

Fiscal Note & Local Impact Statement

124th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **H.B. 524** DATE: **February 27, 2002**

STATUS: **As Introduced** SPONSOR: **Rep. Carey**

LOCAL IMPACT STATEMENT REQUIRED: **No** **Not required for budget bills**

CONTENTS: **Capital reappropriations for fiscal years 2003-2004, new appropriations for Public Works Commission and the Veterans' Home for fiscal years 2003-2004, various budget adjustments and technical corrections**

State Fiscal Highlights

STATE FUND - Appropriations/Expenditures	FY 2002	FY 2003-04 BIENNIUM
Reappropriations		
General Revenue Fund	-0-	\$9,671,856 increase
Wildlife Fund	-0-	\$10,509,595 increase
Public School Building Fund	-0-	\$56,770,781 increase
Highway Safety Fund	-0-	\$5,048,365 increase
Waterways Safety Fund	-0-	\$8,088,229 increase
Underground Parking Garage Operating Fund	-0-	\$1,514,987 increase
Nursing Home – Federal Fund	-0-	\$10,238,750 increase
Capital Donations Fund	-0-	\$976,130 increase
Veterans' Home Improvement Fund	-0-	\$1,109,775 increase
Education Facilities Trust Fund	-0-	\$33,715,713 increase
Clean Ohio Revitalization Fund	-0-	\$50,000,000 increase
Sports Facilities Building Fund	-0-	\$1,647,546 increase
Highway Safety Building Fund	-0-	\$23,409,307 increase
Administrative Building Fund	-0-	\$280,640,255 increase
Adult Correctional Building Fund	-0-	\$215,104,643 increase
Juvenile Correctional Building Fund	-0-	\$53,100,746 increase
Transportation Building Fund	-0-	\$250,000 increase
Arts Facilities Building Fund	-0-	\$29,222,572 increase
Ohio Parks and Natural Resources Fund	-0-	\$82,026,259 increase
School Building Program Assistance Fund	-0-	\$41,424,267 increase
Mental Health Facilities Improvement Fund	-0-	\$50,962,797 increase
Higher Education Improvement Fund	-0-	\$513,186,727 increase
Parks and Recreation Improvement Fund	-0-	\$46,703,443 increase
State Capital Improvements Fund	-0-	\$253,363,173 increase
State Capital Improvements Revolving Loan Fund	-0-	\$47,784,131 increase
Clean Ohio Conservation Fund	-0-	\$37,500,000 increase
Clean Ohio Agricultural Easement Fund	-0-	\$6,250,000 increase
Clean Ohio Trail Fund	-0-	\$6,250,000 increase
New Appropriations		
Administrative Building Fund	-0-	\$1,377,000 increase
State Capital Improvements Fund	-0-	\$252,000,000 increase
State Capital Improvements Revolving Loan Fund	-0-	\$37,500,000 increase
Budget Adjustments and Transfers		
General Revenue Fund		
Revenues	Minimal increase	Potentially substantial loss, though unlikely to occur
Expenditures	- 0 -	- 0 -
Revitalization Obligation Security Fund (Fund 007)		
Revenues	Potential gain	Potential gain
Expenditures	- 0 -	- 0 -

Central Services Fund (Fund 115)		
Revenues	Potential gain of up to \$300,000	Potential gain of up to \$230,000
Expenditures	Increase of \$860,000	- 0 -
Occupational Licensing and Regulatory Fund (Fund 4K9)		
Revenues	- 0 -	- 0 -
Expenditures	Potential increase in expenditures up to \$272,219	Potential increase in expenditures up to \$208,249
Ohio Medical Board Operating (Fund 5C6)		
Revenues	- 0 -	- 0 -
Expenditures	Potential increase in expenditures up to \$27,781	Potential increase in expenditures up to \$21,751
The Citizen Education Fund (Fund 414)		
Revenues	- 0 -	- 0 -
Expenditures	\$150,000 increase	- 0 -
The Notary Commission Fund (Fund 412)		
Revenues	\$150,000 loss	- 0 -
Expenditures	- 0 -	- 0 -

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

- Total amount of capital moneys reappropriated is estimated at approximately \$1.9 billion (\$1,876,470,047).
- 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), \$34.5 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 improvement projects.
- For FY 2003, there is a transfer of \$2,840,609 in GRF from a Department of Administrative Services (DAS) line item to a newly created Ohio Educational Telecommunications Network Commission (OEB) line item in FY 2003. The affected DAS line item is 100-419, SONET, a GRF line item that is used to pay for fiber optic lines maintained by the major telecommunications providers. The new OEB line item is 374-403, Ohio SONET. There is no net change in the GRF as a result of this transfer.
- For FY 2002, there is an \$860,000 increase in appropriation authority for DAS's Central Service Agency Fund (Fund 115). DAS will use the added funds to develop and implement a new web-based license-tracking system for the occupational licensing boards. This system will replace a mainframe design that was under development until it was scrapped in mid-2001.
- The bill would permit DAS to carry forward to FY 2003 any remaining unencumbered balances in GRF line item 100-410, Veterans' Records Conversion. This sum will be approximately \$27,000, and will be used to pay for software maintenance and licensing for this system in FY 2003.
- This bill earmarks moneys deposited in the Revitalization Obligation Security Fund (Fund 007) from the General Revenue Fund, to be used to aid the payments of the Revitalization Projects Bond Service Fund (custodial fund). These moneys will be transferred to the Liquor Control Fund Group (Fund 043) and appropriated to line item 800-636, Revitalization Debt Service, which is used to pay the debt service on bonds.
- Section 56.01 of Am. Sub. H.B. 94 of the 124th General Assembly earmarked \$200,000 in each fiscal year of the 2001-2003 biennium in GRF appropriation item 440-446, Infectious Disease Prevention, for the purchase of drugs for sexually transmitted diseases. This bill increases the earmark in each fiscal year from \$200,000 to \$335,000, an annual increase of \$135,000.
- H.B. 405 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 that was to be transferred to the BSF. That amount was equal to OBM's October 2001 estimate of GRF tax revenue for FY 2003. H.B. 405 included some tax provisions that would increase GRF tax revenue by \$225.6 million in FY 2003, according to OBM estimates. This provision would add that \$225.6 million to the trigger amount.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2002	FY 2003-04 BIENNIUM

Local Governments		
Revenues	- 0 -	\$289.5 million gain
Expenditures	- 0 -	- 0 -
Three School Districts		
Revenues	Potential gain	Potential gain
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.

- The \$289.5 million appropriated to the Public Works Commission would go to local governments in the form of loans and grants to support new or ongoing capital improvement projects.
- For school facilities projects with a state share of less than \$25 million, the state would be able to encumber it's share over the length of the project rather than at the beginning of a project.
- The bill states that Big 8 project school districts would have to spend their state and local shares simultaneously and in the same proportion to one another on school facilities projects.
- This bill increases the length of time that school districts may issue bonds from 23 years to 30 years. This may decrease the amount paid annually to debt service but increase the amount of interest paid out in the long run.
- School districts participating in the School Facilities Expedited Partnership Program and experiencing decreases of ten percent or more in their assessed valuations due to the 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. 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).

Detailed Fiscal Analysis

Capital Reappropriations

TOTAL REAPPROPRIATIONS ¹ BY FUND BY AGENCY Fiscal Years 2003-2004		
	Divisions	Departments
GENERAL REVENUE FUND		
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		
Department of Natural Resources		\$10,509,595
PUBLIC SCHOOL BUILDING FUND		
School Facilities Commission		\$56,770,781
HIGHWAY SAFETY FUND		
Department of Public Safety		\$5,048,365
WATERWAYS SAFETY FUND		
Department of Natural Resources		\$8,088,229
UNDERGROUND PARKING GARAGE OPERATING FUND		
Capital Square Review and Advisory Board		\$1,514,987
NURSING HOME – FEDERAL FUND		
Ohio Veterans' Home		\$10,238,750
CAPITAL DONATIONS FUND		
Arts and Sports Facilities Commission		\$976,130

VETERANS' HOME IMPROVEMENT FUND		
Ohio Veterans' Home		\$1,109,775
TOTAL REAPPROPRIATIONS¹ BY FUND BY AGENCY		
Fiscal Years 2003-2004		
EDUCATION FACILITIES TRUST FUND		
School Facilities Commission		\$33,715,713
CLEAN OHIO REVITALIZATION FUND		
Department of Development		\$50,000,000
SPORTS FACILITIES BUILDING FUND		
Arts and Sports Facilities Commission		\$1,647,546
HIGHWAY SAFETY BUILDING FUND		
Department of Public Safety		\$23,409,307
ADMINISTRATIVE BUILDING FUND		
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
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		
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	
Orient Correctional Institution	\$16,287,976	
Department of Rehabilitation and Correction- continued		
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 Department of Rehabilitation and Corrections		\$215,104,643
TOTAL ADULT CORRECTIONAL BUILDING FUND		\$215,104,643
JUVENILE CORRECTIONAL BUILDING FUND		
Department of Youth Services		\$53,100,746
TRANSPORTATION BUILDING FUND		
Department of Transportation		\$250,000
ARTS FACILITIES BUILDING FUND		
Arts and Sports Facilities Commission		\$29,222,572
OHIO PARKS AND NATURAL RESOURCES FUND		
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	
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 Department of Natural Resources		\$82,026,259
TOTAL OHIO PARKS AND NATURAL RESOURCES FUND		\$82,026,259
SCHOOL BUILDING PROGRAM ASSISTANCE FUND		
School Facilities Commission		\$41,424,267
MENTAL HEALTH FACILITIES IMPROVEMENT FUND		
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		
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	
Cincinnati State Technical and Community College	\$6,122,119	
HIGHER EDUCATION IMPROVEMENT FUND-continued		
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	\$513,186,727
TOTAL REAPPROPRIATIONS¹ BY FUND BY AGENCY	
PARKS AND RECREATION IMPROVEMENT FUND 2003-2004	
Department of Natural Resources	\$46,703,443
STATE CAPITAL IMPROVEMENT FUND	
Public Works Commission	\$253,363,173
STATE CAPITAL IMPROVEMENTS REVOLVING LOAN FUND	
Public Works Commission	\$47,784,131
CLEAN OHIO CONSERVATION FUND	
Public Works Commission	\$37,500,000
CLEAN OHIO AGRICULTURAL EASEMENT FUND	
Department of Agriculture	\$6,250,000
CLEAN OHIO TRAIL FUND	
Department of Natural Resources	\$6,250,000
TOTAL REAPPROPRIATIONS, ALL FUNDS	\$1,876,470,047

¹ Amounts are estimates of what will be reappropriated effective July 1, 2002.

New Public Works Appropriations

The bill appropriates a total of \$289.5 million in new 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 newly appropriated moneys include \$252 million through Fund 038 to line item CAP-150, Local Public Infrastructure and \$37.5 million through Fund 040 to line item CAP-151, Revolving Loan. Fund 038 is supported through the proceeds of bonds issued by the Treasurer of State, while 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.

Budget Adjustments, Fund Transfers, and Other Corrections

Department of Administrative Services – Transfer to OEB

For FY 2003, there is a proposed transfer of \$2,840,609 in GRF from a Department of Administrative Services (DAS) line item to a newly created Ohio Educational Telecommunications Network Commission (OEB) line item in FY 2003. The affected DAS line item is 100-419, SONET, a GRF line item that is used to pay for fiber optic lines maintained by the major telecommunications providers. The new OEB line item is 374-403, Ohio SONET.

Since OEB is the primary user of the state's fiber optic capacity, that agency will now have control over and responsibility for paying for the charges it accrues. There is no net change in the GRF as a result of this transfer.

Department of Administrative Services – Web-Based Licensing System

For FY 2002, there is a proposed \$860,000 increase in appropriation authority for DAS's Central Service Agency Fund (Fund 115). DAS will use the added funds to develop and implement a new web-based license-tracking system for the occupational licensing boards. This system will replace a mainframe design that was under development until it was scrapped in mid-2001.

Part of the added funding—an additional \$272,219 in FY 2002 and \$208,249 in FY 2003—would be derived from increasing the amount of *existing* transfers from the Occupational Licensing and Regulatory Fund (Fund 4K9). Increased transfers from the Medical Licensing Board (Fund 5C6) are also proposed: an additional \$27,781 in FY 2002 and \$21,751 in FY 2003.

Department of Administrative Services – Veterans Record Conversion funds

The bill would permit DAS to carry forward to FY 2003 any remaining unencumbered balances in GRF line item 100-410, Veterans' Records Conversion. This sum will be approximately \$27,000, and will be used to pay for software maintenance and licensing for this 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 appropriation item 100-410, Veterans' Records Conversion, was not included in the FY 2002-2003 main operating budget. Am. Sub. H.B. 77, however, allowed for any remaining FY 2001 balances to be carried forward to FY 2002. This provision would permit these appropriations to be carried forward to FY 2003.

Department of Administrative Services – Investment Recovery (Correction)

This provision corrects an error made in Section 13.12 of Am. Sub. H.B. 94, the FY 2002-2003 main operating budget act, temporary law 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 sums specified for operating expenses were inadvertently set equal to the sums specified for transfers. In fact, operating expenses are lower than the transfers. Thus, the correction would increase these transfers 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.

Capitol Square Review and Advisory Board

The bill increases the number of members of the Capitol Square Review and Advisory Board from nine to eleven. Of the two new members, one must be a former President of the Senate, and one must be a former Speaker of the House of Representatives. Board members do not receive compensation for service, but are reimbursed for actual and necessary expenses incurred during service. It is likely that as a result of increased membership to the Board, ongoing General Revenue Fund expenses will increase, though this increase should be minimal. On occasion, the bill allows for appointments to these two new positions to remain unfilled, during which time there would be no additional expenses to the General Revenue Fund.

Department of Commerce – Revitalization Bonds

Currently, pledged receipts that are used for debt service payments on revitalization bonds include pledged liquor profits, and money accrued from the lease, sale or disposition or use of revitalization projects. This bill includes payments made by or on behalf of local government entities or responsible parties as a part of pledged receipts.

This bill also requires the Treasurer of State to notify the Office of Budget and Management if the sources of pledged receipts are insufficient in time or amount for the purposes of paying current debt service. If this occurs, OBM will then direct the deposit of sales and use tax receipts, which would otherwise be deposited in the General Revenue Fund, into the newly created Revitalization Obligation Security Fund (Fund 007). The payment of debt service is a new purpose for sales and use taxes. The sales and use tax receipts will be taken from the GRF and will therefore not reduce the amount of money transferred to the Local Government Fund or Local Government Revenue Assistance Fund. Fund 007 will be used solely for the payment of current debt service.

By creating a back-up source of money to pay the debt service, OBM believes that the State of Ohio may experience a more favorable bond rating for these bonds and therefore save money on the interest generated by the bonds. The Legislative Service Commission does not have any way to verify this information. In the event that sales and use tax receipts are used to make up for an insufficient amount of pledged receipts, there will be a transfer from the GRF equal to the insufficient amount of pledged receipts. However, OBM feels that it is highly unlikely that the pledged receipts will be insufficient to fulfill the payments to the debt service. Given this assumption, the actual transfer of GRF sales tax revenues would be unlikely. However, if a transfer were to occur, GRF revenues would be reduced by an unknown amount, which could potentially be substantial.

Department of Health – Infectious Disease Prevention

Section 56.01 of Am. Sub. H.B. 94 of the 124th General Assembly earmarked \$200,000 in each fiscal year of the 2001-2003 biennium, in GRF appropriation item 440-446, Infectious Disease Prevention, for the purchase of drugs for sexually transmitted diseases. This bill increases the earmark in each fiscal year from \$200,000 to \$335,000, an annual increase of \$135,000. The current appropriations in this line item are \$595,188 in FY 2002 and \$639,552 in FY 2003. These amounts reflect the 1.5 percent reductions made in Section 202 of Am. Sub. H.B. 94 of the 124th G.A., as well as the FY 2002 GRF appropriation reductions made in Executive Order 2001-22T.

Department of Health – Help Me Grow

Am. Sub. H.B. 94 of the 124th G.A. included an earmark to GRF appropriation item 440-459, Help Me Grow. This earmark stated that the funds in 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. H.B. 94, in addition to containing this earmark, established section 3701.61 of the Revised Code to codify the existing Help Me Grow program. In previous years, this program was established through uncoded language.

Since the Governor vetoed section 3701.61 of the Revised Code, this bill amends the existing earmark to remove the reference to the vetoed section of Code. Instead, the earmark will read that the funds in 440-459 are to be used to implement the Help Me Grow program.

Office of Budget and Management – Budget Stabilization Fund

H.B. 405 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 was to be transferred to the BSF. That amount was equal to OBM's October 2001 estimate of GRF tax revenue for FY 2003. H.B. 405 included some tax provisions that would increase GRF tax revenue by \$225.6 million in FY 2003, according to OBM estimates. This provision 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 would have no effect on the amount of the transfer.

School Facilities Commission – State Share vs. Local Share

The bill changes how the state share for School Facilities projects is spent in relation to local shares. 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 shares. 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 CFAP rules. Currently, school districts spend their state money first while collecting interest on their local share. This 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 shares. 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. Currently, school districts may issue bonds for school facilities projects in order to fund their local shares. Under current school facilities law, districts may 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 shares. 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.

School Facilities Commission – Expedited Partnership Program

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 H.B. 94, 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. The bill would use one-year instead of a three-year average adjusted valuation to recalculate an eligible districts' state and local shares. 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. They are: 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.

Secretary of State – Notary Commission Transfer

The Director of Budget and Management is directed 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 monies in it were transferred to the Secretary of States's budget as part of the biennial budget bill – HB 94 of the 123rd General Assembly.

The net fiscal effect of a transfer of \$150,000 from Fund 412, the Notary Commission Fund to Fund 414, the Citizen Education Fund will enable the Secretary of State to cover the obligations of the office to provide for voter education pertinent to election reform. The revenue stream reduction to Fund 412, the Notary Commission Fund, will not impact the operation of Fund 412 because the monies in Fund 412 are unencumbered and represent a fiscal surplus in the governor's current appropriations.

Department of Transportation – State Infrastructure Bank Obligations

In order to continue to make State Infrastructure Bank (SIB) obligation payments, the Director of Budget and Management (OBM) may transfer appropriations and cash from other funds to pay SIB obligations. OBM indicates that any appropriations or cash transferred from other funds would be isolated to funds only within the Ohio Department of Transportation (ODOT), not from other state agencies, and would only be in the event of a revenue shortfall to the Highway Operating Fund (Fund 002). OBM indicates that these transfers are likely to be a rare occurrence. OBM also indicates that the transfers from other ODOT funds, either State or Federal, would come from funds that receive Federal grants monies and highway user receipts that are over and above normal projections and are not dedicated to a particular project or purpose. Currently, there is no estimate of the potential amount of funds the Director of OBM may transfer from other funds to pay SIB obligations.

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