

# **Changes to the Local Government Fund and Public Library Fund in the FY12-13 Executive Operating Budget**

March 14, 2011

For the fiscal year 2012-2013 biennium<sup>1</sup> the Executive Budget enacts a reduced “freeze” on deposits to and distributions from the state’s most prominent general-purpose revenue sharing funds, the Local Government Fund (LGF) and the Public Library Fund (PLF).

## **“Percentage of revenue” funding temporarily replaced by reduced “freeze” funding**

Under current Ohio law, in each month the LGF and PLF receive a fixed percentage of revenue from state General Revenue Fund tax revenues. The monies deposited in the LGF are then distributed to the 88 county undivided local government funds (for further distribution by the county to subdivisions), and to over 500 municipalities receiving a direct LGF distribution. The monies deposited to the PLF are distributed to the 88 county undivided public library funds (for subsequent distribution to libraries within the county). The LGF and PLF monies are distributed among the counties according to specific formulas in state law.

For the August 2011 through June 2013 period, the Executive Budget proposes to replace the LGF and PLF “percentage of revenue” funding method. Instead, the PLF and LGF receive a designated percentage of the amounts received by the funds during fiscal year 2011 (what may be called a “reduced freeze”).

## **Proposed Public Library Fund changes**

### *Change in PLF deposits*

During the current (FY 2010-2011) biennium, the PLF has been receiving 1.97 percent of state General Revenue Fund tax revenues. This means the PLF’s funding percentage is at 90 percent of the level provided under the law in effect prior to this biennium. For the August 2011 through June 2013 period, the Executive Budget proposes to fund the PLF at 95 percent of the amount received during FY 2011.<sup>2</sup> For example, in August 2011 the PLF would receive \$45.2 million (rounded), which is 95 percent of the amount received in August 2010.

### *Allocation among recipients*

For the July through December 2011 time period, the Budget allocates the PLF proceeds among the counties based on each county’s share of calendar year 2010 PLF distributions. For the January 2012 through June 2013 time period, the Budget allocates the PLF proceeds among the counties based on each county’s share of calendar year 2011 PLF distributions.

### *Resumption of “percentage of revenue” funding*

“Percentage of revenue”-based funding would resume in July 2013. The funding percentage would be based on a one-time calculation: PLF deposits made during FY 2013 would be divided into FY 2013 state GRF tax revenues to yield the new PLF funding percentage to be used beginning in FY 2014.

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<sup>1</sup> References to fiscal years are to the state fiscal year, which begins in July and ends in June (e.g., FY 2012 begins in July, 2011 and ends in June, 2012).

<sup>2</sup> July 2011 deposits would be at the level required by current continuing law, i.e., 2.22% of GRF tax revenues for the PLF and 3.68% of GRF tax revenues for the LGF.

*Projected distributions, by calendar year*

Because local governments use a calendar year-based accounting period, presented below are the total actual and projected monthly PLF distributions on a calendar year reporting format, for the January 2009 through June 2013 time frame.

Under the Budget proposal, in CY 2011 the PLF is projected to receive 104 percent of the amount received in CY 2010 (this is because the reductions beginning in August are more than offset by expected growth during the first seven months of 2011). CY 2012 distributions would equal 95 percent of proposed CY 2011 distributions. The January-June 2013 distributions would equal the proposed January-June 2012 distributions.

**Actual and projected monthly Public Library Fund distributions, CY 2009-2013**

(in millions of dollars)

Note: Proposed changes in Executive Budget take effect in **August 2011**.

	Actual CY 2009 PLF distributions	Actual CY 2010 PLF distributions	Est CY 2011 PLF distributions: proposed law	Est CY 2012 PLF distributions: proposed law	Est Jan-June 2013 PLF distributions: proposed law
January	\$36	\$30	\$31	\$30	\$30
February	42	33	37	35	35
March	24	20	21	20	20
April	27	25	27	25	25
May	44	40	43	41	41
June	33	29	31	30	30
July	34	32	39	30	not estimated
August	24	25	24	24	not estimated
September	25	26	25	25	not estimated
October	29	32	30	30	not estimated
November	28	29	28	28	not estimated
December	<u>24</u>	<u>27</u>	<u>26</u>	<u>26</u>	not estimated
TOTAL	\$370	\$348	\$362	\$344	not estimated

**Proposed Local Government Fund changes**

*Change in LGF deposits*

The LGF currently receives 3.68 percent of state GRF tax revenues. For the August 2011 through June 2012 period, the Executive Budget funds the LGF at 75 percent of the amount received during August 2010 through June 2011.<sup>2</sup> For the FY 2013 period the Budget funds the LGF at 50 percent of the amount received during FY 2011.

*Allocation among recipients*

Each county undivided local government fund (as well as each municipality receiving a direct LGF distribution) will receive the same percentage share of the fund as it received during FY 2011. Furthermore, the Budget does not change the manner by which county undivided local government funds are apportioned among subdivisions; counties would continue to apportion the fund under either the “statutory” formula or an “alternative” formula.

*Resumption of “percentage of revenue” funding*

“Percentage of revenue”-based funding would resume in July 2013. The funding percentage would be based on a one-time calculation: LGF deposits made during FY 2013 would be divided into FY 2013 state GRF tax revenues to yield the new LGF funding percentage to be used beginning in FY 2014.

*Dealers in intangibles tax*

The Budget directs all dealers in intangibles tax revenues to the state GRF. This means the 5/8ths of revenue currently allocated to county undivided local government funds, would instead be directed to the GRF.<sup>3</sup> This reduces distributions to county undivided local government funds by an estimated \$11 million per year.

*Projected distributions, by calendar year*

Because local governments use a calendar year-based accounting period, presented below are the total actual and projected monthly LGF distributions on a calendar year reporting format, for the January 2009 through June 2013 time frame.

Under the Budget proposal, in CY 2011 the LGF is estimated to receive 95 percent of the amount received CY 2010. CY 2012 distributions would be equal to 69 percent of proposed CY 2011 distributions. The January-June 2013 distributions would be 67 percent of proposed January-June 2012 distributions.

**Actual and projected monthly Local Government Fund distributions, CY 2009-2013**

Excludes dealers in intangibles tax distributions  
(in millions of dollars)

Note: Proposed changes in Executive Budget take effect in **August 2011**.

	Actual CY 2009 LGF distributions	Actual CY 2010 LGF distributions	Est CY 2011 LGF distributions: proposed law	Est CY 2012 LGF distributions: proposed law	Est Jan-June 2013 LGF distributions: proposed law
January	\$59	\$56	\$59	\$44	\$29
February	70	61	69	52	34
March	40	38	40	30	20
April	46	46	50	37	25
May	72	75	80	60	40
June	55	54	58	44	29
July	56	60	66	30	no estimate
August	45	48	36	24	no estimate
September	46	49	37	25	no estimate
October	55	59	44	29	no estimate
November	52	54	41	27	no estimate
December	<u>45</u>	<u>50</u>	<u>38</u>	<u>25</u>	no estimate
TOTAL	\$641	\$650	\$618	\$428	no estimate

<sup>3</sup> Currently, 3/8ths of revenue from dealers in intangibles goes to the GRF. Furthermore, all revenue from “qualifying” dealers in intangibles currently goes to the GRF.