Fiscal Note & Local Impact Statement

123 rd General Assembly of Ohio

BILL:	**H.B. 185**	DATE:	**March 24, 1999**
STATUS:	**As Reported by House Local Government and Townships**	SPONSOR:	**Rep. Myers**

LOCAL IMPACT STATEMENT REQUIRED: **Yes**

CONTENTS: **Requires that the alternative apportionment of the local government funds be subject to the approval of the legislative authority of the city with the largest population residing in the county**

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1999	FY 2000	FUTURE YEARS
Certain Counties, Municipalities, Townships and Park Districts			
Revenues	- 0 -	Overall potential loss	Overall potential loss
Expenditures	- 0 -	- 0 -	- 0 -
Certain Cities			
Revenues	Potential gain	Potential gain	Potential gain
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- This bill could affect the counties of Clermont, Delaware, Fairfield, Greene, Miami, Trumbull, Union, and Warren, as well as the municipalities, townships and park districts in those counties.
- Within the counties named above, the cities of Beavercreek, Delaware, Marysville, Mason, Milford, Piqua, and Warren could gain revenues because, under the bill, they would have to approve any alternative formula for disbursing Local Government Fund (LGF) and Local Government Revenue Assistance Fund (LGRAF) moneys within their respective counties.
- Overall, the counties named above and the municipalities, townships, and county park districts within those counties could lose LGF and LGRAF revenues if the cities named above gained revenues as a result of their authority under the bill to vote against any proposed alternative distribution formula. A particular political subdivision could gain or lose revenue, or have no revenue change, as a result of the bill.

Detailed Fiscal Analysis

Bill Provisions

The bill requires that the city with the largest population residing within a county must approve any alternative distribution formula for allocating Local Government Fund (LGF) and Local Government Revenue Assistance Fund (LGRAF) moneys within the county.

Current law requires that the city with the largest population and with territory in a county (regardless of whether or not the city has any residents in the county) must approve any alternative distribution formula for allocating Local Government Fund (LGF) and Local Government Revenue Assistance Fund (LGRAF) moneys within the county. Essentially, the largest city, as well as the county, has a *veto vote* that can prevent a proposed alternative distribution formula from being approved to allocate local government funds moneys within a county. If an alternative formula cannot be approved to allocate such moneys, a statutory formula which attempts to measure each subdivision's financial need, must be used (ORC 5747.51 and 5747.62).

Fiscal Effects

Fairfield County

The City of Lancaster could gain revenues because, under the bill, it must approve any alternative formula for disbursing Local Government Fund (LGF) and Local Government Revenue Assistance Fund (LGRAF) moneys within Fairfield county. Presumably, Lancaster would not approve a new alternative formula that lessened its share of LGF and LGRAF moneys. Also, Lancaster would be in a position to negotiate an alternative formula that increased its share of these moneys or to not approve any proposed alternative formula if the city determined that its share of the local government fund moneys would be higher under the statutory formula. Lancaster stated, in documents it filed with the Ohio Supreme Court in 1999, that it should have received $1,182,498 more from the LGF and LGRAF moneys than were actually allocated to it under the alternative formula used. According to the city, $675,758 of Fairfield county's share should have gone to Lancaster. See the table below for actual distribution of these moneys the past three years.

As a group, Fairfield county and the municipalities and townships in the county, excluding Lancaster, could lose LGF and LGRAF revenue under the bill. A particular subdivision may or may not have their revenues impacted under the bill. The potential for fiscal impact seems greatest in Fairfield county because a different city will be required to approve any alternative distribution formula, making a change in the status quo more likely. Fairfield is the only county known by LBO to have adopted its alternative distribution formula seeking the approval of the city with territory in the county and the largest population (Columbus), instead of the city with the largest population residing in the county (Lancaster).

Combined Allocation of LGF and LGRAF Moneys in Fairfield County, 1997-1999

Subdivision	1999 Allocation		1998 Allocation		1997 Allocation	
	$	%	$	%	$	%
Fairfield County	$2,471,436	45%	$2,274,588	45%	$2,159,510	45%
Lancaster	$1,482,861	27%	$1,364,753	27%	$1,295,706	27%
Other Municipalities	$604,129	11%	$556,010	11%	$527,880	11%
Townships	$878,733	16%	$808,742	16%	$767,626	16%
County Park District	$54,921	1%	$50,546	1%	$47,989	1%
Total	**$5,492,080**	**100%**	**$5,054,640**	**100%**	**$4,798,910**	**100%**

Other potential counties

Political subdivisions in seven other counties (Clermont, Delaware, Greene, Miami, Trumbull, Union, and Warren) could be affected if an alternative distribution formula is proposed for allocating LGF and LGRAF moneys next year, as would be required by law[1]. As discussed above for Fairfield county, these other counties did not have their alternative formulas approved by the city with territory in the county and the largest population as the law requires, according to an Ohio Supreme Court ruling decided in 1998. Therefore, next year these counties should seek approval for any proposed alternative formula from the city with territory in the county and the largest population, which was not done previously. This could result in a different allocation formula than the currently approved formula, since a different city will have to approve such a formula.

As discussed above in the case of Lancaster, having a different city with a *veto vote* could result in a revenue gain to that city and an overall loss to the other subdivisions in the county. Therefore, under the bill, the city that would have the veto vote next year under current law would lose its vote, possibly resulting in a different alternative formula allocation or failure to approve an alternative formula. The corresponding result could be as described above for Fairfield county with one city possibly gaining revenue and the other subdivisions with a net loss. However, a particular subdivision could lose or gain or have no change to its revenues under the bill. It is also possible that such a change could have little to no effect on the allocation of local government fund moneys. The table below shows the cities in the affected counties that would have the veto vote next year under current law, and those cities that would have the veto vote under the bill.

[1]The Ohio Supreme Court ruled in 1995 that methods of distributing local government funds must be proposed by the county budget commission each year and specifically approved by the appropriate subdivisions each year.

Change in Largest City Veto Vote (not including Fairfield County)

County	*City with Veto Vote Currently*		*City with Veto Vote under the Bill*	
	City	Population residing in the county*	City	Population residing in the county*
Clermont	Loveland	1,695	Milford	5,655
Delaware	Columbus	0	Delaware	20,030
Greene	Kettering	0	Beavercreek	33,626
Miami	Huber Heights	10	Piqua	20,612
Trumbull	Youngstown	26	Warren	50,793
Union	Dublin	4	Marysville	9,656
Warren	Middletown	31	Mason	11,452

*1990 Census figures

About the local government funds

The proceeds from the "Big 4" taxes – the personal income tax, sales and use tax, corporate franchise tax, and public utility excise tax – are shared between the state GRF and three funds that provide monies to libraries and local governments. In FY 1998, the three funds received $1.12 billion in state tax money.

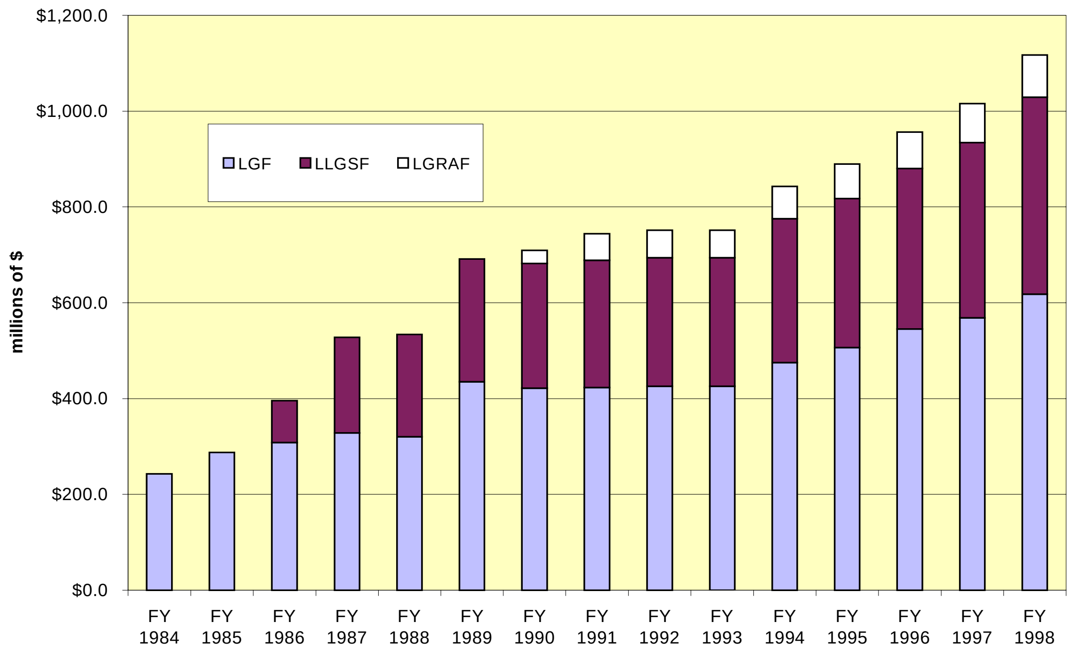
The three revenue-sharing funds are:

1. The Local Government Fund (LGF). The oldest of the three funds was begun during the Great Depression (1934), as a way to help distressed local governments in an era of falling property tax revenues. The LGF receives 4.2% of net tax collections from each of the Big 4 taxes.

2. The Local Government Revenue Assistance Fund (LGRAF), receives 0.6% of the Big 4 taxes. The LGRAF was started in 1989 to allow local governments to share in state revenue increases at a time when local revenues were not growing as quickly. The new fund also provided an alternative distribution mechanism to the LGF, for the distribution of revenue-sharing monies on a per capita basis.

3. The Library and Local Government Support Fund (LLGSF). Begun in 1986 to replace local revenues from the intangible property tax, which was repealed that year, the LLGSF receives 5.7% of the personal income tax.

Local Government Funds Revenues, FY 1984-1998



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