, sales and use tax, corporation franchise tax, and public utility excise tax. As changes occurred in the funding formula through the years, that contribution rate was lowered to 4.2%. Although this reduction was originally intended to be temporary, it became part of the codified ORC in 1995.

In addition to the four major sources above, 2.646% of the kilowatt hour tax is now deposited into the LGF. The kilowatt hour tax is included in the LGF distribution base to replace revenue that was lost to local subdivisions because of electric deregulation. ORC 5727.84 (B) (2).

The local government funds also receive revenue from the pass-through entity and trust withholding tax. This is not a separate tax but rather is a mechanism designed to collect individual income tax or corporation franchise tax from qualifying persons and entities outside the state that are doing business in Ohio or otherwise have a residential or business presence in the state.

Revenue received from qualifying pass-through entities is treated either as individual income tax or corporation franchise tax revenue. A portion of the revenue, in accordance with the statutorily-prescribed percentages, is then deposited in the LGF, the LGRAF, and the LLGSF.

In addition, 62.5% of the monies collected by the state from the dealers in intangibles tax authorized under ORC 5707.03 is distributed directly to counties, to be placed in the undivided LGF fund in each county. This money is distributed among local subdivisions by the county budget commission, along with monies collected from the other LGF tax sources. ORC 5725.24.The monies from the dealers in intangibles tax are often listed separately from the other tax sources for the LGF. Estimates of LGF revenue sometimes include, and sometimes do *not* include, the dealers in intangibles revenue.

The revenue from the dealers in intangibles tax is distributed to the county where the dealer's capital was employed, which is determined on the basis of gross receipts. In 2003, counties received $7.176 million from the dealers in intangibles tax. Franklin, Cuyahoga, and Hamilton counties receive about 70% of monies from the dealers in intangibles tax that are earmarked for the distribution to counties. ORC 5725.24.

Finally, the LGF also may receive funds when there is a surplus in the state budget. In recent years, the state budget has provided no surpluses to be refunded to taxpayers. However, the General Assembly has mandated that, when available, budget surpluses are to be refunded to taxpayers. The General Assembly also has mandated that funding to the LGF (and the LGRAF) not be reduced because of any refunds that might be made to taxpayers. Therefore, current law requires 4.2% of any budget surplus amount to be deposited in the LGF before any refunds are made to the state's taxpayers.

19.04 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).

19.05 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:

      (1) 25% based on population.

      (2) 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.

19.06 DISTRIBUTION OF UNDIVIDED LOCAL GOVERNMENT FUND WITHIN COUNTIES - ORC 5747.51, 5747.52.

Each county budget commission is responsible for distributing the undivided local government fund within its county on the basis of need. The tax commissioner is required to certify to the county auditor, within 10 days after July 15th of each year, both the amount that the county will receive from the state LGF and from the dealers in intangibles tax for the next calendar year. ORC 5747.51 (A).

ORC section 5747.51 provides a statutory procedure for allocating the undivided local government fund. Section 5747.52 of the ORC contains a form to be used by the county budget commission when making allocations under this statutory procedure. This 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 budget commission 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.

2. Calculating a "relative need factor" for each subdivision by dividing the total undivided local government fund estimate 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 County:	*County Government’s Share Shall Not Exceed*
Less than 41%	60%
41% to 81%	50%
81% or greater	30%

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 undivided local government fund In all cases, the population figures are those published by the department of development each year as of July 20th. 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 calendar years 1968 through 1970. This is commonly referred to as each subdivision's "floor." ORC 5747.51 (I).

7. After all adjustments to proportionate shares are made, these proportionate shares are converted to "percentage shares," which are then used as the basis for monthly distributions to participating subdivisions. 5747.51 (J).

19.07 ALTERNATIVE METHOD OF APPORTIONING LGF FUNDS WITHIN A COUNTY - ORC 5747.53

Instead of utilizing this process for making allocations, 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 largest municipal corporation located wholly or partially within in the county. However, in counties in which the largest city located wholly or partially within the county has a population of 20,000 or less *and* a population that is less than 15% of the total population of the county, approval of the largest municipal corporation is not necessarily required. The approval can be waived if two boards of townships trustees or municipal legislative authorities, which between them represent jurisdictions with populations making up over half of the population of the county, adopt resolutions voiding the need for the approval of the legislative authority of the largest municipal corporation located wholly or partially within the county. ORC 5747.53 (G).

3. A majority of boards of township trustees townships and legislative authorities of municipal corporations in the county, except for the largest one.

The county budget commission 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.

The county budget commission, in its sole discretion, may include in its alternative formula “any factor considered to be appropriate and reliable.” The actions of the county budget commission in allocating the LGF fund under an alternative formula are final and, unlike the allocations under ORC 5747.51, are not appealable to the board of tax appeals, except regarding the issues of abuse of discretion or failure to comply with the formula. ORC 5747.53 (G).

The Ohio Supreme Court has held that ORC 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).*

19.08. ADDITIONAL PROCEDURAL REQUIREMENTS - ORC 5747.51

Following are some additional procedural requirements that must be met in allocating the county undivided local government fund:

1. At the same time as percentage shares are calculated under the statutory formula, or an alternate formula is adopted, the county auditor must certify to the state auditor the percentage share of the undivided local government fund allocated to the county.

2. Within 10 days after the budget commission has finalized its formula, the county auditor must publish a list of the amount allocated to each political subdivision and its percentage share in a newspaper of countywide circulation. A copy must also be sent to the tax commissioner. ORC 5747.51 (J).

3. The county auditor must send a copy of the allocation to the fiscal officer of each participating subdivision by certified mail, return receipt requested. ORC 5747.51 (J).

19.09 APPEALS - ORC 5747.55

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

19.10 DISTRIBUTIONS OF THE LGF TO MUNICIPALITIES - ORC 5747.50

The portion of Ohio's LGF that is distributed directly to municipalities, as mentioned in section 19.04, is apportioned among those municipalities that levy an income tax. The amount paid to each municipal corporation bears the same percentage to the total amount to be distributed to all municipal corporations as the total income taxes collected by the municipal corporation during the second year preceding bears to the total amount of such taxes collected by all municipal corporations during the same year (ORC 5747.50).

All of this money is deposited into the municipal general fund. However, a municipal university, where one exists, may request and receive up to nine percent of the total amount paid to the municipality from the LGF (ORC 5747.51).

19.11 MONTHLY DISTRIBUTION PROCEDURE FOR THE LGF - ORC 5747.50

Allocation from the state's LGF to both municipal corporations and counties are made on or before the 10th of each month. Only the portion of the state's LGF distributed to the counties is subject to possible further adjustments, to meet the minimum allocation per month of $25,000 and a minimum allocation per year equal to the amount actually received in calendar year 1983. ORC 5747.50 (A).

The ORC authorizes adjustments to be made in December to ensure each county the minimum allocation to which it is entitled for the entire calendar year. The ORC also authorizes money to be withheld during December of the ensuing calendar year so that the total amount received by a county does not exceed the proportionate share to which it is entitled, or its statutory minimum, whichever is greater. ORC 5747.50 (A).

19.12LOCAL GOVERNMENT REVENUE ASSISTANCE FUND (LGRAF) - ORC 5747.61, 5747.62, 5747.63

The Local Government Revenue Assistance Fund (LGRAF) was created on July 1, 1989. The fund was created in House Bill 171, the 1988-1989 state budget bill. The LGRAF was created to provide additional support to counties and other units of local government and to modify the way this support was distributed among the 88 counties. The LGRAF is a much smaller fund than the LGF; it generally provides about 14% of the revenue provided by the LGF. As an example, the total amount distributed to local governments via the LGRAF in calendar year 2002 was $95.808 million. The total amount distributed to local governments via the LGF in calendar year 2002 was $670.302 million.

Unlike the LGF, none of the monies from the LGRAF are distributed directly to municipalities. All are distributed directly to each county's undivided LGRAF, based upon the county's population as compared to the total population of the state. The population figures used to determine distribution are either 1) the latest federal estimated census figures or 2) the latest ten-year census figures that include population totals for the counties as of June 1st of the preceding calendar year.

This money is apportioned among the municipalities, townships, park districts, and the counties by the county budget commission, in the same manner as is the LGF. There also is an alternative method of apportionment for LGRAF funds that mirrors the alternative apportionment method for LGF funds. The LGRAF alternative apportionment procedures can be found in ORC 5747.63.

19.13 SOURCES OF FUNDS FOR THE LGRAF

The LGRAF receives its funding from virtually the same tax sources that are used to fund the local government fund (LGF): the sales and use tax, the personal income tax, the corporation franchise tax, the public utility excise tax, the kilowatt hour tax, the pass through entity and trust withholding tax revenues, and revenues from any state budget surplus that might exist. The only tax source used to fund the LGF that is not also used to fund the LGRAF is the dealers in intangibles tax**.**

The amount that a county receives from the state LGRAF is expressly designated for deposit in the county's undivided LGRAF.

Here are the percentages of each tax that are combined to make up the distributions to each county under the LGRAF:

1. 0.6% of the personal income tax - ORC 5747.03.

2. 0.6% of the sales and use tax - ORC 5739.21, 5741.03.

3. 0.6% of the corporation franchise tax - ORC 5733.12.

4. 0.6% of the public utility excise tax - 5727.45.

5. 0.6% of pass-through entity and trust withholding tax.

6. 0.378% of the kilowatt hour tax - ORC 5727.84 (B) (3).

19.14 DISTRIBUTION PROCEDURE FOR THE LGRAF - 5747.61

Like distributions from the LGF, distributions from the LGRAF are made from the tax commissioner to counties on or before the tenth day of each month. The amount payable to each county is determined by multiplying the county's proportionate share for the fiscal year in which distribution is made by the total amount to be distributed from the LGRAF in that month.

Each county's distribution is made by the tax commissioner to the county treasurer and is credited by the county treasurer to the undivided Local Government Revenue Assistance Fund in the county treasury.

Unlike distributions for the LGF, no portion of the LGRAF revenue is distributed directly to municipalities within a county.

19.15 THE LIBRARY AND LOCAL GOVERNMENT SUPPORT FUND (LLGSF)

The 115th General Assembly, in House Bill 291, created the Library and Local Government Support Fund (LLGSF). The LLGSF provides monies from state personal income tax collections to counties on a monthly basis. The receivers of these monies are libraries and local subdivisions that were receiving aid from the locally-collected intangible property tax that was repealed in 1986.

A distribution formula for the newly-created fund was enacted in House Bill 146 of the 115th General Assembly, which became effective on July 12th, 1985. Today, nearly all of the money in the LLGSF is distributed to libraries. The fund receives, under statute, 5.7% of the personal income tax collections of the state.

19.16 LLGSF DISTRIBUTIONS TO COUNTIES UNDER STATUTE - ORC 5747.46

The distribution formula for the LLGSF contained in ORC 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 LLGSF distributions in previous years to see the greatest per capita growth in their funding, while ensuring that all counties have relative growth.

19.17 MONTHLY DISTRIBUTION PROCEDURE FOR LLGSF FUNDS - ORC 5747.47, 5747.48

Allocations from the previous month's LLGSF balance are made to counties on or before the 10th of each month. The Department of Taxation determines the total amount available and the allocation to be made to each county. The allocation of the county LLGSF funds are then made by the county auditor to the boards of public library trustees and other local subdivisions eligible to receive funds, on or before the 15th of each month.

19.18 USE OF LLGSF FUNDS - ORC 3375.05, 3375.121. 3375.40, 3375.403, 3375.82, 3375.85, 5705.32.

The LLGSF provides about 69% of all public library funding throughout the state. Local property taxes provide about 18% of the total. Of the 251 public library districts in the state, 176 receive no tax revenue except through the LLGSF. They receive 87% of their total revenues from the LLGSF. The other public library districts receive 59% of their funding from the LLGSF.

As in the case of the local government fund and the local government revenue assistance fund (LGRAF), county budget commissions determine the amounts to be given to library districts within the county. The amount given to each library district is based on its needs for building construction and improvement, operations, maintenance and other expenses.

19.19 RECENT DEVELOPMENTS IN LGF, LGRAF AND LLGSF FUNDING - THE TEMPORARY FREEZE ENACTED IN 2001

Under the permanent law statutory provisions of the ORC, the three local government funds receive a fixed percentage of the major state taxes each year. If state revenues increase, local governments share in that increase under the statutory formulas through an increased distribution of revenues. If state revenues decline, local governments share in the decline because the funds they receive from the major state tax sources decrease

In 2001, as the state enacted its two-year budget for state fiscal years 2002 and 2003, lagging state revenue performance, spurred by a poorly-performing economy and a drastic downturn in the stock market, created very significant potential budget deficits. In response to these potential deficits, the General Assembly, in House Bill 94, imposed a "temporary" freeze on the distribution of local government fund money. The freeze, which had the effect of limiting the growth of the three funds, was intended to retain additional monies for the state's general revenue fund (GRF).

While the freeze enacted in Section 140 of House Bill 94 in 2001 was intended to buffer the state GRF from the slowdown in state tax receipts, those receipts dropped so dramatically during the first six months of state fiscal year 2002 (July 1st - December 31st, 2001) that the temporary freeze actually provided more revenue to the three funds than they would have received under the statutory formulas.

To address this situation, lawmakers included a provision in House Bill 405, which was enacted in December 2001. Under House Bill 405, the Department of Taxation periodically calculates the amount, if any, by which payments to the funds under the "freeze" exceeded the payments that would have been made under the statutory formulas. If the calculation for the period indicates that an excess amount was paid into the funds under the temporary freeze, that excess amount was to be deducted from forthcoming distributions to local subdivisions from the funds.

Under the terms of the House Bill 405 calculation, an $11.7 million downward adjustment was made to the three funds in the March 2002 distribution. In July 2002 additional reductions were made to the LGF ($29.3 million), the LGRAF ($4.2 million) and the LLGSF ($30.1 million). On an annualized basis, the March and June downward adjustments reduced distributions by about 4.9% for the LGF and the LGRAF and by 7.2% for the LLGSF. These adjustments brought the three funds to nearly the same aggregate funding level experienced under permanent ("percentage if revenue") law. Furthermore, an adjustment was made to the LGF ($25.5 million), the LGRAF ($3.7 million), and the LLGSF ($31.4 million).

As they began devising the state budget for state fiscal years 2004 and 2005, lawmakers passed House Bill 40, which became effective on March 7th, 2003. House Bill 40 provided the authority to reduce funding to the LGF, LGRAF and LLGSF by $30 million to address budgetary shortfalls that arose during the last months of state fiscal year 2003.

19.20 THE 2004-2005 STATE BUDGET: THE FREEZE CONTINUES

Three months later, with the enactment of House Bill 95, the state budget bill for state fiscal years 2004 and 2005, the General Assembly continued the freeze of deposits to, and distributions from the LGF, LGRAF, and LLGSF. The bill stipulates that, in each month from August 2003 through July 2004, each county will receive the same amount it received during August 2002 through July 2003.

In addition, during each month of the period between August 2004 through July 2005, each county undivided LGF and LGRAF and LLGSF fund (and each municipality receiving a direct LGF distribution) will receive the same amount of money it received during the August 2003 through July 2004.

However, there are a few modifications to the above procedure. First, the June 2004 distributions were reduced by the amount of the July 2003 House Bill 405 adjustments. These reductions totaled $25.3 million for the LGF, $3.7 million for the LGRAF, and $31.4 million for the LLGSF. These reductions were offset by commensurate increase to the July 2004 distributions. The same adjustments will be made to distributions in June 2005 and July 2005.

The current "freeze" on LGF, LGRAF and LLGSF is scheduled to expire with the distributions that will be made in August 2005. Whether the freeze actually will expire remains to be seen, of course, because state lawmakers are continuing to grapple with serious deficits as they enter the 2006-2007 state budget cycle.

19.21 THE FISCAL EFFECTS OF THE FREEZE ON LGF, LGRAF, AND LLGSF FUNDING

After four consecutive years of freezes and cuts, the three local government funds will receive $81 million less from the state's five major tax sources in state fiscal year 2005 than they received from those sources in state fiscal year 2001.

When the funding picture is viewed in terms of what the funds would have received under the statutory formulas during the four-year freeze period, the reductions are far more sizeable. Counties, townships, villages, cities, park districts and library districts have foregone an estimated $340 million.

The number one legislative priority for CCAO in the 126th General Assembly is the preservation and protection of the LGF, the LGRAF and LLGSF. We are being joined in our effort by the Ohio Municipal League, the Ohio Township Association, the Ohio Library Council and the Ohio Parks and Recreation Association.

STATE FISCAL YEAR	2001	2002

		AMOUNTS LGFs WOULD HAVE RECEIVED UNDER STATUTORY FORMULA	*AMOUNTS LGFs ACTUALLY RECEIVED*
2003	Gain of $13.8 million.		
2004	Loss of $39.3 million.		
		$1,296 million.	$1,296 million.
2005	Loss of $127.1 million.	$1,226.9 million.	$1,240.7 million.
	Loss of $187.7 million.	$1,254.6 million.	$1,215.3 million.
source: Ohio Department of Taxation, Tax Analysis Division,		$1,342 million.	$1,215.3 million.
August 12th, 2004. .		$1,403 million.	$1,215.3 million.

AMOUNTS LGFs WERE DENIED BECAUSE OF FREEZE

No freeze in effect.

LOCAL GOVERMENT FUND (LGF)
LOCAL GOVERNMENT REVENUE ASSISTANCE FUND (LGRAF)
LIBRARY and LOCAL GOVERNMENT SUPPORT FUND (LLGSF)

FUNDING LEVELS THROUGH THE YEARS
(in millions of dollars)

Notes: 1) LGF amounts include distributions to counties from the dealers in intangibles tax.

2) Figures for 200 are official budget estimates.

Calendar Year	LGF	LGRAF	LLGSF	Three Fund Total
1994	$486.610	$68.373	$296.982	$851.965
1995	$536.695	$73.275	$318.832	$928.802
1996	$553.446	$77.780	$342.600	$973.826
1997	$590.871	$82.876	$375.997	$1,049.744
1998	$642.485	$90.398	$424.663	$1,157.546
1999	$675.470	$95.014	$455.764	$1,226.087
2000	$706.134	$98.953	$491.000	$1,296.087
2001	$721.327	$100.780	$496.458	$1,318,565
2002	$681.531	$95.808	$457.671	$1,235.000
2003	$671.282	$94.958	$452.648	$1,219.528

2004	$669.361	$94.958	$453.410	$1,219.429

sources: Ohio Department of Taxation, Ohio Legislative Service Commission, Office of Budget & Management.