

Budget Adjustments and Transfers (revenues and expenditures)

General Revenue Fund (GRF)		
Revenues	- 0 -	- 0 -
Expenditures	Minimal increase	- 0 -
Central Service Agency Fund (Fund 115)		
Revenues	Up to \$300,000 potential gain from Fund 4K9 and Fund 5C6 transfers	Up to \$230,000 potential gain from Fund 4K9 and Fund 5C6 transfers
Expenditures	\$860,000 increase	- 0 -
Occupational Licensing and Regulatory Fund (Fund 4K9)		
Revenues	- 0 -	- 0 -
Expenditures	Up to \$272,219 potentially transferred to Fund 115	Up to \$208,249 potentially transferred to Fund 115
State Medical Board Operating (Fund 5C6)		
Revenues	- 0 -	- 0 -
Expenditures	Up to \$27,781 potentially transferred to Fund 115	Up to \$21,751 potentially transferred to Fund 115

STATE FUND	FY 2002	FY 2003-2004 BIENNIUM
Citizen Education Fund (Fund 414)		
Revenues	\$150,000 gain from Fund 414 transfer	- 0 -
Expenditures	Up to \$150,000 increase	- 0 -
Notary Commission Fund (Fund 412)		
Revenues	- 0 -	- 0 -
Expenditures	\$150,000 transferred to Fund 414	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2000 is July 1, 1999 – June 30, 2000.

- **Capital reappropriations.** The total amount of capital moneys reappropriated is \$1,876,470,047.
- **Capital appropriations.** New capital appropriations contained in the bill are for the Public Works Commission and Ohio Veterans' Home. Of the \$290.9 million in new appropriations, \$252.0 million is for the State Capital Improvements Fund (Fund 038), \$37.5 million is for the State Capital Improvements Revolving Loan Fund (Fund 040), and \$1.4 million is for the Administrative Building Fund (Fund 026). These moneys will be provided to local governments to support new or ongoing capital improvements projects.
- **Ohio SONET.** The bill in effect transfers \$2,840,609 in FY 2003 appropriation authority from the Department of Administrative Services' (DAS) GRF line item 100-419, SONET, to newly created Ohio Educational Telecommunications Network Commission GRF line item 374-403, Ohio SONET. The affected DAS GRF line item is used to pay for fiber optic lines maintained by the major telecommunications providers. Since the Commission is the primary user of the state's fiber optic capacity, it will now have control over and be responsible for paying for the charges it accrues. There is no net change in the GRF as a result of this transfer of FY 2003 appropriation authority.
- **Central Service Agency Fund.** The bill increases the FY 2002 appropriation authority for the Central Service Agency Fund (Fund 115) and its related line item by \$860,000. The Department of Administrative Services will use this increased appropriated authority to develop and implement a new web-based license-tracking system for the occupational licensing and regulatory boards. To support the development, installation, and maintenance of this system, the bill increases the cash amounts that the Director of Budget and Management is permitted to transfer to Fund 115 under current law from the Occupational Licensing and Regulatory Fund (Fund 4K9) and the State Medical Board Operating Fund (Fund 5C6) in each of FYs 2002 and 2003.
- **Veterans' records conversion.** The bill permits the Department of Administrative Services to transfer the unencumbered balance in GRF line item 100-410, Veterans' Records Conversion, at the end of FY 2002 to FY 2003 under the same line item. The unencumbered balance will be approximately \$27,000, and will be used to pay for software maintenance and licensing for Veterans' Records Conversion system in FY 2003.
- **Infections diseases prevention.** Section 56.01 of Am. Sub. H.B. 94 of the 124th General Assembly, the FY 2002-2003 main operating budget act, earmarked \$200,000 of the amount appropriated to GRF line item 440-446, Infectious Disease Prevention, in each fiscal year for the purchase of drugs for sexually transmitted diseases. The bill increases that earmark in each fiscal year from \$200,000 to \$335,000, an annual increase of \$135,000.

- ***GRF transfers to the BSF.*** Amended Substitute House Bill 405 of the 124th General Assembly contains a trigger that would transfer money from the GRF to the Budget Stabilization Fund (BSF) in early July 2003. Essentially any GRF tax revenues received in FY 2003 in excess of \$17,037,900,000 were to be transferred to the BSF. That amount was equal to Budget and Management's (OBM) October 2001 estimate of GRF tax revenue for FY 2003. Amended Substitute House Bill 405 included some tax provisions that would increase GRF tax revenue by \$225.6 million in FY 2003, according to OBM estimates. A provision in this bill (Am. Sub. H.B. 524) would add that \$225.6 million to the trigger amount. If GRF revenues come in higher than the existing trigger amount of \$17,037,900,000, then under this bill, the additional amount would stay in the GRF rather than be transferred to the BSF. On the other hand, if GRF revenues come in lower than the existing trigger amount, this bill (Am. Sub. H.B. 524) would have no effect on the amount of the transfer.
- ***Southern Ohio Veterans Home.*** The bill exempts the Southern Ohio Veterans Home that is being built in Brown County from having to obtain a Certificate of Need (CON). Amended Substitute House Bill 283 of the 123rd General Assembly provided a \$4,200,000 appropriation to fund the state's share of the cost of constructing the Southern Ohio Veterans Home. The federal Department of Veterans Affairs provided a grant award letter for 65% of the cost of construction of this new facility. Under the filing fee formula, 0.9% of the construction fee would exceed the maximum fee of \$20,000. Therefore, without this exemption, the Southern Ohio Veterans Home would have had to pay the \$20,000 filing fee to the Department of Health.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2002	FY 2003
Local Governments		
Revenues	Loss of property tax revenue	\$289.5 million gain, plus loss of some property tax revenue
Expenditures	- 0 -	- 0 -
Gallia County Local SD, Three Rivers Local SD, Carlisle Local SD		
Revenues	Potential gain	Potential gain
Expenditures	- 0 -	- 0 -
Certain Other School Districts		
Revenues	Loss of property tax revenue	Loss of property tax revenue
Expenditures	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- ***Public Works Commission capital appropriations.*** The bill appropriates \$289.5 million in new capital moneys for the Public Works Commission through the State Capital Improvements Fund (Fund 038) and the State Capital Improvements Revolving Loan Fund (Fund 040). These moneys would be distributed to local governments in the form of loans and grants to support new or ongoing capital improvements projects.
- ***School Facilities Commission projects – state share versus local share.*** The bill would change the way that state money is given to smaller projects with less than \$25 million in state share. The state would be able to encumber its share of a project over more than one biennium, by encumbering only the amount calculated by the School Facilities Commission that would be needed for that biennium. This would allow more school districts to be served at a faster rate.
- ***Big 8 project school districts – state share versus local share.*** The bill states that for Big 8 project districts the local and state shares would have to be spent simultaneously and in the same proportion to one another. The result would be that the school districts would lose some interest income on their local share. For example, for a district with a 50% state share and 50% local share, state and local money would be spent equally (for every state dollar spent, one local dollar would also be spent).
- ***Classroom Facilities Assistance Program – bond issuance.*** The bill changes the way in which local school boards may issue bonds for projects under the Classroom Facilities Assistance Program (CFAP) by increasing the length of time that local school districts may issue bonds from 23 to 30 years. School district costs associated with ballot issues could increase or decrease. Any increase would probably be more than offset by the increased flexibility that the bill gives to school boards.
- ***School Facilities Commission – Expedited Partnership Program.*** School districts participating in the School Facilities Expedited Partnership Program and experiencing decreases of 10% or more in their assessed valuations due to public utility tax changes would have their state and local shares for projects recalculated based on one year instead of the three-year average adjusted valuations and would use a district's taxable value from the last tax year. This could increase the state share for three eligible districts: Gallia County Local (Gallia County), Three Rivers Local (Hamilton County), and Carlisle Local (Warren County).
- ***Classroom Facilities Assistance Program – project priority list.*** The bill would require the School Facilities Commission to fix the priority list for the Classroom Facilities Assistance Program (CFAP) every year to include the next ten districts to receive funding based on their adjusted valuation per pupil calculated the previous fiscal year. These districts would have priority for state assistance over other districts in CFAP except those that were already conditionally approved or those who received partial funding prior to May 1997.

- **Big 8 Renovation Program.** The bill would exempt Big Eight districts in the first through fiftieth wealth percentiles from having to provide a 100% match of local funds for the Big 8 Renovation Program. For districts below the fiftieth percentile, the local share would fall from 50% of the total project cost to the district's local share percentage.
- **Property taxation exemption for minor league baseball teams.** The bill exempts from property taxation certain land that is part of a public recreational facility used by a minor league baseball team. Ohio has five minor league baseball teams: the Columbus Clippers (AAA), the Toledo Mud Hens (AAA), the Akron Aeros (AA), the Dayton Dragons (A), and the Mahoning Valley Scrappers (A). The value of personal property owned by these teams, or the value of land acquired by the teams in 1999, is unknown to LSC at this time. School districts and other local governments associated with the exempted league properties will see a reduction in property tax revenues under the bill. Statewide, school districts benefit from approximately 60 percent of all property taxes levied. The remaining 40% benefit other local governments such as counties and municipalities.
- **School Facilities Commission – private donations.** The bill allows for locally donated contributions to be paid directly by a private entity on behalf of a school district for state-assisted school facilities projects. These private entities would have to enter into an agreement with both the school district and the School Facilities Commission. The total amount that the Commission may credit towards the local portion of the basic project cost may not exceed the lesser of the total amount specified in the written agreement or the actual cost for construction or renovation. This change may result in a lower local share that will have to be paid by the school district.
- **School Facilities Commission – school facilities project debt.** The bill would allow a school district whose local portion of a school facilities project is greater than or equal to \$100 million to issue up to 2% of their taxable value in debt without a vote by the electors. According to a 1999 estimate done by the School Facilities Commission, eight school districts have local shares more than \$100 million. The state and local shares were based on the 1999 equity rankings. According to the School Facilities Commission, the 1999 estimated total project costs might be significantly off in that they are based on 1990 data. When final assessments are available, some additional districts might be eligible while some of the districts listed may not be eligible.
- **School district mergers.** The bill would allow two or more city, local, or exempted village school districts whose territory is primarily located in the same county to merge and would establish in detail the process for the merger to follow. School districts that wish to merge would need to be primarily located in a county of less than 100,000 people. According to the 2000 U.S. Census, 61 counties in Ohio have populations less than 100,000. Possible fiscal effects of this change include changes to school tax levies that have already been passed by the merging school districts.
- **Joint vocational school district compensation for foregone property tax revenue.** The bill expressly permits local governments granting property tax exemptions to compensate joint vocational school districts for foregone property tax revenue. Under current law, such compensation is expressly authorized only with respect to city, local, or exempted village school districts. Joint vocational school districts may see an increase in revenue under this provision.
- **Property tax levies for subdivision roads.** The bill permits municipal corporations, counties, and townships to levy permanent property tax levies for the purpose of (1) building and repairing streets, roads and bridges, or (2) the combination of building and repairing streets, roads, bridges, trails and sidewalks as well as purchasing land for trails and sidewalks. Voter approval is required for such levies. The provision has the potential to increase property tax revenue for local governments.
- **Municipal special assessment for parking facilities.** Currently, municipal corporations can levy special assessments for acquiring land and constructing off-street parking facilities or structures on it. The bill will expand current law by permitting special assessments to be levied for the acquisition and improvement of *existing* parking facilities and structures for off street parking. The provision will allow municipal corporations additional flexibility when considering parking needs.

Detailed Fiscal Analysis

I. Capital re-appropriations

TOTAL REAPPROPRIATIONS ¹ BY FUND BY AGENCY		
Fiscal Years 2003-2004		
Fund by Agency	Divisions	Departments
GENERAL REVENUE FUND (GRF)		
Department of Administrative Services		\$7,448,678
Arts and Sports Facilities Commission		\$650,000
Ohio Historical Society		\$302,880
Department of Natural Resources		\$1,270,298
TOTAL GENERAL REVENUE FUND		\$9,671,856
WILDLIFE FUND (Fund 015)		
Department of Natural Resources		\$10,509,595
PUBLIC SCHOOL BUILDING FUND (Fund 021)		
School Facilities Commission		\$56,770,781
HIGHWAY SAFETY FUND (Fund 036)		
Department of Public Safety		\$5,048,365
WATERWAYS SAFETY FUND (Fund 086)		
Department of Natural Resources		\$8,088,229
UNDERGROUND PARKING GARAGE OPERATING FUND (Fund 208)		
Capital Square Review and Advisory Board		\$1,514,987
NURSING HOME – FEDERAL FUND (Fund 319)		
Ohio Veterans' Home		\$10,238,750
CAPITAL DONATIONS FUND (Fund 5A1)		
Arts and Sports Facilities Commission		\$976,130

TOTAL REAPPROPRIATIONS ¹ BY FUND BY AGENCY			
VETERANS' HOME IMPROVEMENT FUND (Fund 804)			
Ohio Veterans' Home	Fiscal Years 2003-2004		\$1,109,775
EDUCATION FACILITIES TRUST FUND (Fund N87)			
School Facilities Commission			\$33,715,713
CLEAN OHIO REVITALIZATION FUND (Fund 003)			
Department of Development			\$50,000,000
SPORTS FACILITIES BUILDING FUND (Fund 024)			
Arts and Sports Facilities Commission			\$1,647,546
HIGHWAY SAFETY BUILDING FUND (Fund 025)			
Department of Public Safety			\$23,409,307
ADMINISTRATIVE BUILDING FUND (Fund 026)			
Adjutant General			\$9,477,500
Department of Administrative Services			\$167,310,385
Department of Aging			\$10,013
Department of Agriculture			\$4,290,095
Attorney General			\$4,171,523
Capital Square Review and Advisory Board			\$2,505,420
Department of Commerce			\$880,195
Expositions Commission			\$8,892,902
Judiciary/Supreme Court			\$63,968,080
State Library			\$73,324
	Fund by Agency	Divisions	Departments
ADMINISTRATIVE BUILDING FUND (continued)			
Department of Natural Resources			\$11,826,742
Department of Public Safety			\$1,543,700
School for the Blind			\$2,051,269
School for the Deaf			\$253,239
Ohio Veterans' Home			\$3,385,868
	TOTAL ADMINISTRATIVE BUILDING FUND		\$280,640,255
ADULT CORRECTIONAL BUILDING FUND (Fund 027)			
Department of Rehabilitation and Correction			
Statewide and Central Office Projects	\$102,976,276		
Belmont Correctional Institution	\$2,206,910		
Chillicothe Correctional Institution	\$9,171,941		
Correctional Reception Center	\$3,000		
Corrections Training Academy	\$363,347		
Dayton Correctional Institution	\$618,029		
Grafton Correctional Institution	\$400,292		
Hocking Correctional Institution	\$612,569		
Lebanon Correctional Institution	\$4,997,149		
Lima Correctional Institution	\$10,966,098		
London Correctional Institution	\$2,239,110		
Madison Correctional Institution	\$1,155,403		
Mansfield Correctional Institution	\$774,418		
Marion Correctional Institution	\$3,340,481		
Northeast Pre-Release Center	\$809,200		
Oakwood Correctional Facility	\$5,000		
Ohio Reformatory for Women	\$18,449,855		
Pickaway Correctional Institution	\$12,924,240		
Richland Correctional Institution	\$508,010		
Ross Correctional Institution	\$6,787,541		
Southeastern Correctional Institution	\$15,072,559		
Southern Ohio Correctional Facility	\$2,593,022		
Trumbull Correctional Institution	\$619,170		
Warren Correctional Institution	\$1,223,047		
	TOTAL ADULT CORRECTIONAL BUILDING FUND		\$198,816,667
JUVENILE CORRECTIONAL BUILDING FUND (Fund 028)			
Department of Youth Services			\$53,100,746
TRANSPORTATION BUILDING FUND (Fund 029)			
Department of Transportation			\$250,000
ARTS FACILITIES BUILDING FUND (Fund 030)			
Arts and Sports Facilities Commission			\$29,222,572
OHIO PARKS AND NATURAL RESOURCES FUND (Fund 031)			
Department of Natural Resources			
Statewide and Local Projects	\$46,713,630		
Civilian Conservation	\$1,861,166		
Forestry	\$1,668,960		
Geologic Survey	\$12,498		
Mines and Reclamation	\$250,000		
	Fund by Agency	Divisions	Departments
OHIO PARKS AND NATURAL RESOURCES FUND (continued)			
Natural Areas and Preserves	\$1,959,572		
Wildlife	\$2,121		
Parks and Recreation	\$21,234,927		
Soil and Water Conservation	\$542,170		
Water	\$7,781,215		

TOTAL OHIO PARKS AND NATURAL RESOURCES FUND		BY AGENCY	\$82,026,259
SCHOOL BUILDING PROGRAM ASSISTANCE FUND (Fund 032)			
School Facilities Commission			\$41,424,267
MENTAL HEALTH FACILITIES IMPROVEMENT FUND (Fund 033)			
Department of Alcohol and Drug Addiction Services			\$4,187,384
Department of Mental Health			\$9,837,769
Department of Mental Retardation and Developmental Disabilities			
Statewide Projects		\$25,387,208	
Apple Creek Developmental Center		\$1,011,208	
Cambridge Developmental Center		\$993,218	
Columbus Developmental Center		\$1,837,908	
Gallipolis Developmental Center		\$855,113	
Montgomery Developmental Center		\$1,115,008	
Mt. Vernon Developmental Center		\$1,141,660	
Northwest Ohio Developmental Center		\$941,968	
Southwest Ohio Developmental Center		\$633,530	
Springview Developmental Center		\$440,416	
Tiffin Developmental Center		\$965,974	
Warrensville Developmental Center		\$1,014,915	
Youngstown Developmental Center		\$599,518	
TOTAL Mental Retardation and Developmental Disabilities			\$36,937,644
TOTAL MENTAL HEALTH FACILITIES IMPROVEMENT FUND			\$50,962,797
HIGHER EDUCATION IMPROVEMENT FUND (Fund 034)			
Educational Telecommunications Network Commission			\$3,988,547
Board of Regents			\$38,383,384
University of Akron			\$32,884,700
Bowling Green State University			\$17,097,604
Central State University			\$10,128,999
University of Cincinnati			\$32,575,637
Cleveland State University			\$13,490,891
Kent State University			\$20,981,978
Miami University			\$25,275,261
Ohio State University			\$177,043,816
Ohio University			\$20,919,635
Shawnee State University			\$4,441,495
University of Toledo			\$29,659,749
Wright State University			\$9,921,128
Youngstown State University			\$12,435,628
Northeastern Ohio Universities College of Medicine			\$2,397,787
Medical College of Ohio			\$2,197,579
University Hospitals, Case Western Reserve University			\$3,833,536
Fund by Agency		Divisions	Departments
HIGHER EDUCATION IMPROVEMENT FUND (continued)			
Cincinnati State Technical and Community College			\$6,122,119
Clark State Community College			\$334,740
Columbus State Community College			\$7,928,368
Cuyahoga Community College			\$9,257,986
Edison State Community College			\$723,918
Jefferson Community College			\$2,030,116
Lakeland Community College			\$1,754,738
Lorain Community College			\$466,182
Northwest State Community College			\$165,349
Owens Community College			\$10,981,319
Rio Grande Community College			\$384,305
Sinclair Community College			\$1,866,722
Southern State Community College			\$745,053
Terra State Community College			\$196,095
Washington State Community College			\$1,269,368
Belmont Technical College			\$748,424
Central Ohio Technical College			\$225,582
Hocking Technical College			\$550,003
Lima Technical College			\$885,640
Muskingum Area Technical College			\$214,686
Marion Technical College			\$25,790
North Central Technical College			\$3,245,326
Stark Technical College			\$5,428,760
TOTAL HIGHER EDUCATION IMPROVEMENT FUND			\$514,686,727
PARKS AND RECREATION IMPROVEMENT FUND (Fund 035)			
Department of Natural Resources			\$46,703,443
STATE CAPITAL IMPROVEMENT FUND (Fund 038)			
Public Works Commission			\$253,363,173
STATE CAPITAL IMPROVEMENTS REVOLVING LOAN FUND (Fund 040)			
Public Works Commission			\$47,784,131
CLEAN OHIO CONSERVATION FUND (Fund 056)			
Public Works Commission			\$37,500,000
CLEAN OHIO AGRICULTURAL EASEMENT FUND (Fund 057)			
Department of Agriculture			\$6,250,000

CLEAN OHIO TRAIL FUND (Fund 061)		
TOTAL REAPPROPRIATIONS ¹ BY FUND BY AGENCY		
Department of Natural Resources	Fiscal Years 2003-2004	\$6,250,000
TOTAL REAPPROPRIATIONS, ALL FUNDS		\$1,876,470,047

¹ Amounts are estimates of what will be re-appropriated effective July 1, 2002.

II. Public Works Commission capital appropriations

The bill appropriates a total of \$289.5 million in new capital moneys for the Public Works Commission through the State Capital Improvements Fund (Fund 038) and the State Capital Improvements Revolving Loan Fund (Fund 040). These moneys include: (1) \$252.0 million appropriated from Fund 038 to CAP-150, Local Public Infrastructure, and (2) \$37.5 million appropriated from Fund 040 to CAP-151, Revolving Loan. Fund 038 is supported through the proceeds of bonds issued by the Treasurer of State. Fund 040 is supported through the repayments of loans made by political subdivisions for capital improvements, investment earnings on moneys in the fund, moneys received from federal or private grants, or moneys received from other sources for the purpose of making loans used to finance capital improvement projects of political subdivisions.

III. Budget adjustments, fund transfers, and other corrections

Ohio SONENT transfer

The bill in effect transfers \$2,840,609 in FY 2003 appropriation authority from the Department of Administrative Services' (DAS) GRF line item 100-419, SONENT, to newly-created Ohio Educational Telecommunications Network Commission GRF line item 374-403, Ohio SONENT. The affected DAS GRF line item is used to pay for fiber optic lines maintained by the major telecommunications providers. Since the Commission is the primary user of the state's fiber optic capacity, it will now have control over and be responsible for paying for the charges it accrues. There is no net change in the GRF as a result of this transfer of FY 2003 appropriation authority.

Web-based license-tracking system

The bill increases the FY 2002 appropriation authority for the Central Service Agency Fund (Fund 115) and its related line item by \$860,000. The Department of Administrative Services will use this increased appropriated authority to develop and implement a new web-based license-tracking system for the occupational licensing and regulatory boards. This system will replace a mainframe design that was under development until it was scrapped in mid-2001.

To support the development, installation, and maintenance of this system, the bill increases the cash amounts that the Director of Budget and Management is permitted to transfer to Fund 115 under current law by the following amounts: (1) \$272,219 in FY 2002 and \$208,249 in FY 2003 from the Occupational Licensing and Regulatory Fund (Fund 4K9), and (2) \$27,781 in FY 2002 and \$21,751 in FY 2003 from the State Medical Board Operating Fund (Fund 5C6).

Veterans' record conversion

The bill permits the Department of Administrative Services to transfer the unencumbered balance in GRF line item 100-410, Veterans' Records Conversion, at the end of FY 2002 to FY 2003 under the same line item. The unencumbered balance will be approximately \$27,000, and will be used to pay for software maintenance and licensing for Veterans' Records Conversion system in FY 2003. This project involves migrating paper records to electronic files. Ongoing appropriations will be required in future fiscal years, as licensing costs and software costs are recurring expenses.

Funding for this GRF line item was not included in the FY 2002-2003 main operating budget. A provision in Am. Sub. H.B. 77 of the 124th General Assembly, however, permitted the unencumbered balance in the line item at the end of FY 2001 to be transferred to FY 2002 under the same line item.

Investment Recovery Fund

The bill corrects an error made in Section 13.12 of Am. Sub. H.B. 94, the FY 2002-2003 main operating budget act, which contains an uncodified law provision concerning the Investment Recovery Fund (Fund 427). The revenues in this fund consist of the proceeds from the sales of surplus equipment. The proceeds are then redistributed to the various agencies that acquired the equipment originally. The correction involves increasing the amounts specified for transfer in each fiscal year from \$2,045,302 to \$2,159,433, or by an increase of \$114,131, in FY 2002, and from \$1,959,192 to \$2,219,992, or by an increase of \$260,800, in FY 2003.

Youngstown capital projects

The bill: (1) decreases the total amount appropriated to Arts and Sports Facilities Commission's Sports Facilities Building Fund (Fund 024) by eliminating the \$1.5 million appropriated to CAP-805, Sports Facilities Improvements-Youngstown, and (2) increases the total amount appropriated to Youngstown State University through the Higher Education Improvements Fund (Fund 034) by \$1.5 million and allocates that same amount to newly created CAP-121, Administrative Technology Computer Systems Improvements.

Capitol Square Review and Advisory Board

Board membership. The Capitol Square Review and Advisory Board, which oversees the State House, Senate Building, and surrounding grounds, currently consists of nine members. The bill allows two additional members to be added to the Board. The President of the Senate is to appoint a former President of the Senate, and the Speaker of the House of Representatives is to appoint a former Speaker. However, if the President or Speaker decides for any reason not to make the appointment, or if no person is eligible or available to serve, the seat must remain vacant. It is likely that, as a result of increased membership to the Board, the ongoing GRF expenses that support the Board's operating costs will increase, though any such increase would be no more than minimal annually, if that.

Underground parking garage. The bill also earmarks \$1,050,000 from CAP-011, Statehouse Security Improvements, in the Administrative Building Fund (Fund 026), for the installation of a new fire suppression system in the Statehouse garage. The moneys are to be used in conjunction with funds appropriated to CAP-009, Garage Fire Suppression System, in the Underground Parking Garage Operating Fund (Fund 208). The amounts appropriated to CAP-011 and CAP-009 are \$2,005,420 and \$1,050,000, respectively.

Department of Health – infectious disease prevention

Section 56.01 of Am. Sub. H.B. 94 of the 124th General Assembly, the FY 2002-2003 main operating budget act, earmarked \$200,000 of the amount appropriated to GRF line item 440-446, Infectious Disease Prevention, in each fiscal year for the purchase of drugs for sexually transmitted diseases. The bill increases that earmark in each fiscal year from \$200,000 to \$335,000, an annual increase of \$135,000.

The amounts appropriated for this line item currently total \$595,188 in FY 2002 and \$639,552 in FY 2003. These are adjusted totals reflecting the 1.5% reductions made in Section 202 of Am. Sub. H.B. 94 of the 124th General Assembly, as well as the FY 2002 GRF appropriation reductions made in Executive Order 2001-22T.

Department of Health – Help Me Grow

The FY 2002-2003 main operating budget as contained in Am. Sub. H.B. 94 of the 124th General Assembly included an uncodified law provision related to GRF line item 440-459, Help Me Grow. This provision stated that the funds appropriated to this line item are to "be used by the Department of Health to distribute subsidies to counties to implement section 3701.61 of the Revised Code." The main operating budget also established section 3701.61 of the Revised Code to codify the existing Help Me Grow program. In previous years, this program was established in uncodified law.

Since the Governor vetoed section 3701.61 of the Revised Code, this bill (Am. Sub. H.B. 524) amends the existing uncodified law provision to remove the reference to the vetoed section of the Revised Code. Instead, the uncodified law provision will read that the funds appropriated to GRF line item 440-459 are to be used to implement the Help Me Grow program.

Legislative Task Force on Redistricting

Section 69 of Am. Sub. H.B. 94 of the 124th General Assembly required the Director of Budget and Management to determine and certify the total amount of unexpended, unobligated appropriations made to GRF line item 035-407, Legislative Task Force on Redistricting, for FY 2001 and to appropriate the amount certified to the same item in FY 2002. This bill (Am. Sub. H.B. 524) replicates this uncodified law provision for another year by requiring the Director of Budget and Management, by August 1, 2002, to determine and certify the amount of unexpended, unobligated appropriations made to GRF item 035-407 for FY 2002 and to appropriate this amount to the same item in FY 2003.

Budget Stabilization Fund

Amended Substitute House Bill 405 of the 124th General Assembly contains a trigger that would transfer money from the GRF to the Budget Stabilization Fund (BSF) in early July 2003. Essentially any GRF tax revenues received in FY 2003 in excess of \$17,037,900,000 were to be transferred to the BSF. That amount was equal to Budget and Management's (OBM) October 2001 estimate of GRF tax revenue for FY 2003. Amended Substitute House Bill 405 included some tax provisions that would increase GRF tax revenue by \$225.6 million in FY 2003, according to OBM estimates. A provision in this bill (Am. Sub. H.B. 524) would add that \$225.6 million to the trigger amount.

If GRF revenues come in higher than the existing trigger amount of \$17,037,900,000, then under this bill, the additional amount would stay in the GRF rather than be transferred to the BSF. On the other hand, if GRF revenues come in lower than the existing trigger amount, this bill (Am. Sub. H.B. 524) would have no effect on the amount of the transfer.

Property taxation

The bill exempts from property taxation certain land that is part of a public recreational facility used by a minor league baseball team. Currently, tangible personal property and buildings that are used in a public recreational facility used by major league professional athletic teams are exempt from taxation as long as they meet certain requirements. Under the bill, tangible property and buildings used by minor league teams would also be exempt, as well as land acquired in 1999 and used for such purposes. Ohio has five minor league baseball teams: the Columbus Clippers (AAA), the Toledo Mud Hens (AAA), the Akron Aeros (AA), the Dayton Dragons (A), and the Mahoning Valley Scrappers (A). The value of personal property owned by these teams, or the value of land acquired by the teams in 1999, is unknown to LSC at this time.

School districts and other local governments associated with the exempted league properties will see a reduction in property tax revenues

under the bill. Statewide, school districts benefit from approximately 60% of all property taxes levied. The remaining 40% benefit other local governments such as counties and municipalities.

The bill expressly permits local governments granting property tax exemptions to compensate joint vocational school districts for forgone property tax revenue. Under current law, such compensation is expressly authorized only with respect to city, local, or exempted village school districts. Joint vocational school districts may see an increase in revenue under this provision.

The bill also permits municipal corporations, counties, and townships to levy permanent property tax levies for the purpose of: (1) building and repairing streets, roads and bridges, or (2) the combination of building and repairing streets, roads, bridges, trails and sidewalks as well as purchasing land for trails and sidewalks. Voter approval is required for such levies. The provision has the potential to increase property tax revenue for local governments.

Currently, municipal corporations can levy special assessments for acquiring land and constructing off-street parking facilities or structures on it. The bill will expand current law by permitting special assessments to be levied for the acquisition and improvement of *existing* parking facilities and structures for off street parking. The provision will allow municipal corporations additional flexibility when considering parking needs.

Board of Regents – reciprocity contracts

Relative to higher education reciprocity agreements, the bill:

- Augments section 3333.17 of the Revised Code to enable individual Ohio post-secondary educational institutions (rather than only the Board of Regents) to conclude reciprocity contracts with individual institutions in other states to mutually eliminate out-of-state fees. The provision would serve to legalize an existing practice, since the institutions have been concluding their own contracts under de facto delegation from the Board of Regents.
- Allows all such contracts to limit the types of academic programs to be afforded reciprocity, and limits the number of out-of-state student FTEs (fulltime equivalents) included in Ohio's state subsidy calculations to those enrolled in for-credit courses.
- Mandates periodic fiscal assessments of the costs, benefits and parity of each contract, as well as the annual reporting of results to the Board of Regents.
- Eliminates the requirement of Controlling Board approval of each contract, but does require the Board of Regents to approve each contract and to annually report the status of all such contracts to the Controlling Board.

Because the institutions affected by this revision of section 3333.17 have already been concluding their own contracts, these provisions would not cause any significant fiscal effects, locally or statewide. The elimination of Controlling Board approval might reduce administrative costs at the institutions and at Regents, although additional minimal administrative costs might be incurred by the Board of Regents in reviewing annual reports and in reporting results to the Controlling Board.

Board of Regents – Investments

The bill creates new divisions (C) and (D) in section 3345.05 of the Revised Code concerning the investments of certain revenues ("fees, deposits, charges, receipts, and income") received by universities and colleges. Under the bill, the title to investments of all such revenues (except revenues from state appropriations) will not be vested in the state, but will be held in trust by the campus boards of trustees. Further, each board will be required to adopt an investment policy, which must include: (1) a stipulation that the investments will be made only in publicly traded securities, and (2) the establishment of an investment committee. In turn, the investment committee may retain the services of a licensed/registered investment adviser.

The fiscal effect of these provisions should be minimal, being only the additional administrative costs associated with the meetings of the investment committees. It should be noted that the provision for an investment adviser is permissive, so that no additional cost is required. Should such an adviser be retained, their fee would normally be an agreed percentage of assets under management and would be considered a reduction of the gross gain on assets to achieve the net gain.

School Facilities Commission projects– state share versus local share

The bill changes how the state share for School Facilities projects is spent in relation to the local share. Currently, for projects with a state share of less than \$25 million, the state encumbers the entire amount of the share for the project up front, even if that money will not be spent until the next biennium. For larger projects, the state is able to encumber the money over the length of the project. The bill would change the way that state money is given to smaller projects with less than \$25 million in state share. The state would be able to encumber its share of a project over more than one biennium, by encumbering only the amount calculated by the School Facilities Commission that would be needed for that biennium. This would allow more school districts to be served at a faster rate.

The bill would also affect the way the Big 8 project school districts spend their state share. Only six of the Big 8 currently remains to be served: Columbus, Cincinnati, Cleveland, Akron, Toledo and Dayton. Due to their wealth, Youngstown and Canton have already started their projects under regular Classroom Facilities Assistance Program (CFAP) rules. Currently, school districts spend their state money first while collecting interest on their local share. The bill states that for Big 8 project districts the local and state shares would have to be spent simultaneously and in the same proportion to one another. The result would be that the school districts would lose some interest income on their local share. For example, for a district with a 50% state share and 50% local share, state and local money would be spent equally (for every state dollar spent, one

local dollar would also be spent).

School Facilities Commission – bond issuance

The bill changes the manner in which school boards may issue bonds for school facilities projects. The bill authorizes a school board to issue bonds for a project under the CFAP for a term up to thirty years (as authorized under the Uniform Public Securities Law). It allows school boards to combine a ballot measure under CFAP with other bond issue and tax levy ballot measures, and it provides guidelines regarding information to be included in the ballot resolution and forms for boards of education to use to obtain specific voter approval to issue bonds for a state-assisted school facilities project in more than one series.

Currently, school districts may issue bonds for school facilities projects in order to fund their local share. Under current school facilities law, districts may generally only issue bonds for up to 23 years. The bill would increase the length of time that bonds could be issued to up to 30 years. This permissive change would increase the local options that school districts have for funding their local share. Issuing bonds for longer periods of time would result in districts paying lower annual payments for debt service, but greater total interest payments because of the longer time period. Interest rates charged by the market may also be higher because higher interest rates are usually necessary when issuing longer-term bonds in order to attract investment. Bonds issued for a longer period of time are usually thought to be somewhat more risky since the long-term interest rate environment is more volatile. The bill also allows local school districts to issue bonds for school facilities projects in more than one series. While this does not have a specific fiscal impact it gives local school districts more options including delaying local tax increases.

This provision will not have any direct fiscal impact on the state and will have an insignificant impact on school districts. A school district's cost associated with the ballot issues could decrease slightly, as the bill allows the school district to combine bond issues and tax levies, and to issue bonds of more than one series for CFAP in one ballot resolution. However, the expenses will depend on the timing of the election.

In addition, school district revenues from bond issuance for a project under CFAP would increase slightly as the date to maturity is increased from 23 years to 30 years. Moreover, the overall debt service payments over the bond's maturity would increase slightly, as the interest payments over the maturity period would be slightly higher.

The bill also relieves a school district from having to obtain approval from the Superintendent of Public Education and the Tax Commissioner when a ballot question may result in a district's total indebtedness exceeding nine percent. This provision has no fiscal impact.

School Facilities Commission – Expedited Partnership Program

The bill gives school districts an additional option to passing the half mill maintenance levy necessary for participating in the Expedited Local Partnership Program by allowing them to dedicate existing taxes or a local contribution in place of the maintenance levy.

The bill further adjusts how the state and local shares are calculated for districts participating in the Expedited Partnership Program that were affected by the public utility tax changes. The school facilities program uses the three-year average adjusted valuation as defined under the equity aid program to rank school districts. A district's ranking is generally used to determine the district's state and local shares. A district with a lower ranking (lower adjusted valuation per pupil) will have a higher state share. Since the equity aid program itself uses the three-year average adjusted valuation to rank school districts in a given year, a school district's ranking under the school facilities program is in fact based on the district's five-year average adjusted valuation. The 123rd General Assembly reduced the assessment rates on certain public utility property valuations beginning in tax year 2001 and resulted in valuation and tax losses for school districts. Losses range from small amounts for many districts to significant amounts for a few districts.

Under Am. Sub. H.B. 94 of the General Assembly, the FY 2002-2003 main operating budget act, for a school district participating in the Expedited Partnership Program and experiencing an annual decrease of ten percent or more in its total assessed value due to the public utility tax changes, the district's state share would be recalculated based on the district's three-year instead of five-year average adjusted valuation. This would generally increase those eligible districts' state shares. This bill (Am. Sub. H.B. 524) would use one-year instead of a three-year average adjusted valuation to recalculate an eligible districts' state and local shares and would also use a district's total taxable value from the last tax year instead of the second preceding tax year. This would give those eligible districts the most benefits.

According to the School Facilities Commission, three districts that are in the Expedited Partnership Program could be affected: Gallia County Local (Gallia County), Three Rivers Local (Hamilton County), and Carlisle Local (Warren County). These districts are all in the process of applying for funding under the Expedited Partnership Program. Based on the current estimate, public utility property value losses represent approximately 31.3, 14.4, and 13.9 percent, respectively, of these three districts' total assessed valuations in tax year 2000. It should be noted that tax losses associated with the public utility tax changes are generally reimbursed by the state for existing taxes.

School Facilities Commission – Classroom Facilities Assistance Program (CFAP)

The bill would require that the School Facilities Commission fix the priority of the next 10 school districts according to their ranking by adjusted valuation per pupil for eligibility for state assistance under CFAP every fiscal year. These districts would have priority for funding over all other school districts except: (1) those who are receiving additional assistance (having already received assistance prior to May 20, 1997 and did not receive assistance for a district wide project), (2) those receiving assistance under the Exceptional Needs Program, (3) those receiving assistance under the Accelerated Urban Program, and (4) those who had CFAP projects approved but failed to secure bond and tax measures necessary to participate. Fixing the priority list in this fashion could mean that some districts will have to wait longer to receive funding under CFAP, but the next ten districts would have a more definite planning window.

Under current law, Big Eight districts are required to provide a 100% match to be eligible for funds under the Big Eight Renovation Program. Under this bill, Big Eight districts that are ranked in the fiftieth percentile or below will only be required to provide a match to the remaining balances such that the local match is equal to their districts' percentage share contributions. Of the Big 6 Districts that remain to be served by CFAP, only Columbus and Cincinnati would be required to provide the full 100% match (this match is equivalent to 50 % of the total project cost). For Akron, Cleveland, Dayton and Toledo, they will only be required to provide a match in proportion to their local share. For example, Cleveland is in the 37 percentile, and would therefore only need to provide a 37% local share for its school facilities projects. For the Big Eight Renovation Program under this bill, they would only need to provide a 37% match to be eligible for moneys from the fund. (Because Canton and Youngstown have been served under CFAP, they are no longer eligible for the Big Eight Renovation Program.)

School Facilities Commission – private donations

The bill allows for locally donated contributions to be paid directly by a private entity on behalf of a school district for state-assisted school facilities projects. These private entities would have to enter into an agreement with both the school district and the School Facilities Commission. That agreement must include an audit to be done by the Commission of the private entity's expenditures on the project. The agreement must also specify a maximum amount that may be credited towards the district's local portion. The total amount that the Commission may credit towards the local portion of the basic project cost may not exceed the lesser of the total amount specified in the written agreement or the actual cost for construction or renovation. This change may result in a lower local share that will have to be paid by the school district.

School Facilities Commission – school facilities project debt

This bill would allow a school district whose local portion of a school facilities project is greater than or equal to \$100 million to issue up to 2% of their taxable value in debt without a vote by the electors. In order to incur this debt, a school district must have sufficient operating revenues available to back the securities sold. Currently school districts are limited to issuing an additional one tenth of one percent in debt without a vote. (This would be a one-twentieth or 5% of the amount in the last column of the table below.) According to a 1999 estimate done by the School Facilities Commission, eight school districts have local shares more than \$100 million. The state and local shares were based on the 1999 equity rankings. According to the School Facilities Commission, the 1999 estimated total project costs might be significantly off in that they are based on 1990 data. When final assessments are available, some additional districts might be eligible while some of the districts listed may not be eligible.

SCHOOL DISTRICT	2001 PERCENTILE	ESTIMATED TOTAL COST 1999 (in millions)*	ESTIMATED LOCAL SHARE 1999 (in millions)	MAX DEBT: 2% OF FY 2002 VALUATION (in millions)
Toledo City	30	\$481	\$191	\$58
Cleveland City	37	\$1,208	\$557	\$122
Dayton City	40	\$367	\$166	\$39
Akron City	43	\$397	\$194	\$53
Columbus City	72	\$758	\$563	\$161
Middletown City	74	\$143	\$105	\$19
Cincinnati City	79	\$522	\$419	\$122
Parma City	91	\$122	\$112	\$45

*According to the School Facilities Commission, these figures may be significantly off. No newer data was available, as not all of the districts have finished their assessments.

School district mergers

The bill would allow two or more city, local, or exempted village school districts whose territory is primarily located in the same county to merge and would establish in detail the process for the merger to follow. School districts that wish to merge would need to be primarily located in a county of less than 100,000 people. According to the 2000 U.S. Census, 61 counties in Ohio have populations less than 100,000. Possible fiscal effects of this change include changes to school tax levies that have already been passed by the merging school districts. This issue and many others would need to be resolved by the participating districts in the terms of the merger.

Transfer of cash from the Notary Commission Fund

The bill directs the Director of Budget and Management to transfer \$150,000 in cash from Fund 412, the Notary Commission Fund, to Fund 414, the Citizen Education Fund. Fund 412 was part of the Governor's budget until June 2001, when the fund and its moneys were transferred to the Secretary of State pursuant to Am. Sub. H.B. 94 of the 124th General Assembly, the FY 2002-2003 main operating budget act. The cash transferred to Fund 414 will enable the Secretary of State to cover the obligations of the office to provide for voter education pertinent to election reform. Operations of the Notary Commission should not be affected, as the cash being transferred represents surplus moneys.

Southern Ohio Veterans Home

If a long-term care facility needs to increase the number of long-term care beds in its facility, it is required to file a Certificate of Need

(CON) with the Department of Health, and to pay a filing fee.^[1] The filing fee is equal to 0.9% of the capital expenditure associated with the review activity, with a minimum fee of \$3,000 and a maximum fee of \$20,000. Generally speaking, if long-term care beds are new construction, the filing fee may be closer to the maximum of \$20,000. If long-term care beds are constructed using existing space, the filing fee is closer to \$3,000. State operated facilities are not exempt from paying the filing fee.

The bill exempts the Southern Ohio Veterans Home that is being built in Brown County from having to obtain a CON. Amended Substitute House Bill 283 of the 123rd General Assembly provided a \$4,200,000 appropriation to fund the state's share of the cost of constructing the Southern Ohio Veterans Home. The federal Department of Veterans Affairs provided a grant award letter for 65% of the cost of construction of this new facility. Under the filing fee formula, 0.9% of the construction fee would exceed the maximum fee of \$20,000. Therefore, without this exemption, the Southern Ohio Veterans Home would have had to pay the \$20,000 filing fee to the Department of Health.

State Infrastructure Bank

With regard to the State Infrastructure Bank (SIB), existing uncodified law:

- Permits the Director of Budget and Management to approve requests from the Department of Transportation for transfer of appropriations and cash from the Highway Operating Fund (Fund 002) to the Infrastructure Bank funds created in section 5531.09 of the Revised Code.
- Permits the Director of Budget and Management to transfer from the Infrastructure Bank funds to the Highway Operating Fund up to the amounts originally transferred to the Infrastructure Bank funds under this section.
- Prohibits the Director of Budget and Management from making transfers between modes and transfers between different funding sources.

The bill amends this last provision to permit "transfers that may be needed to make required payments on state Infrastructure Bank obligations." Based on conversations with Budget and Management, it appears that:

- Any appropriations or cash transferred from other funds pursuant to this amended provision would be isolated to funds administered directly by the Ohio Department of Transportation (ODOT), and not interpreted as including funds administered by other state agencies.
- Such transfers would likely only be in the event of a revenue shortfall to the Highway Operating Fund (Fund 002).
- Such transfers are likely to be a rare occurrence.
- Such transfers from other ODOT funds, either state or federal, would come from funds that receive federal grants moneys and highway user receipts that are over and above normal projections and are not dedicated to a particular project or purpose.

As of this writing, there is no estimate of the potential amount of funds that might be transferred from other ODOT funds to pay SIB obligations.

IV. Vetoed provisions

Sales, use tax on leased vehicles

The Governor vetoed a provision that would have changed the weight threshold for determining whether a motor vehicle lease is subject to the accelerated sales and use tax payment requirement. The fiscal effect of this provision was largely a "timing" matter relative to when sales and use tax payments are required to be made.

*LSC fiscal staff: Joseph Rogers, Budget Analyst
Maria Seaman, Budget Analyst
Nelson Fox, Senior Budget Analyst
Kerry Sullivan, Budget Analyst
Jeff Rosa, Senior Budget Analyst
Doris Mahaffey, Supervisor, Tax and Forecasting
Meegan Michalek, Economist
Carol Robison, Budget Analyst
Jonathan Lee, Budget Analyst
Ruhaiza Ridzwan, Economist
Ivy Chen, Economist*

FN124\HB0524SP.doc

^[1] The Department is currently prohibited from issuing a Certificate of Need for any new long-term care beds. The moratorium on new nursing home beds is in effect until June 30, 2003.