

# Fiscal Note & Local Impact Statement

124<sup>th</sup> General Assembly of Ohio

Ohio Legislative Service Commission  
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|----------------------------------|---|-------------------------------|----------------|
| BILL:                            | Sub. H.B. 524   | DATE:                         | March 11, 2002 |
| STATUS:                          | As Reported by House Finance & Appropriations   | 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 |                               |                |

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## State Fiscal Highlights

| STATE FUND - Appropriations/Expenditures                  | FY 2002          | FY 2003-04 BIENNIUM                                    |
|---|------------------|--|
| <b>Reappropriations</b>                                   |                  |  |
| 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                                   |
| <b>New Appropriations</b>                                 |                  |  |
| 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                                  |
| <b>Budget Adjustments and Transfers</b>                   |                  |  |
| <b>General Revenue Fund</b>                               |                  |  |
| Revenues  | Minimal increase | Potentially substantial loss, though unlikely to occur |
| Expenditures  | - 0 -            | - 0 -  |
| <b>Revitalization Obligation Security Fund (Fund 007)</b> |                  |  |
| Revenues  | Potential gain   | Potential gain   |

|  |  |  |
|--|--|--|
| Expenditures   | - 0 -  | - 0 -  |
| <b>Central Services Fund (Fund 115)</b>                      |  |  |
| Revenues   | Potential gain of up to \$300,000                  | Potential gain of up to \$230,000                  |
| Expenditures   | Increase of \$860,000                              | - 0 -  |
| <b>Occupational Licensing and Regulatory Fund (Fund 4K9)</b> |  |  |
| Revenues   | - 0 -  | - 0 -  |
| Expenditures   | Potential increase in expenditures up to \$272,219 | Potential increase in expenditures up to \$208,249 |
| <b>Ohio Medical Board Operating (Fund 5C6)</b>               |  |  |
| Revenues   | - 0 -  | - 0 -  |
| Expenditures   | Potential increase in expenditures up to \$27,781  | Potential increase in expenditures up to \$21,751  |
| <b>The Citizen Education Fund (Fund 414)</b>                 |  |  |
| Revenues   | - 0 -  | - 0 -  |
| Expenditures   | \$150,000 increase                                 | - 0 -  |
| <b>The Notary Commission Fund (Fund 412)</b>                 |  |  |
| 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 | FY 2002 | FY 2003 |
|-------|---------|---------|

|                                       |                              |  |
|---------------------------------------|------------------------------|--|
| <b>GOVERNMENT</b>                     |                              |  |
| <b>Local Governments</b>              |                              |  |
| Revenues                              | Loss of property tax revenue | \$289.5 million gain, plus loss of some property tax revenue |
| Expenditures                          | - 0 -                        | - 0 -  |
| <b>Three School Districts</b>         |                              |  |
| Revenues                              | Potential gain               | Potential gain   |
| Expenditures                          | - 0 -                        | - 0 -  |
| <b>Certain Other School Districts</b> |                              |  |
| 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.

- 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.
- The bill changes the way in which local school boards may issue bonds for projects under the Classroom Facilities Assistance Program (CFAP). The bill increases 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 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 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).
- This 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.
- The bill would exempt Big Eight districts in the first through fiftieth wealth percentiles from having to provide a 100 percent match of local funds for the Big 8 Renovation Program. For districts below the fiftieth percentile, the local share would fall from 50 percent of the total project cost to the district's local share percentage.
- The bill proposes to exempt from property taxation certain land that is part of a public recreational facility used by a minor league baseball team. 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 percent benefit other local governments such as counties and municipalities.

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### *Detailed Fiscal Analysis*

#### **Capital Reappropriations**

|   |             |
|---|-------------|
| TOTAL REAPPROPRIATIONS <sup>1</sup> 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          |
| <b>TOTAL GENERAL REVENUE FUND</b>                | <b>\$9,671,856</b>   |
| <b>WILDLIFE FUND</b>                             |                      |
| Department of Natural Resources                  | \$10,509,595         |
| <b>PUBLIC SCHOOL BUILDING FUND</b>               |                      |
| School Facilities Commission                     | \$56,770,781         |
| <b>HIGHWAY SAFETY FUND</b>                       |                      |
| Department of Public Safety                      | \$5,048,365          |
| <b>WATERWAYS SAFETY FUND</b>                     |                      |
| Department of Natural Resources                  | \$8,088,229          |
| <b>UNDERGROUND PARKING GARAGE OPERATING FUND</b> |                      |
| Capital Square Review and Advisory Board         | \$1,514,987          |
| <b>NURSING HOME – FEDERAL FUND</b>               |                      |
| Ohio Veterans' Home                              | \$10,238,750         |
| <b>CAPITAL DONATIONS FUND</b>                    |                      |
| Arts and Sports Facilities Commission            | \$976,130            |
| <b>VETERANS' HOME IMPROVEMENT FUND</b>           |                      |
| Ohio Veterans' Home                              | \$1,109,775          |
| <b>EDUCATION FACILITIES TRUST FUND</b>           |                      |
| School Facilities Commission                     | \$33,715,713         |
| <b>CLEAN OHIO REVITALIZATION FUND</b>            |                      |
| Department of Development                        | \$50,000,000         |
| <b>SPORTS FACILITIES BUILDING FUND</b>           |                      |
| Arts and Sports Facilities Commission            | \$1,647,546          |
| <b>HIGHWAY SAFETY BUILDING FUND</b>              |                      |
| Department of Public Safety                      | \$23,409,307         |
| <b>ADMINISTRATIVE BUILDING FUND</b>              |                      |
| 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          |
| <b>TOTAL ADMINISTRATIVE BUILDING FUND</b>        | <b>\$280,640,255</b> |
| <b>ADULT CORRECTIONAL BUILDING FUND</b>          |                      |
| 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            |

|   |               |               |
|---|---------------|---------------|
| Ohio Correctional Facility                                      | \$18,445,000  |               |
| <b>TOTAL RE APPROPRIATIONS<sup>1</sup> BY FUND BY AGENCY</b>    |               |               |
| Department of Rehabilitation and Corrections                    |               | \$215,104,643 |
| <b>TOTAL ADULT CORRECTIONAL BUILDING FUND</b>                   |               |               |
|   |               | \$215,104,643 |
| <b>JUVENILE CORRECTIONAL BUILDING FUND</b>                      |               |               |
| Department of Youth Services                                    |               | \$53,100,746  |
| <b>TRANSPORTATION BUILDING FUND</b>                             |               |               |
| Department of Transportation                                    |               | \$250,000     |
| <b>ARTS FACILITIES BUILDING FUND</b>                            |               |               |
| Arts and Sports Facilities Commission                           |               | \$29,222,572  |
| <b>OHIO PARKS AND NATURAL RESOURCES FUND</b>                    |               |               |
| 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  |
| <b>TOTAL OHIO PARKS AND NATURAL RESOURCES FUND</b>              |               |               |
|   |               | \$82,026,259  |
| <b>SCHOOL BUILDING PROGRAM ASSISTANCE FUND</b>                  |               |               |
| School Facilities Commission                                    |               | \$41,424,267  |
| <b>MENTAL HEALTH FACILITIES IMPROVEMENT FUND</b>                |               |               |
| 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  |
| <b>TOTAL MENTAL HEALTH FACILITIES IMPROVEMENT FUND</b>          |               |               |
|   |               | \$50,962,797  |
| <b>HIGHER EDUCATION IMPROVEMENT FUND</b>                        |               |               |
| 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  | \$3,580,536  |                 |
| Cincinnati State Technical and Community College      | \$6,122,119  |                 |
| <b>HIGHER EDUCATION IMPROVEMENT FUND-continued</b>    |              |                 |
| 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  |                 |
| <b>TOTAL HIGHER EDUCATION IMPROVEMENT FUND</b>        |              | \$513,186,727   |
| <b>PARKS AND RECREATION IMPROVEMENT FUND</b>          |              |                 |
| Department of Natural Resources                       |              | \$46,703,443    |
| <b>STATE CAPITAL IMPROVEMENT FUND</b>                 |              |                 |
| Public Works Commission                               |              | \$253,363,173   |
| <b>STATE CAPITAL IMPROVEMENTS REVOLVING LOAN FUND</b> |              |                 |
| Public Works Commission                               |              | \$47,784,131    |
| <b>CLEAN OHIO CONSERVATION FUND</b>                   |              |                 |
| Public Works Commission                               |              | \$37,500,000    |
| <b>CLEAN OHIO AGRICULTURAL EASEMENT FUND</b>          |              |                 |
| Department of Agriculture                             |              | \$6,250,000     |
| <b>CLEAN OHIO TRAIL FUND</b>                          |              |                 |
| Department of Natural Resources                       |              | \$6,250,000     |
| <b>TOTAL REAPPROPRIATIONS, ALL FUNDS</b>              |              | \$1,876,470,047 |

<sup>1</sup> 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 GFR 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 uncodified 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.

#### ***Property Taxation***

The bill proposes to exempt 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 percent of all property taxes levied. The remaining 40 percent benefit other local governments such as counties and municipalities.

#### ***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. The bill authorizes a school board to issue bonds for a project under the Classroom Facilities Assistance Program for a term up to thirty years (as authorized under Uniform Public Securities Law). It allows school boards to combine a ballot measure under the Classroom Facilities Assistance Program 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 shares. 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 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.

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 the Classroom Facilities Assistance Program 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 the Classroom Facilities Assistance Program 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.

### ***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 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. 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.

### ***School Facilities Commission – Classroom Facilities Assistance Program***

This bill would require that the Ohio 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 the Classroom Facilities Assistance Program (CFAP) every fiscal year. These districts would have priority for funding over all other school districts except: 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), those receiving assistance under the Exceptional Needs Program, those receiving assistance under the Accelerated Urban Program, and 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 per cent match to funds from 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 the Classroom Facilities Assistance Program (CFAP), only Columbus and Cincinnati would be required to provide the full 100 per cent match (this match is equivalent to 50 percent 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 percent local share for its school facilities projects. For the Big Eight Renovation program under this bill, they would only need to provide a 37 percent match to be eligible for appropriations from the fund. (Because Canton and Youngstown have been served under the CFAP Program, they are no longer eligible for the Big Eight Renovation Program.)

### ***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 transformed to

the Secretary of States's budget as part of the biennial budget bill – HB 94 of the 123<sup>rd</sup> 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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