

Fiscal Note & Local Impact Statement

124th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL:	Sub. H.B. 524	DATE:	March 20, 2002
STATUS:	As Reported by Senate Finance and Financial Institutions	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-	\$147,546 increase
Highway Safety Building Fund	-0-	\$23,409,307 increase
Administrative Building Fund	-0-	\$280,640,255 increase
Adult Correctional Building Fund	-0-	\$198,816,667 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-	\$514,686,727 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	- 0 -	- 0 -
Expenditures	Minimal increase	- 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.
- 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.
- The bill would exempt the Southern Ohio Veterans Home that is being built in Brown County from obtaining a Certificate of Need. Therefore, under the bill, the Southern Ohio Veterans Home will not have to pay the \$20,000 for the filing fee and Department of Health will receive \$20,000 less in filing fee revenue. Thus, this provision will have a net fiscal effect of zero on the state.

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 -
Callia County Local SD Three Rivers Local SD Carlisle Local SD		

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.

- 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.
- The bill allows for the local portion of an approved school facilities project to be paid directly by a private entity as long as certain conditions specified in an agreement between the School Facilities Commission, the school district and the local entity are fulfilled.
- Would allow school districts with a school facilities project value of greater than or equal to \$100 million to incur up to 2 percent of their taxable value in debt without a vote of the electorate. Approximately eight school districts would be eligible.
- This bill would allow school districts whose territory is primarily located in the same county to merge if certain conditions are met.
- The bill expressly permits local governments granting property tax exemptions to compensate joint vocational school districts for forgone property tax revenue.
- Permits local governments to levy permanent property taxes for road improvements.
- Expands municipal corporations' abilities to levy special assessments for off-street parking facilities.

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
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	

TOTAL REAPPROPRIATIONS ¹ BY FUND BY AGENCY		
Hocking Correctional Institution	\$612,569	
Lebanon Correctional Institution	\$4,987,149	
Lima Correctional Institution Fiscal Years 2003-2004	\$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 Department of Rehabilitation and Corrections		\$198,816,667
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	\$177,043,316
Ohio University	\$20,919,635
Shawnee State University	\$4,441,495
University of Toledo	\$29,659,749
TOTAL REAPPROPRIATIONS¹ BY FUND BY AGENCY	
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	\$514,686,727
PARKS AND RECREATION IMPROVEMENT FUND	
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.

Arts and Sports Facilities Commission—Youngstown Technology Project

This provision decreases the Arts and Sports Facilities Commission's Sports Facilities Building Fund (Fund 024) appropriation by \$1,500,000 by eliminating appropriation line item CAP-805, Sports Facilities Improvements – Youngstown.

The provision also increases the appropriation of Youngstown State University by \$1,500,000 by creating appropriation line item CAP-121, Administrative Technology Computer Systems Improvements" within the Higher Education Improvements Fund (Fund 034).

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.

The bill also earmarks \$1,050,000 in appropriation item 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 from appropriation item CAP-009, Garage Fire Suppression, in the Underground Parking Garage Operating Fund (Fund 208). Total appropriations 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 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.

Legislative Service Commission – 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 appropriation item 035-407, Legislative Task Force on Redistricting, for fiscal year 2001 and to appropriate the amount certified to the same item in fiscal year 2002. This bill replicates this 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 to appropriation item 035-407 for fiscal year 2002 and to appropriate this amount to the same item in fiscal year 2003.

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.

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 the 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

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 additional language 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. Further additional language allows all such contracts to limit the types of academic programs to be afforded reciprocity; and limits the number of out-of-state student FTE’s included in Ohio’s state subsidy calculations to those enrolled in for-credit courses. Further new language 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. Finally, although the new language eliminates the requirement of Controlling Board approval of each contract, it

does require 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 adds language, in new divisions (C) and (D), to 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 new provisions, 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 (a) a stipulation that the investments will be made only in publicly traded securities, and (b) 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, his 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 – 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.

The bill also relieves the 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 districts total indebtedness exceeding nine percent. This has no fiscal impact.

School Facilities Commission – Expedited Partnership Program

The bill gives local 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 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)

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

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 percent 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 percent 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

This 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, and the majority of students to be served by the proposed merged district must reside in that same county. According to the 2000 US 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.

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 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.

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 (DOH), and to pay a filing fee.^[1] The filing fee is equal to 0.9 percent 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. However, the bill would exempt the Southern Ohio Veterans Home that is being built in Brown County from obtaining a CON. Am. Sub. HB 283 of the 123rd General Assembly provided a \$4,200,000 appropriation to fund the state’s share of the cost of construction for the Southern Ohio Veterans Home. The federal Department of Veterans Affairs provided a grant award letter for 65 percent of the cost of construction of this new facility. Under the filing fee formula, 0.9 percent of the construction fee would exceed the maximum fee of \$20,000. Therefore, without this provision, the Southern Ohio Veterans Home would have to pay the \$20,000 filing fee to DOH. However, with the provision, the Southern Ohio Veterans Home will not have to pay the \$20,000 for the filing fee and DOH will receive \$20,000 less in filing fee revenue. Thus, this provision will have a net fiscal effect of zero on the state.

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