



---

## ***Detailed Fiscal Analysis***

The bill authorizes local governments to create reserve balance accounts in certain funds to reserve moneys for budget stabilization, self-insurance claim payments, and the payment of claims under retrospective ratings plans for workers' compensation. It also allows local governments to create special funds for accumulated sick and vacation leave for terminated or retired employees and officers, capital projects, and non-expendable trust funds. In addition, the bill prohibits the reduction of a local government's taxing authority because of the creation of such accounts or the accumulation of moneys in a non-expendable trust fund. The bill also precludes the reduction of local government fund (LGF) distributions due to the existence of a reserve balance account or fund accumulation.

For calendar year 1997, eight of Ohio's 88 counties distribute their Local Government Fund (LGF) moneys among their political subdivisions using the statutory method. The current statutory formula for the distribution of local government fund moneys requires "relative need" to be examined. Relative need is a measure of the expenditures made by a subdivision, less certain deductions specified in statute, relative to expenditures, less those deductions, made by other subdivisions in that county. One of the deductions specified is for estimated end-of-year unencumbered balances.

Thus, because the bill does not allow balances in the reserve accounts or trust funds to be included as an unencumbered balance, it is possible that a local government in a county which uses the statutory method of distributing the LGF funds could gain additional LGF money by putting money in a reserve account created under the bill's provisions, thus increasing their appearance of "relative need". In such a case other local governments in that county would lose a corresponding amount of LGF money. The counties which currently use the statutory method are: Coshocton, Harrison, Jefferson, Lawrence, Logan, Morgan, Tuscarawas, and Wyandot.

The alternative formulas used by the other 80 counties differ from county to county, but generally are not based on a current accounting of relative need. Thus, the bill should have no effect in those counties.

□ *LBO staff: Leslie Little, Budget/Policy Analyst*  
*Joshua N. Slen, Budget/Policy Analyst*

\\\$NDS\ISIS\_VOL1.lbo\FN122\HB0426IN.DOC