



Updated Information on CY 2010 Local Fund Distributions

January 4, 2010

In the wake of a recent change in Ohio income tax law, this document provides an update of the status of Public Library Fund (PLF) and Local Government Fund (LGF) distributions for calendar year 2010.

1. Updated calendar year 2010 PLF distribution estimates

As required under Ohio law, this month the Ohio Department of Taxation (ODT) is issuing updated county PLF distribution estimates (more technically, “entitlement” estimates) for calendar year 2010. The estimates are available at this web link:

<http://tax.ohio.gov/channels/government/OhioDepartmentofTaxation.stm>

There are several items to mention about the estimates. The only difference between the new PLF distribution estimates and those issued in July 2009, pertains to the recently-enacted delay of the final step of a five-year reduction in state income tax rates. This law change (HB 318, 128th General Assembly) will generate additional state income tax revenue designed to fill a state budget gap. Because of the PLF funding mechanism, this additional revenue will also automatically increase the amount of revenue placed into the PLF. The newly-revised PLF distribution estimates for CY 2010 reflect nearly \$9 million in an additional funding as a result of this law change.

Other than for the tax law change discussed above, we have not revised the underlying revenue projections for the state General Revenue Fund taxes. That is, in the newest PLF distribution estimates we use the same revenue projections that were used in producing the CY 2010 PLF estimates issued in July 2009.

Before closing, a review of the PLF funding mechanism may be warranted. Under permanent law, the PLF is funded by 2.22 percent of state General Revenue Fund tax revenues. However, a temporary reduction in the PLF funding percentage was enacted in the state’s fiscal year 2010-2011 operating budget: during the August 2009 through June 2011 period, the PLF receives 1.97 percent of state General Revenue Fund (GRF) tax revenues.

According to the new estimates, total CY 2010 distributions from the PLF will be approximately \$345 million, about 7 percent below CY 2009.¹ Each county’s PLF distribution is expected to be about 7 percent below CY 2009. The pertinent total PLF distribution figures are displayed below (in millions of \$).

Updated (Dec 2009) Estimate of Total Calendar Year 2010 <u>PLF Distributions</u>	Actual Total Calendar Year 2009 <u>PLF Distributions</u>	\$ change: Est CY 2010, less <u>actual CY 2009</u>	% change: Est CY 2010 vs <u>actual CY 2009</u>
\$344.9	\$370.4	-\$25.5	-6.9%

¹The July 2009 estimate of CY 2010 PLF distributions totaled \$336 million, about 9 percent below CY 2009. The additional revenue attributable to HB 318 accounts for the smaller reduction we now expect in CY 2010 relative to CY 2009.

In order to help monitor the performance of PLF distributions through calendar year 2010, shown below are the projected total monthly distributions as well as actual monthly distributions for calendar year 2009 (in millions of \$).

	Estimated CY 2010 PLF Distributions	Est CY 2010: Each month as % total	Actual CY 2009 PLF Distributions	CY 2009: Each month as % total
January	\$30.6	8.9%	\$35.5	9.6%
February	34.9	10.1%	42.4	11.4%
March	19.6	5.7%	23.8	6.4%
April	24.3	7.1%	27.5	7.4%
May	42.8	12.4%	43.6	11.8%
June	29.8	8.6%	33.2	9.0%
July	29.4	8.5%	33.8	9.1%
August	24.6	7.1%	24.2	6.5%
September	26.2	7.6%	24.9	6.7%
October	30.0	8.7%	29.3	7.9%
November	28.1	8.1%	27.8	7.5%
December	<u>24.5</u>	<u>7.1%</u>	<u>24.3</u>	<u>6.6%</u>
TOTAL	\$344.9	100.0%	\$370.4	100.0%

2. LGF distributions in calendar year 2010

State law requires ODT to produce updated PLF distribution estimates at scheduled intervals. In contrast, the LGF distribution estimates issued each July for the following calendar year are not required to be periodically updated. For this reason ODT is not issuing updated county-by-county estimates of the CY 2010 LGF distributions. Nonetheless, the material provided below is intended to give county auditors and localities the most current information about their CY 2010 LGF distributions.

Recently-enacted legislation (HB 318, 128th General Assembly) can be expected to augment the amount distributed in CY 2010 from the state LGF to all county undivided local government funds and to those municipalities that receive a direct distribution from the state LGF. The legislation delays the final step of a five-year reduction in state income tax rates, thereby generating additional state GRF tax revenue designed to fill a FY 2010-11 state budget gap. Because the LGF receives 3.68 percent of all state GRF tax revenues, the additional state tax revenue will automatically increase the amount of revenue placed into, and distributed from, the LGF.

We expect the recent legislation will generate about \$16 million for the LGF during CY 2010. Of this amount, slightly below \$15 million will be allocated among the 88 county undivided local government funds and slightly above \$1 million will be allocated among the over 500 municipalities that receive a direct distribution from the state LGF.

The CY 2010 LGF distribution estimates that were issued in July 2009 (i.e., when HB 318 had not yet been enacted) are approximately two percent below actual CY 2009 distribution levels. The additional distributions attributable to HB 318 are expected to roughly equal the size of the forecasted year-to-year decline – and therefore “close the gap” between CY 2009 and 2010 distributions. Thus, CY 2010 LGF distributions are now expected to be fairly close in magnitude to the CY 2009 distributions.²

² Even though we expect LGF distributions for *total* CY 2010 to more closely match those for total CY 2009, there will nonetheless sometimes be fairly substantial differences between those years in any given month. This is due to projected differences in state tax revenue cash flows in 2009 and 2010. See table on page 3 for expected year-to-year differences in each month.

As a means to help you monitor the performance of LGF distributions through calendar year 2010, shown below are the projected total monthly distributions (incorporating the new revenue from HB 318) as well as actual monthly distributions for calendar year 2009 (in millions of \$).³

	Estimated CY 2010 LGF <u>Distributions</u>	Est CY 2010: Each month <u>as % total</u>	Actual CY 2009 LGF <u>Distributions</u>	CY 2009: Each month <u>as % total</u>
January	\$57.2	8.9%	\$58.9	9.2%
February	65.2	10.1%	70.2	10.9%
March	36.6	5.7%	39.5	6.2%
April	45.4	7.1%	45.6	7.1%
May	80.0	12.4%	72.2	11.3%
June	55.7	8.6%	55.1	8.6%
July	55.0	8.5%	56.0	8.7%
August	46.0	7.1%	45.2	7.1%
September	48.9	7.6%	46.5	7.2%
October	56.1	8.7%	54.8	8.5%
November	52.4	8.1%	51.9	8.1%
December	<u>45.8</u>	<u>7.1%</u>	<u>45.4</u>	<u>7.1%</u>
TOTAL	\$644.3	100.0%	\$641.4	100.0%

³ Reflects total distributions from the state Local Government Fund to the 88 county undivided local governments and to those municipalities that receive a direct distribution from the state. Figures do not include dealer in intangibles tax distributions, which are forecasted to be approximately \$12 million in CY 2010 and were \$13 million in CY 2009.