



OHIO LEGISLATIVE SERVICE COMMISSION

Bill Analysis

Mackenzie Damon

Sub. H.B. 415

132nd General Assembly

(As Reported by H. State & Local Government)

Reps. Greenspan and Ryan, Arndt, Carfagna, Dever, Gavarone, Ginter, Hill, Kick, Lang, Lipps, Riedel, Schaffer, Seitz, Sweeney, Young, Hambley, Boyd, Brown, O'Brien

BILL SUMMARY

- Creates the Local Government Road Improvement Fund to provide money to local governments for road improvements.
 - Allocates to the fund 50% of any state surplus revenue for each fiscal year, subject to limitations to ensure that Budget Stabilization Fund balances are maintained.
 - States that the General Assembly may not decrease the amount allocated to the Local Government Fund below the amount that the fund currently receives – 1.66% of total state tax revenue credited to the GRF each month.
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CONTENT AND OPERATION

Local Government Road Improvement Fund

The bill creates a new state fund to provide money to local governments for road improvements. Generally, the Local Government Road Improvement Fund is to be funded through an allocation of 50% of the state's surplus revenue, if any, each year.

Current allocation of surplus revenue

At the end of each fiscal year, any surplus revenue in the General Revenue Fund (GRF) is required to be deposited into the state's Rainy Day Fund (formally, the Budget Stabilization Fund, or BSF). Once the balance in the Rainy Day Fund equals 8.5% of General Revenue Fund (GRF) revenues for the preceding fiscal year and certain other

reserve balance requirements are satisfied, the remaining surplus is deposited into the Income Tax Reduction Fund and used to lower income tax rates.¹

Allocation of surplus to LGRIF

Beginning in fiscal year 2020, the bill instead requires that 50% of any surplus revenue be allocated to a new Local Government Road Improvement Fund (LGRIF), subject to the limitation described below. The remaining 50% is then deposited in the Rainy Day Fund to the extent needed to maintain its 8.5%-of-GRF balance, with any remainder credited to the Income Tax Reduction Fund.

The allocation to the LGRIF will be suspended if, during a prior fiscal year, the balance of the Rainy Day Fund decreased by 10% or more. In such cases, all surplus revenue will be allocated to the Rainy Day Fund until its balance equals the balance of the fund on August 1 of the year in which that decrease occurred (or 8.5% of GRF revenues for the preceding year, whichever is less). If any surplus revenue remains after the Rainy Day Fund is replenished to that balance, 50% of the remainder will be allocated to the LGRIF.²

Distribution of LGRIF to local governments

By August 31 each year, any money in the LGRIF must be distributed to each county treasury based on the proportion of centerline miles in the county that are maintained by the county or by townships, cities, and villages as compared to the total number of locally maintained centerline miles in the state.³ The money distributed to each county must be placed in an Undivided Local Government Road Improvement Fund (ULGRIF) in the county treasury. By September 30, the county treasurer must distribute the amount received in the county's ULGRIF among those political subdivisions in proportion to the centerline miles in the county maintained by that subdivision.

¹ R.C. 131.44. The Income Tax Reduction Fund law has operated to reduce income tax rates only three times since its 1995 enactment, for 1996, 1998, and 1999. Since 1999, there either has been no surplus or the surplus was diverted to the BSF or GRF or appropriated for specific expenditures before it could accrue to the ITRF.

² R.C. 131.44(B).

³ "Centerline miles are calculated by measuring down the center of all lanes of traffic for each specified route." *Centerline Miles, Lane Miles and Vehicle Miles Traveled Report*, RI-82B, Ohio Department of Transportation, ReadMe File available at <https://www.dot.state.oh.us/Divisions/Planning/TechServ/TIM/Pages/VehicleMiles.aspx>.



A political subdivision that receives a distribution from the ULGRIF may use that money only for road improvements.⁴ "Road improvements" is not defined specifically for the purposes of the bill, but in pertinent provisions of existing law the term is used to include grading, draining, paving, extending, straightening, widening, constructing, reconstructing, or resurfacing roads and, in some contexts, also includes constructing storm sewers, sidewalks, curbs, and gutters.⁵

Local Government Fund: required allocation

The bill also states that the General Assembly may not adopt legislation that would lower the amount allocated to existing law's Local Government Fund (LGF) below the amount that the fund currently receives – 1.66% of the total state tax revenue credited to the GRF each month.⁶

HISTORY

ACTION	DATE
Introduced	11-14-17
Reported, H. State & Local Government	02-07-18

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⁴ R.C. 131.52.

⁵ See, e.g., R.C. 5555.06, 5557.09, and 5559.02.

⁶ R.C. 131.51.

