

# Revenue Distribution Funds

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- Local government funds "freeze" diverts moneys to GRF
- Property tax replacement fund compensates local taxing districts for revenue losses due to the phase out of the tangible personal property tax

## OVERVIEW

Revenue Distribution Funds are used by the state to collect and distribute, as directed by state law, moneys to local governments and to organizations, school districts, libraries, transit authorities, other state funds, and other states. Each of the funds is administered by a state agency, but the funds are not included as part of the budget of the administering agency. The moneys are not spent by the agencies, but are distributed as directed by state law. The funds are presented together to highlight their role in the redistribution function of state government.

Appropriations for FY 2006 are \$4.34 billion. This amount is \$232 million greater than actual expenditures in FY 2005, a 5.7% increase. Appropriations for FY 2007 are \$4.59 billion. This amount is \$249 million greater than appropriations for FY 2006, a 5.7% increase.

## ANALYSIS OF THE ENACTED BUDGET

### *Local Government Funds Freeze*

The enacted budget "freezes" the amount of revenues to be credited to and distributed from the three local government funds – Local Government Fund (Fund 069), Local Government Revenue Assistance Fund (Fund 064), and Library and Local Government Support Fund (Fund 065) – in FY 2006 and FY 2007 to the lower of the FY 2005 "freeze" amounts or the amounts determined by the statutory formulas. Under the "freeze" tax receipts that would otherwise be credited to the local funds will instead be credited to the GRF. The freeze affects deposits and distributions of receipts from the "major" taxes: the personal income tax, the sales and use tax, the corporate franchise tax, the public utilities excise tax, and the kilowatt-hour tax.

Recent state operating budgets (H.B. 94 of the 124th General Assembly and H.B. 95 of the 125th General Assembly) included "temporary adjustments to local government distributions." After growing through FY 2001, distributions were frozen and reduced in FYs 2002 and 2003 and remained at the FY 2003 level for FYs 2004 and 2005. The FY 2005 amounts were equal to the FY 2003 amounts, which were equal to the FY 2001 amounts.<sup>25</sup>

<sup>25</sup> H.B. 94 froze, for FY 2002 and FY 2003, deposits into and distributions from the Local Government Fund and the Local Government Revenue Assistance Fund at the levels of FY 2001. Deposits into and distributions from the Library and Local Government Support Fund were also frozen at the FY 2001 level, except that distributions to each county undivided library and local government support fund were further reduced by the

### Local Government Property Tax Replacement Fund - Business

The enacted budget creates this fund to reimburse local taxing districts for revenue lost due to the phase out of the tangible personal property (TPP) tax on most businesses' inventory, machinery and equipment, and furniture and fixtures. A portion of revenues from the new Commercial Activity Tax (CAT), enacted in this budget bill, will be deposited to this fund to reimburse local taxing districts for the TPP tax revenue lost. Reimbursements for the TPP tax revenue loss to local taxing districts begins in tax year 2006 and end in 2017. Reimbursements will be distributed to each county auditor on the last days of May, August, and October of each year. The county auditors must distribute the money to local taxing districts in their counties within 45 days after receiving the reimbursement funds.

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county's pro-rata share of any transfers made from the Library and Local Government Support Fund to the OPLIN (Ohio Public Library Information Network) Technology Fund.

H.B. 95 froze, for FY 2004 and FY 2005, deposits into and distributions from the three local government funds at the lower of the formula amount or the amount that those funds received in FY 2003. For the Library and Local Government Support Fund, the FY 2003 amount was the amount before the transfer to the OPLIN Technology Fund under Section 70 of H.B. 94 of the 124th General Assembly.