Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 364 of the 129th G.A.

Date: December 10, 2012

Status: As Introduced

Sponsor: Sen. Seitz

Local Impact Statement Procedure Required: Yes

Contents: Establishes new default formula for each subdivision's share of county undivided local government fund distributions

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

- The bill creates a new statutory formula for distribution of money from county undivided local government funds to political subdivisions.
- A county may adopt an alternative formula, but only with approval by a larger share of subdivisions than under current law.
- The new statutory formula may reduce the share of funds distributed to county governments and large cities.

Detailed Fiscal Analysis

The bill establishes a new default formula for determining the distribution of funds received by each county undivided local government fund among political subdivisions. Total funds distributed by the state's Local Government Fund (LGF, Fund 7069) and the total distributed to each county undivided local government fund would be unchanged by the bill.

Current law provides for a statutory distribution formula but also allows counties to opt for an alternative formula. Information from county auditors, collected by the Auditor of State in response to a requirement in H.B. 509 of the 129th General Assembly, indicates that in 2012 only five of Ohio's counties followed the statutory formula, and 82 counties used an alternative formula. This information was not available for one county. Under the bill, counties could continue to opt for an alternative formula instead of using the new statutory formula.

The new formula starts with the estimate that the Tax Commissioner is required, under current law and under the bill, to provide by July 25 of the amount of the Local Government Fund to be allocated to each county for the following calendar year. Of this amount, the new formula initially assigns 30% to the county, and 5.5% to the metropolitan park district if one exists in the county. The initial amounts for other subdivisions are averages of the current year allocation and amounts actually distributed in the previous two years to each subdivision.

If the sum of these initially calculated amounts – to the county, the metropolitan park district if any, and the other subdivisions – exceeds the total estimated by the Tax Commissioner, the initial amounts are all reduced proportionately (by the same percentage), so that the sum of the reduced amounts equals the Tax Commissioner's estimate.

If instead the sum of the initially calculated amounts is less than the total estimated by the Tax Commissioner, the excess is allocated among the subdivisions using ratios based on each subdivision's (1) population, (2) taxable value of all taxable property on the tax list of real and public utility property, (3) per capita income, and (4) geographic area in square miles.

In addition, the formula places further limits on distributions to Ohio cities with populations over 80,000 in the 2000 Census, which may operate to reduce distributions to one or more of the following cities: Columbus, Cleveland, Cincinnati, Toledo, Akron, Dayton, Parma, Youngstown, and Canton. The limits are relative to each city's 2012 allocation.

Based on these calculations, each county auditor is to compute the percentage share of each subdivision in the county undivided local government fund. If the actual amount distributed to a county undivided local government fund exceeds the Tax Commissioner's estimate for the year, the formula specifies how the excess is to be distributed. The additional amount is to be distributed among subdivisions in proportion to their earlier distributions during the year, up to a total (for a county in a given year) of $750,000, with 30% of any additional amount above $750,000 distributed to the county, 5.5% to the metropolitan park district if any, and the rest distributed in a manner similar to that described above for apportioning any excess of the Tax Commissioner's estimate above the amounts initially calculated.

Further details on the new formula and the new nomenclature used to specify the formula are described in the bill analysis.

The bill sets a higher threshold for approval of an alternative method than does current law. An alternative method of apportionment of money from the county undivided local government fund generally may be chosen under current law only with approval by the county, the largest city, and a majority of townships and other municipal corporations in the county.[1] Under the bill, an alternative apportionment method must be approved by 75% or more of subdivisions in the county. Such alternate method may not reduce the amount apportioned to the county or largest municipal corporation below that with the new statutory method, except with approval of the county and the largest municipal corporation.

In calendar year 2012, the percentages of county undivided local government funds statewide that are to be distributed to various types of subdivisions are as follows: counties, 36%; cities, 47%; villages, 5%; townships, 9%; and park districts, 2%; with "other" receiving a small fraction of 1%. These percentages are based on actual distributions statewide for the year to date plus estimates, collected from county auditors by the Auditor of State in response to the requirement in H.B. 509 noted above.

Because the formula initially assigns 30% of the Tax Commissioner's estimate of LGF distributions by county to the county government, the formula may result in smaller distributions than under current law to county governments, which as indicated above are to receive 36% in 2012. Because of limits placed on distributions to the largest cities, the formula may likewise result in smaller distributions than currently. But counties could continue to choose an alternative formula, as most do now.

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[1] A different approval process applies for counties in which the largest city has a population of 20,000 or less and has less than 15% of the county's total population.