



# Ohio Legislative Service Commission

## Bill Analysis

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### **S.B. 364**

129th General Assembly  
(As Introduced)

**Sens.** Seitz, Eklund

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## **BILL SUMMARY**

- Establishes a new default formula for determining the share allocated to each subdivision from a county's Local Government Fund distribution.
- Permits counties to adopt an alternative allocation formula.
- Provides that, if in any year, a county or the largest city in the county would receive less under an alternative allocation formula than what that county or city would receive under the new default formula, the county Undivided Local Government Fund must be allocated according to the new default formula unless the county and city approve otherwise.

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## **CONTENT AND OPERATION**

### **New default formula**

The bill establishes a new default (or "statutory") formula for determining the share allocated to each subdivision from a county's Local Government Fund (LGF) distribution. The new formula uses a three-year average of a subdivision's allocations from the county Undivided Local Government Fund (ULGF) to determine its current year allocation, with counties guaranteed at least 30% of each year's allocation. The formula also provides for an additional allocation to a county in years when the county would receive less than what it received in 2012 and the largest city in the county would receive more than what it received in 2012, provided that such a city had a population of at least 80,000 as of the 2000 U.S. Census Bureau census. The existing default formula

is based primarily on a subdivision's "relative need," taking into consideration the subdivision's expected revenue and expenditures.<sup>1</sup>

## **LGF allocation to the county Undivided Local Government Fund**

### **Estimated allocation**

On or before July 25 of each year, the Tax Commissioner currently must certify to the county auditor of each county an estimate of the amount of the LGF that is to be allocated to the ULGF of each county for the ensuing calendar year.<sup>2</sup> The bill refers to this estimated amount as the "**total county allocation**."<sup>3</sup> Upon the auditor's receipt of the total county allocation, the county budget commission must determine the amount that is to be distributed from the ULGF to each subdivision (that is, county, municipal corporation, park district, or township<sup>4</sup>) under the new default formula or an alternative formula (see below). The commission's determination is final and may not be appealed.<sup>5</sup>

Under the bill, if the total county allocation is equal to or greater than the "total base allocation," the amount that is to be distributed to a subdivision from the ULGF equals the sum of the subdivision's "base allocation" plus its "excess allocation." If the total county allocation is less than the total base allocation, the amount to be distributed to a subdivision equals the subdivision's "adjusted base allocation."<sup>6</sup>

For these purposes:<sup>7</sup>

"**Total base allocation**" is defined as the sum of the "**base allocations**" of the county (which is 30% of the total county allocation), of a metropolitan park district, if any, (which is 5.5% of the total county allocation), and of each remaining subdivision (which is the average of a subdivision's current year allocation, first preceding year distribution, and second preceding year distribution).

"**Current year allocation**" means the amount allocated to a subdivision for the current year, "**first preceding year distribution**" means the amount actually distributed

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<sup>1</sup> Existing R.C. 5747.51(F) to (H).

<sup>2</sup> R.C. 5747.51.

<sup>3</sup> R.C. 5747.52(A).

<sup>4</sup> R.C. 5747.01(Q)(1), not in the bill.

<sup>5</sup> R.C. 5747.51.

<sup>6</sup> R.C. 5747.52(B).

<sup>7</sup> R.C. 5747.52(A).



to a subdivision pursuant to the default or alternative formula in the year immediately preceding the current year, and "**second preceding year distribution**" means the amount actually distributed to a subdivision pursuant to the default or alternative formula in the second year immediately preceding the current year.

The "**excess allocation**" of a subdivision is the product of total excess allocation multiplied by the subdivision's excess allocation percentage. "**Total excess allocation**" is the difference of total county allocation minus total base allocation, but not less than zero. "**Excess allocation percentage**" means the average of a subdivision's property wealth ratio, income ratio, and population ratio.

"**Property wealth ratio**" means the quotient of a subdivision's "**property wealth factor**" (which is the quotient of a subdivision's population divided by its taxable value per capita) divided by the sum of the property wealth factors of all subdivisions. "**Income ratio**" means the quotient of a subdivision's "**income factor**" (which is the quotient of a subdivision's population divided by its per capita income) divided by the sum of the income factors of all subdivisions. "**Population ratio**" means the quotient of a subdivision's "**population factor**" (which is the product of a subdivision's population multiplied by its population density) divided by the sum of the population factors of all subdivisions.

"**Population**" means the population of a subdivision as determined by a regional or county planning commission or, if none exists, by the county budget commission. "**Taxable value per capita**" means the quotient of a subdivision's population divided by its "**taxable value**" (which is the taxable value of all taxable property in the subdivision as indicated on the tax list of real and public utility property for the preceding tax year). The "**per capita income**" of a subdivision is the per capita income as published by or derived from information prepared by the U.S. Bureau of the Census. "**Population density**" means the quotient of a subdivision's population divided by the subdivision's geographical size, measured in square miles, as determined by the county engineer.

"**Adjusted base allocation**" is defined as the product of total county allocation multiplied by the quotient of the subdivision's base allocation divided by the total base allocation.

### **Actual allocation**

If the actual amount distributed to the ULGF in a year exceeds the total county allocation for that year, the excess must be distributed to subdivisions in the following manner:<sup>8</sup>

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<sup>8</sup> R.C. 5747.52(C).

(1) Of the first \$750,000 of excess, a subdivision is to receive the product of the excess multiplied by the quotient of the subdivision's allocation as calculated above divided by the total county allocation.

(2) Any amount in excess of \$750,000 is to be distributed as follows: (a) 30% to the county, (b) 5.5% to a metropolitan park district if one exists in the county, and (c) the remainder to all other subdivisions in amounts to be determined in the same manner as the subdivisions' excess allocation is determined, except that "total excess allocation" equals the total amount to be distributed under (c).

### **Adjustment of the ULGF allocation to certain subdivisions**

The amount to be distributed to a county or qualifying city under the new default formula is subject to adjustment. (For these purposes, "**qualifying city**" means a city with a population greater than 80,000 as of the 2000 U.S. Census Bureau census that, pursuant to Article XV, Section 6(C)(3)(a) of the Ohio Constitution, receives 50% of the proceeds of the tax on gross casino revenue distributed to the county in which the city is located.)

If a qualifying city's total distribution from the ULGF for any calendar year would exceed the city's 2012 allocation, and if the total distribution of the county in which the city is located would not equal or exceed the county's 2012 allocation, the city's total distribution for that calendar year is to be reduced by an amount equal to 50% of the difference between the city's total distribution and its 2012 allocation. The county's total distribution for that calendar year is to be increased by an identical amount. ("**2012 allocation**" means the total amount distributed to a county or qualifying city under the new default or alternative formula in calendar year 2012.)

### **Alternative formula**

The bill modifies existing law with respect to the adoption of an alternative allocation formula. Under the bill, a county budget commission may provide for the apportionment of the ULGF under an alternative method if at least 75% of the subdivisions located wholly or partially in the county approve by motion adopted after July 1, 2012.<sup>9</sup> In determining an alternative method, the county budget commission may include any factor considered appropriate and reliable, in the commission's sole discretion.<sup>10</sup>

The bill does provide, however, that if for any calendar year the amount that would be apportioned to a county or to the largest municipal corporation in a county

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<sup>9</sup> R.C. 5747.53(A).

<sup>10</sup> R.C. 5747.53(D).

under the new default formula would exceed the amount that would be apportioned to that county or municipal corporation under an alternative method adopted by a county budget commission, the ULGF must be apportioned among the subdivisions eligible to participate in the ULGF for that calendar year in accordance with the default method.<sup>11</sup> A county or municipal corporation, acting by motion adopted after July 1, 2012, may waive that requirement with respect to the county or municipal corporation. If both the county and largest municipal corporation in the county approve the waiver, the county budget commission may apportion the ULGF under an alternative method for any calendar year regardless of the amount that would be apportioned to the county and municipal corporation in that calendar year under the alternative method.<sup>12</sup>

Any alternative method of apportionment may be revised, amended, or repealed in the same manner as it was adopted and approved. If one is repealed, the ULGF of the county must be apportioned among the subdivisions eligible to participate in the ULGF in accordance with the new default method.<sup>13</sup>

### **Conforming changes**

The bill makes necessary conforming and corrective changes to existing law.<sup>14</sup>

### **Application of the bill**

The bill takes effect January 1, 2014.<sup>15</sup>

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## **HISTORY**

<b>ACTION</b>	<b>DATE</b>
Introduced	08-09-12

S0364-I-129/ejs

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<sup>11</sup> R.C. 5747.53(B)(1).

<sup>12</sup> R.C. 5747.53(B)(2).

<sup>13</sup> R.C. 5747.53(C).

<sup>14</sup> R.C. 5705.29 and 5751.20; repeal of existing R.C. 5747.52.

<sup>15</sup> Section 3.

