



# OHIO LEGISLATIVE SERVICE COMMISSION

Jason Glover

## Fiscal Note & Local Impact Statement

**Bill:** H.B. 696 of the 132nd G.A.

**Status:** As Introduced

**Sponsor:** Rep. Perales

**Local Impact Statement Procedure Required:** No

**Subject:** Establishes the Office of Government and Military Affairs within the Governor's Office

### Fiscal Highlights

STATE FUND	FY 2020	FY 2021	FUTURE YEARS
<b>General Revenue Fund/Military Value Revolving Loan Fund (created by the bill)</b>			
Expenditures	Increase of \$544,000 to \$601,000	Increase of \$515,000 to \$578,000	Increase of \$537,000 to \$606,000 or more annually

Note: The state fiscal year is July 1 through June 30.

- State expenditures to operate the proposed Office of Government and Military Affairs are estimated to range anywhere from \$515,000 to \$606,000 or more annually, depending on the fiscal year and the single or family health insurance coverage in which employees of the Office enroll.
- The Office's operating costs may be supported by the GRF initially and then, once capitalized, the Military Value Revolving Loan Fund created by the bill, or a combination of both. The bill does not provide cash or appropriations for the new fund.
- Any money remaining in the new fund after paying the Office's operating costs must support loans and grants to local communities with a military or National Aeronautics and Space Administration (NASA) installation and grants to certain organizations and state institutions of higher education. Eligible entities desiring a loan or grant must apply to the Office. State expenditures for the loans and grants will depend, in part, on the cash and appropriations the General Assembly provides.

### Detailed Fiscal Analysis

The bill creates the Office of Government and Military Affairs (hereafter referred to as the "Office") within the Governor's Office. The proposed Office's mission centers on supporting the long-term viability of military and National Aeronautics and Space Administration (NASA) installations in Ohio and the health and well-being of service members and veterans. For example, the bill requires the Office to develop and update a strategic plan on those topics; hold discussions with the commanders of the installations; provide various forms of assistance to defense and NASA communities;

collect and distribute information regarding the operating costs, missions, and strategic value of the installations; make various reports; and advocate for the preservation and expansion of missions for reservists at the installations. A full description of the Office's duties is available in the LSC Bill Analysis.

### **Operating expenses**

The Office will be staffed by an Executive Director, appointed by the Governor, and such other staff that are necessary for the Office to perform its duties. In addition to the Executive Director, the Office of Budget and Management (OBM) and the Governor's Office anticipate the need for around three additional staff members to carry out the programs and administrative functions of the Office, for a total staff of around four.

Table 1 below summarizes the estimated annual operating costs of the Office from FY 2020 to FY 2022, based on information supplied by OBM. As the table shows, the Office's largest operating expense will consist of payroll and fringe benefit costs, which may range from \$454,000 to \$539,000 annually over the next three years. The Executive Director's base pay rate is estimated to start at \$60 per hour while the program and administrative personnel will likely earn base pay rates starting at \$40 and \$30 per hour, respectively. LSC's estimates assume each employee works full time, assume base pay rates increase 3% each fiscal year, and take into account a 27th pay period occurring in FY 2020.<sup>1</sup> The estimates include the major additional payroll costs associated with a state employee – retirement and health insurance benefits. Specifically, the estimated payroll costs include 14% of annual salary to cover the employer's share of retirement benefits and, in addition, the employer's share of health insurance. Health insurance costs are based on FY 2019 annual rates of \$8,000 for single coverage or \$21,000 for family coverage and then inflated by 10% each year per the payroll assumptions included in OBM's operating budget guidance to state agencies for the upcoming FY 2020-FY 2021 biennium.

Major nonpayroll expenses include rent, one-time purchases of computers and furniture (mostly in FY 2020), and various ongoing charges for information technology, telecommunications, and copying and printing services. Total estimated nonpayroll costs are about \$90,000 in FY 2020 before decreasing to \$61,000 and \$67,000 in the following two years, respectively.

---

<sup>1</sup> Typically, there are 26 biweekly pay periods in each fiscal year. Due to the timing of the pay periods in FY 2020, there will be one extra pay period that year.

**Table 1. Office of Government and Military Affairs Estimated Operating Expenses, FY 2020-FY 2022**

	FY 2020	FY 2021	FY 2022
<b>Payroll and Benefit Costs</b>			
Executive Director	\$157,000 to \$171,000	\$156,000 to \$172,000	\$162,000 to \$179,000
Program Specialist	\$107,000 to \$122,000	\$107,000 to \$123,000	\$111,000 to \$129,000
Program Specialist	\$107,000 to \$122,000	\$107,000 to \$123,000	\$111,000 to \$129,000
Administrative Position	\$83,000 to \$97,000	\$83,000 to \$99,000	\$86,000 to \$103,000
<b>Total Payroll and Benefit Costs</b>	<b>\$454,000 to \$511,000</b>	<b>\$454,000 to \$517,000</b>	<b>\$470,000 to \$539,000</b>
<b>Nonpayroll Costs</b>			
Rent	\$22,000	\$22,550	\$23,114
Computers	\$14,000	\$0	\$5,000
Furniture	\$13,400	\$0	\$0
Information technology charges	\$15,000	\$15,450	\$15,914
VoIP and cellular phones	\$6,576	\$5,484	\$5,593
Digital copier charges	\$5,700	\$5,700	\$5,700
Other (supplies, parking, memberships, publications, etc.)	\$12,900	\$12,010	\$12,122
<b>Total Nonpayroll Costs</b>	<b>\$89,576</b>	<b>\$61,194</b>	<b>\$67,443</b>
<b>TOTAL</b>	<b>\$543,576 to \$600,576</b>	<b>\$515,194 to \$578,194</b>	<b>\$537,443 to \$606,443</b>

Note: Payroll and fringe benefit costs for each employee may not add to the totals due to rounding.

### **Funding sources**

The bill creates the Military Value Revolving Loan Fund and requires the money in the fund to reimburse the GRF for money appropriated by the General Assembly and to pay expenses for administering the Office. The bill does not provide cash or appropriations for the new fund. However, it permits the Office to solicit and accept gifts and grants, which will be deposited into the fund. Therefore, it may be that the GRF supports the operating costs of the Office for some initial period of time. Once the fund receives capital, it may begin to support some or all of those expenses.

### **Loans and grants authorized**

After supporting the Office's operating costs, any funds remaining in the Military Value Revolving Loan Fund must be used by the Office to make loans and grants to defense or NASA communities in Ohio and grants to defense or NASA support organizations and state institutions of higher education. Eligible entities desiring funding must apply for the loans or grants. Table 2 below summarizes some notable loan and grant program parameters. The Executive Director will determine any fees, charges, interest rates, and payment schedules associated with loan awards. State expenditures for these programs will depend, in part, on the cash and appropriations the General Assembly provides.

<b>Table 2. Selected Loan and Grant Program Criteria</b>		
<b>Criteria</b>	<b>Loan</b>	<b>Grant</b>
Eligible entities	Defense or NASA communities	Defense or NASA communities; Defense or NASA support organizations; State institutions of higher education
Eligible uses	Infrastructure projects	Fulfill a matching fund requirement to receive funding from another source; Match applicant's contribution at a closed or realigned installation; Infrastructure projects
Maximum amount	100% of total project cost	The lesser of any of the following: (1) 50% of required matching funds, or 80% of required matching funds if applicant demonstrates need; (2) 50% of applicant's investment if federal assistance is unavailable; (3) \$5,000,000
Minimum amount	None	\$50,000