

Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Up to \$223,563 increase	Up to \$228,034 increase	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2005 is July 1, 2004 – June 30, 2005.

*The expenditures listed for FYs 2005 and 2006 represent the appropriations made from those funds in the bill. Therefore, expenditures are listed as “up to \$X”, where \$X equals the amount of the appropriation.

- **Department of Education** - The bill increases GRF appropriation item 200-501, Base Cost Funding, by \$80 million in FY 2004. These funds are to be used to fully fund state education formula aid to school districts.
- The tobacco revenue distribution schedule, which is contained in existing law, dictates what percentages of revenue are to be transferred from the Tobacco Master Settlement Agreement (Fund 087) to the various trust funds. Those transfers will happen independently of this bill. Therefore, the revenues for the existing funds are shown as \$0 in the table above. The expenditure information provided in the table above lists the amount of appropriation authority for each fund that is contained in this bill. The following table shows the estimated distributions of tobacco revenue for FYs 2005 and 2006.

Estimated Distributions of Tobacco Revenue	FY 2005	FY 2006
Biomedical Research and Technology Transfer Trust Fund (M87)	\$23,419,237	\$23,424,839
Education Facilities Trust Fund (N87)	\$0	\$121,389,326
Education Facilities Endowment Fund (P87)	\$5,000,000	\$5,000,000
Education Technology Trust Fund (S87)	\$6,645,081	\$5,696,607
Ohio's Public Health Priorities Trust Fund (L87)	\$13,290,162	\$13,390,299
So. Ohio Agriculture & Community Development Trust Fund (K87)	\$13,324,152	\$12,751,887
Tobacco Use Prevention and Cessation Trust Fund (H87)	\$0	\$108,431,961
Tobacco Settlement Oversight, Admin., and Enforcement Fund (U87)	\$562,546	\$573,797
Tobacco Settlement Enforcement Fund (T87)	\$223,563	\$228,034
General Revenue Fund	\$236,050,509	\$0
TOTAL ESTIMATED DISTRIBUTIONS	\$298,515,250	\$290,886,750

Note: The Law Enforcement Improvements Trust Fund (Fund J87) will not receive any dollars from Fund 087. The cash balance in Fund J87 supports appropriations from that fund.

- **Department of Health** - The bill authorizes the Department of Health to spend up to approximately \$8.9 million in FY 2005 and \$6.3 million in FY 2006 from Ohio's Public Health Priorities Trust Fund (Fund L87). The Department will use these dollars for various purposes including uncompensated care, emergency medical assistance, the purchase of automated external defibrillators for some schools, and minority health programs.
- **Commission on Minority Health** - The bill authorizes the Commission on Minority Health to spend up to approximately \$1.2 million in each fiscal year from Ohio's Public Health Priorities Trust Fund (Fund L87) for minority health and academic partnership grants and for training and capacity building.
- **Department of Alcohol and Drug Addiction Services** - The bill authorizes the Department of Alcohol and Drug Addiction Services to spend up to \$3.5 million in each fiscal year from Ohio's Public Health Priorities Trust Fund (Fund L87) to fund the Circle For Recovery programs and juvenile offender aftercare programs.
- **Department of Public Safety** - The bill authorizes the Department of Public Safety to spend up to \$636,000 in each fiscal year from Ohio's Public Health Priorities Trust Fund (Fund L87) to increase vendor compliance and to decrease underage tobacco use.
- **Tobacco Use Prevention and Control Foundation** - The Tobacco Use Prevention and Control Foundation funds all programmatic activities through its endowment fund. This fund is a custodial account not subject to the legislative appropriations process. The dollars that are transferred to the endowment fund are appropriated from the Tobacco Use Prevention and Cessation Trust Fund (Fund H87). As of September 30, 2003, the endowment fund had a total value (cash and fair value of investments) of \$312.4 million. As a result of Section 138 of Am. Sub. H.B. 95 of the 125th General Assembly, there will be no transfer made from the Tobacco Master Settlement Agreement Fund (Fund 087) to the Tobacco Use Prevention and Cessation Trust Fund (Fund H87) in FY 2005. The dollars that would have otherwise been transferred to that Trust Fund will be transferred to the GRF. The Office of Budget and Management estimates that the fund will receive \$108.4 million in FY 2006.

The bill appropriates \$1,273,000 in FY 2005 and \$1,298,000 in FY 2006 from Fund 5M8 to cover the operating expenditures (payroll) for the Tobacco Use and Prevention Control Foundation.

- **Southern Ohio Agricultural and Community Development Foundation** – The Southern Ohio Agricultural and Community Development Foundation funds its efforts to replace the production of tobacco with other agricultural products and mitigate the adverse economic impact of reduced tobacco production in the traditional tobacco-growing region through its endowment fund. This fund is a custodial account not subject to the legislative appropriations process. The dollars that are transferred to the endowment fund are appropriated from the Southern Ohio Agricultural and Community Development Trust Fund (Fund K87). The Office of Budget and Management estimates that the fund will receive \$13.2 million in FY 2005 and \$12.6 million in FY 2006. The moneys will fund a variety of programs that focus on educational assistance, agricultural diversity, and economic development.

The bill appropriates \$421,725 in FY 2005 and \$430,277 in FY 2006 from Fund 5M9 to cover the operating expenses (payroll) for the Southern Ohio Agricultural and Community Development Foundation.

- **School Facilities Commission** – The bill makes a capital appropriation of \$243.2 million over the FY 2005-2006 biennium from the Education Facilities Trust Fund (Fund N87) to the Ohio School Facilities Commission for continuing renovation and construction of Ohio’s primary and secondary schools under the Classroom Facilities Assistance Program.
- **Department of Development** – The bill authorizes the Department of Development to spend up to approximately \$24.1 million in FY 2005 and up to approximately \$23.9 million in FY 2006 from the Biomedical Research and Technology Transfer Trust Fund (Fund M87) to provide competitive grants called Ohio Biomedical Research and Technology Transfer Partnership Awards.
- **SchoolNet Commission** - The bill authorizes the SchoolNet Commission to spend up to approximately \$9.3 million in FY 2005 and up to approximately \$6.3 million in FY 2006 from the Education Technologies Trust Fund (Fund S87) to help school districts purchase multimedia computers and other related hardware and services for students.
- **Attorney General** - The bill authorizes the Attorney General to spend up to approximately \$8.7 million in FY 2005 and up to \$3.0 million in FY 2006 from the Law Enforcement Improvements Trust Fund (Fund J87) to maintain, upgrade, and modernize the law enforcement training, law enforcement technology, and laboratory equipment of the Office of the Attorney General.

The bill authorizes the Attorney General to spend up to \$562,546 in FY 2005 and up to \$573,797 in FY 2006 from the Attorney General’s Tobacco Settlement Oversight, Administration, and Enforcement Fund (Fund U87). The Attorney General will use those dollars to pay costs of oversight, administration, and enforcement of certain provisions of the Tobacco Master Settlement Agreement.

- **Department of Taxation** - The bill authorizes the Department of Taxation to spend up to \$223,563 in FY 2005 and up to \$228,034 in FY 2006 from the Tobacco Settlement Enforcement Fund (Fund T87) to pay the costs related to the oversight, administrative, and enforcement of certain provisions of the Tobacco Master Settlement Agreement.
- **Secretary of State Voting Machine Procurement** - The bill clarifies uncodified law concerning the Secretary of State's responsibilities in implementing recently enacted poll worker and voting machine legislation (Am. Sub. H.B. 262 of the 125th General Assembly). The bill requires that all purchases of direct recording electronic voting machines with a voter-verified paper audit trail scheduled for use in calendar year 2005 be subject to Controlling Board approval.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2004	FY 2005	FY 2006
School Districts			
Revenues	Gain of up to \$80 million	Gain of up to approximately \$9.3 million from Fund S87	Gain of up to approximately \$6.3 million from Fund S87
		Gain of \$243.2 million from Fund N87 over the FY 2005 2006 biennium	
Expenditures	-0-	Permissive increase of up to \$64 million	Permissive increase of up to \$64 million
Public Hospitals, Clinics, etc.			
Revenues	- 0 -	Gain of up to approximately \$3.7 million	Gain of up to approximately \$3.7 million
Expenditures	- 0 -	- 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 bill increases GRF appropriation item 200-501, Base Cost Funding, by \$80 million in FY 2004. These funds are to be used to fully fund state education formula aid to school districts.
- Revenue to local school districts is distributed through the SchoolNet Plus program in the form of grants. The source of such revenue is the Education Technologies Trust Fund (Fund S87). No local moneys are required in order to receive a grant. School districts that are ranked below the 50th percentile in property wealth are currently being served under SchoolNet Plus. These districts currently receive \$275 per student or \$1,375 for every five seventh graders. In FY 2005, school districts that are ranked in the 50th percentile or above in property wealth will receive \$105 per student or \$525 for every five seventh graders. In FY 2006, SchoolNet Plus will start serving eighth graders in the 160 lowest property wealth school districts in the state. These districts will receive up to \$275 per student or \$1,375 per every five eighth graders. Total gains in revenue to the school districts for this program are estimated to be up to approximately \$9.3 million in FY 2005 and up to approximately \$6.3 million in FY 2006.
- School districts wishing to receive classroom facilities assistance program moneys from the School Facilities Commission must first elect to finance a portion of the project with its own bond issue and tax levy. LSC staff estimate that the local portion of these projects will be approximately 25-28% of the total cost of the projects. Using the FYs 2005-2006 capital appropriation of \$243.2 million in this bill, LSC staff estimate that in FY 2005, school districts choosing to participate in the program will face an increase in expenditures of up to \$64 million.
- At least 25% of Ohio's Public Health Priorities Trust Fund (Fund L87) appropriations must go towards minority health programs and 5% must go towards a non entitlement program to provide emergency medical assistance, including medication, oxygen, or both, to low-income seniors whose health has been adversely affected by tobacco use. The bill outlines three additional activities that will receive a portion of

appropriations made from Fund L87. One of these areas is for partial reimbursement, on a county basis, of public hospitals, free medical clinics, and similar organizations that provide free, uncompensated care to the general public. Of the appropriations made from Fund L87, \$3.7 million of the \$3.8 million appropriated in each fiscal year in line item 440-414, Uncompensated Care, will be used for this purpose. The remaining funds in 440-414 will be used for the physician loan repayment program. Therefore, public hospitals, clinics, etc., stand to receive up to approximately \$3.7 million per fiscal year from Fund L87.

Detailed Fiscal Analysis

Overview

As part of the Tobacco Master Settlement Agreement (MSA), the State of Ohio was initially projected to receive approximately \$10.1 billion from fiscal year (FY) 2000 through 2025. Of this total, \$239.5 million is a result of the role the Attorney General played in the tobacco litigation and settlement negotiations. A variety of factors will affect the exact amount received by the state in a given year, and all revenue projections should be viewed as estimated figures. Once received by the state, the MSA dollars are deposited into the Tobacco Master Settlement Agreement Fund (Fund 087). The dollars collect interest while in Fund 087 and then are distributed to the various trust funds pursuant to the allocations established in Revised Code section 183.02 shortly after the end of the fiscal year in which the dollars are received. This bill does not change the allocations to each of the funds that are currently in the Revised Code. This bill, among other things, makes the appropriations from the various tobacco trust funds for FYs 2005 and 2006.

Table 1 shows the amount that Ohio has received in MSA revenue in each fiscal year and the interest earned on those amounts.

Fiscal Year	MSA Revenue	Investment Earnings	Total
2000	\$412.3 million	\$7.7 million	\$420.0 million
2001	\$315.8 million	\$8.4 million	\$324.2 million
2002	\$369.0 million	\$5.0 million	\$374.0 million
2003	\$365.4 million	\$3.6 million	\$369.0 million
2004*	\$297.4 million	\$1.1 million	\$298.5 million
2005*	\$289.8 million	\$1.1 million	\$290.9 million
Total thru 2005	\$2.050 billion	\$26.9 million	\$2.077 billion

* The numbers shown for FY 2004 and FY 2005 are estimates made by the Office of Budget and Management.

Transfer of Tobacco Funds to the GRF

Am. Sub. H.B. 95 of the 125th General Assembly included uncodified language allowing the Office of Budget and Management (OBM) to transfer up to \$242.8 million from the Tobacco Master Settlement Agreement Fund (Fund 087) to the General Revenue Fund (GRF) in FY 2004. Of the amount that is authorized for transfer, \$120.0 million would have otherwise been transferred to the Tobacco Use Prevention and Cessation Trust Fund (Fund H87) and \$122.8 million would have otherwise been transferred to the Education Facilities Trust Fund (Fund N87). H.B. 95 authorized the School Facilities Commission to issue \$122.8 million in bonds to make up for the loss of tobacco revenue. H.B. 95 provided for repayment of moneys that would have otherwise been transferred to Fund H87 in FY 2015.

Of the \$298.5 million in tobacco revenue in FY 2004, OBM estimates that it will transfer to the GRF at the end of FY 2004 approximately \$236.1 million. Once the transfer is made, the total amount of tobacco revenue available for distribution to the various trust funds will be approximately \$62.5 million in FY 2004 (to be used to support FY 2005 appropriations). At this time, the full amount of tobacco revenue received in FY 2005 is the amount estimated for distribution to the various trust funds in FY 2006.

Table 2 illustrates the estimated distributions from the Tobacco Master Settlement Trust Fund (Fund 087) for each year of the FY 2005-2006 biennium.

	FY 2005	FY 2006
Biomedical Research and Technology Transfer Trust Fund (M87)	\$23,419,237	\$23,424,839
Education Facilities Trust Fund (N87)	\$0	\$121,389,326
Education Facilities Endowment Fund (P87)	\$5,000,000	\$5,000,000
Education Technology Trust Fund (S87)	\$6,645,081	\$5,696,607
Ohio's Public Health Priorities Trust Fund (L87)	\$13,290,162	\$13,390,299
So. Ohio Agriculture & Community Development Trust Fund (K87)	\$13,324,152	\$12,751,887
Tobacco Use Prevention and Cessation Trust Fund (H87)	\$0	\$108,431,961
Tobacco Settlement Oversight, Admin., and Enforcement Fund (U87)	\$562,546	\$573,797
Tobacco Settlement Enforcement Fund (T87)	\$223,563	\$228,034

General Revenue Fund	Table 2. Estimated Distributions of Tobacco Revenue	\$236,050,509	\$0
TOTAL ESTIMATED DISTRIBUTIONS		\$299,515,250	\$290,886,750

Note: The Law Enforcement Improvements Trust Fund (Fund J87) will not receive any dollars from Fund 087. The cash balance in Fund J87 supports appropriations from that fund.

Table 3 illustrates the actual distributions of tobacco master settlement revenue for FYs 2001 through 2004.

Historical Distributions of Tobacco Revenue	FY 2001	FY 2002	FY 2003	FY 2004	TOTAL
Biomedical Research and Technology Transfer Trust Fund (M87)	\$4,359,243	\$26,697,667	\$22,870,267	\$23,253,348	\$77,180,525
Education Facilities Trust Fund (N87)	\$133,062,505	\$128,938,733	\$5,804,476	\$15,561,673	\$283,367,387
Education Facilities Endowment Fund (P87)	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$20,000,000
Education Technology Trust Fund (S87)	\$11,967,810	\$11,436,420	\$16,055,650	\$15,015,123	\$54,475,003
Ohio's Public Health Priorities Trust Fund (L87)	\$8,702,399	\$12,711,363	\$11,684,659	\$12,603,936	\$45,702,357
Law Enforcement Improvements Trust Fund (J87)	\$18,702,400	\$4,414,725	\$0	\$0	\$23,117,125
So. Ohio Agriculture & Community Development Trust Fund (K87)	\$20,261,756	\$15,451,537	\$21,894,837	\$16,275,517	\$73,883,647
Tobacco Use Prevention and Cessation Trust Fund (H87)	\$217,938,159	\$119,578,148	\$0	\$0	\$337,516,307
Tobacco Settlement Oversight, Administration and Enforcement (U87)	\$0	\$0	\$529,958	\$551,516	\$1,081,474
Tobacco Settlement Enforcement (T87)	\$0	\$0	\$210,980	\$219,179	\$430,159
Controlling Emergency Board (5S4)	\$0	\$0	\$368,301	\$0	\$368,301
General Revenue Fund	\$0	\$0	\$289,578,188	\$280,517,810	\$570,095,998
TOTAL DISTRIBUTIONS	\$419,994,272	\$324,228,593	\$373,997,316	\$368,998,102	\$1,487,218,283

Ohio's Public Health Priorities Trust Fund

Moneys appropriated from Ohio's Public Health Priorities Trust Fund (Fund L87) fund programs in four agencies. OBM projects that this trust fund will receive \$13.3 million in FY 2005 and \$13.4 million in FY 2006. The moneys in the fund are used for five priority areas. Revised Code section 183.18 requires that at least 25% of the annual appropriations from this fund be used for minority health programs and 5% be used for a non-entitlement program to provide emergency medical assistance, including medication, oxygen, or both, to low-income seniors whose health has been adversely affected by tobacco use. The other priority areas are enforcement of the underage tobacco use laws, alcohol and drug abuse prevention programs, and uncompensated care programs.

The moneys from Fund L87 are allocated to the departments of Health, Alcohol and Drug Addiction Services, Public Safety, and the Commission on Minority Health. Table 4 shows the distribution of Fund L87 by agency.

AGENCY	FY 2005	FY 2006	TOTAL
Health	\$8,978,632	\$6,349,704	\$15,328,336
Minority Health	\$1,190,000	\$1,190,000	\$2,380,000
Drug and Alcohol Addiction Services	\$3,500,000	\$3,500,000	\$7,000,000
Public Safety	\$636,000	\$636,000	\$1,272,000
TOTAL	\$14,304,632	\$11,675,704	\$25,980,336

Department of Health

Uncompensated Care

There are a total of seven line items that are used to fund the uncompensated care program administered by the Ohio Department of Health (ODH). About 60% of the funds appropriated to ODH are in line item 440-414, Uncompensated Care. The funds in this line item are used to make subsidy payments for a variety of uncompensated care programs. These programs include child and family health services clinics, dental clinics, federally qualified health centers (FQHCs), free clinics, pulmonary rehabilitation, uncompensated care costs for hospitals, and infant mortality reduction.

This bill appropriates approximately \$3.85 million in each fiscal year for this purpose. Table 5 shows the historical and proposed spending for this line item, by program.

Program	FY 2003 Actual	FY 2004 Appropriated	FY 2005 Proposed	FY 2006 Proposed
Child & Family Health Service Clinics	\$400,000	\$400,000	\$400,000	\$400,000
Dental Clinics	\$627,280	\$675,000	\$675,000	\$675,000
FQHCs	\$950,000	\$950,000	\$950,000	\$950,000
Free Clinics	\$800,000	\$800,000	\$800,000	\$800,000
Pulmonary Rehabilitation	\$294,138	\$294,138	\$294,138	\$294,138
Infant Mortality Reduction	\$11,022	\$205,862	\$205,862	\$205,862
Ohio Hospital Association	\$400,000	\$400,000	\$400,000	\$400,000
Loan Repayment	\$0	\$0	\$127,400	\$130,051
TOTAL	\$3,482,440	\$3,725,000	\$3,852,400	\$3,855,051

During the first half of FY 2003, with the moneys allocated to the Ohio Hospital Association, 19 providers served 947 pregnant women and 2,487 children. ODH anticipates these service levels to continue.

The Loan Repayment moneys will be used to help pay a portion of the medical school loans of three primary care physicians who will provide approximately 49,500 patient visits to uninsured and underinsured individuals.

Emergency Medical Assistance

In the bill, \$715,232 in FY 2005 and \$583,653 in FY 2006 is appropriated for the emergency medical assistance priority area in line item 440-412, Emergency Medications and Oxygen for Low-Income Seniors. This appropriation is for subsidy payments to provide assistance to low-income seniors whose health has been adversely affected by tobacco use. The Ohio Department of Health administers this program by distributing funds to the Ohio Primary Care Association, which then allocates the money to FQHCs in Ohio. Services provided are offered only to the extent that funds are available. In FY 2001 there were 121 low-income seniors receiving assistance from this program. This number increased to 921 in FY 2003. Ohio Department of Health expects that in the FY 2005-2006 biennium, the number of participants will continue to increase.

Automated External Defibrillators

The bill allows each school district or chartered nonpublic school to require schools under its authority to have an automated external defibrillator. Should the school district or chartered nonpublic school choose this option, some staff are required to be trained in the proper use of the defibrillator. The bill creates line item 440-428, Automated External Defibrillators, and appropriates \$2.5 million in FY 2005 from Fund L87 to the Department of Health to issue a grant to a nonprofit organization for the placement of defibrillators in schools. The grant recipient may not charge schools for the initial placement of the equipment.

Minority Health Programs

The Ohio Department of Health has six separate line items funding minority health programs totaling \$1,911,000 in each fiscal year. The line items are listed in Table 6.

ALI	ALI Name	FY 2003 Actual	FY 2004 Appropriated	FY 2005 Proposed	FY 2006 Proposed
440-404	Minority Health Care Data Development	\$256,514	\$350,000	\$350,000	\$350,000
440-409	Tuberculosis Prevention and Treatment	\$424,903	\$450,000	\$450,000	\$450,000
440-410	Hepatitis C Prevention and Intervention	\$308,942	\$425,000	\$425,000	\$425,000
440-411	Dental Care Programs for Minority & Low-Income Populations	\$420,000	\$420,000	\$420,000	\$420,000
440-420	Childhood Lead WIC Pilot	\$33,360	\$50,000	\$0	\$0

Table 6. Minority Health Programs					
440-421	Infant Mortality Reduction Initiative	\$179,000	\$266,000	\$266,000	\$266,000
		FY 2003	FY 2004	FY 2005	FY 2006
TOTAL	ALI Name	Appropriations	Appropriations	Proposed	Proposed
		\$1,622,809	\$1,622,809	\$1,622,809	\$1,622,809

In addition to appropriations made to the Commission on Minority Health (MIH) (discussed below), about 30% of the appropriations made from Ohio's Public Health Priorities Trust Fund to the Department of Health are for minority health programs. According to ODH, the proposed funding levels will support the continuation and/or expansion of existing minority health programs operated by ODH. The following bullets outline the proposed uses of the funds by line item.

- 440-404, Minority Health Care Data Development: Collect data to determine the most prevalent public health challenges within economically disadvantaged minority communities;
- 440-409, Tuberculosis Prevention and Treatment: Provide technology and supplies that will produce tuberculosis test results in two days, rather than six to eight weeks;
- 440-410, Hepatitis C Prevention and Intervention: Perform testing, counseling, and referral for hepatitis C;
- 440-411, Dental Care Programs for Minority & Low-Income Populations: Provide screening, preventive services, and comprehensive dental care to over 2,250 children over the biennium;
- 440-420, Childhood Lead WIC Pilot: The Women, Infant, and Children (WIC) lead pilot program will conclude in FY 2004. The results of the pilot program will be analyzed to determine if lead screening in WIC clinics is a useful tool in increasing the number of children on Medicaid screened for lead poisoning
- 440-421, Infant Mortality Reduction Initiative: Expand infant mortality reduction initiative sites to reach a greater number of high-risk women in low-income minority communities and help them obtain appropriate pre- and post-natal care.

Commission on Minority Health

Community Minority Health and Academic Partnership Projects

The majority of MIH's funding is in line item 149-402, Minority Health and Academic Partnership Grants, with appropriations of \$1,090,000 in each fiscal year. Of this amount, \$1,000,000 in each fiscal year is designated for subsidy payments for community health, academic, scientific and community partnership grants. A portion of these moneys will fund projects at academic institutions that target the six critical areas that are responsible for the majority of premature illness and death in minority populations. These six areas are heart disease, cancer, diabetes, infant mortality, substance abuse, and violence. In FYs 2003 and 2004, MIH funded four academic projects addressing these issues. Projects receiving grant dollars from MIH are required to document initial baseline data regarding the behavior or risk to be reduced, and then monitor the impact of intervention. (In each fiscal year, MIH will use \$90,000 for administration.)

Training and Capacity Building

In each fiscal year, \$100,000 is appropriated in line item 149-403, Training and Capacity Building. These moneys are to be used to train groups and organizations that serve minority communities in initiating and implementing projects that will improve the health status of their community.

Department of Alcohol and Drug Addiction Services

Circle For Recovery

The objective of Circle For Recovery programs is to prevent relapse of chemical dependency and criminal recidivism among African-American adult parolees. The funds are used to provide problem identification, counseling, job readiness and referral, personal development, and relapse prevention services. Six Circle For Recovery programs have been fully operational since the end of FY 2001. The Department of Alcohol and Drug Addiction Services (ODADAS) funds Circle For Recovery programs in Hamilton, Lorain, Lucas, Montgomery, Richland, and Trumbull counties. These programs have provided services to 400 parolees in the past two years. During FY 2004, it is estimated that a total of 300 clients will be referred for services. In FYs 2005 and 2006, Circle For Recovery will provide services to 325 parolees annually.

Alcohol and Drug Abuse Treatment and Prevention

The objective of the aftercare outpatient treatment and aftercare residential treatment programs is to prevent relapse of criminal and chemical dependency involvement among Department of Youth Services (DYS) parolees. Seven aftercare outpatient treatment programs have been fully operational since the end of FY 2001. These programs provide intensive outpatient services to 800 DYS parolees per year. The program locations and annual grant awards are listed in Table 7.

Table 7. Aftercare Outpatient Treatment		
County	FY 2003	FY 2004
Athens/Hocking/Vinton	\$100,000	\$83,306
Cuyahoga	\$450,000	\$374,878
Hamilton	\$495,000	\$291,572
Lucas	\$240,000	\$199,935
Mahoning	\$130,000	\$108,298
Stark/Summit (2)	\$575,000	\$479,011
Total	\$1,990,000	\$1,537,000

All juveniles participating in the intensive outpatient projects are on parole supervision and are case managed by a Treatment Alternatives to Street Crime (TASC) program. Each project has formed a team to give individualized services to each DYS parolee. The teams consist of TASC representatives, parole officers, alcohol and other drug treatment providers, designated universities, and in some projects, justice service representatives.

The Department of Alcohol and Drug Addiction Services awarded \$1,096,529 in FY 2004 to Quest Recovery Services of Stark County to operate an aftercare residential alcohol and other drug treatment facility in Massillon, Ohio. The aftercare residential treatment facility has been fully operational since FY 2002. The parolees in the program have been identified by DYS as needing alcohol and other drug treatment services in a community-based residential setting. Services provided include individual alcohol and drug counseling, group alcohol and drug counseling, education and vocational opportunities (including GED classes and job training), family education and counseling, therapeutic interventions to criminal behavior, didactic and counseling activities designed to prepare youth for independent living, twelve-step meetings, referrals to appropriate medical/mental health, vocational, and education services. This facility has 24 beds. The average length of stay for each DYS parolee is expected to be six months. The facility serves an estimated 50 parolees per year.

Department of Public Safety

The bill appropriates \$636,000 in each fiscal year to the Department of Public Safety (DHS). These funds are to be used to increase vendor compliance and to decrease underage tobacco use. Eighty percent (\$508,800) of available funds will be used for enforcement. Local governments will continue to receive funding through enforcement grants.

Table 8 shows the planned allocation by district for underage tobacco use enforcement.

Table 8. Enforcement Allocations For FY 2005 and FY 2006			
REGIONAL FUNDING ALLOCATION	AMOUNT	LOCAL GOVERNMENT ALLOCATION	TOTAL
Central Office & Crime Lab	\$72,571*	\$11,960	\$84,531
Akron	\$75,772	\$11,960	\$87,732
Cincinnati & Dayton	\$79,582	\$11,960	\$91,542
Cleveland	\$57,570	\$11,960	\$69,530
Columbus & Athens	\$108,367	\$11,960	\$120,327
Toledo	\$43,178	\$11,960	\$55,138
TOTAL	\$437,040	\$71,760	\$508,800

*Includes \$15,000 for Crime Lab supplies in each fiscal year

Currently, approximately 84% of the locations inspected are in compliance with Ohio's tobacco laws. This is an increase of 3% from FY 2003, when the compliance rate was 81%.

Twenty percent (\$127,200) of funds will be used for education, primarily for advertisements and programs to promote public awareness. In FY 2003, over 1,500 presentations were made to over 52,000 attendees. Each presentation contained a section dedicated to the laws as they pertain to underage purchases and the consequences. In addition, DHS used local sports clubs to promote awareness by placing advertisements in programs and by making announcements during sporting events.

Tobacco Use Prevention and Control Foundation

Operating Expenses

The bill appropriates \$1,273,000 in FY 2005 and \$1,298,000 in FY 2006 to the Tobacco Use Prevention and Control Foundation for payroll expenses. These funds are accounted for in the Tobacco Use Prevention and Control Operating Expenses Fund (Fund 5M8). The proposed appropriation level will enable the Foundation to maintain current staffing levels but will not allow for any new positions to be created.

Endowment Fund

In addition to the operating expenses fund, the Foundation has a custodial fund, the Tobacco Use Prevention and Control Foundation Endowment Fund, that pays for nonoperating expenses. Dollars appropriated to the Tobacco Use Prevention and Cessation Trust Fund (Fund H87) are transferred to the endowment fund. Pursuant to Am. Sub. H.B. 95 of the 125th General Assembly, up to \$120.0 million that would have otherwise been transferred to the Tobacco Use Prevention and Cessation Trust Fund (Fund H87) is being transferred to the General Revenue Fund. H.B. 95 requires that that amount be paid back to the trust fund in FY 2015. The Office of Budget and Management projects that the endowment fund will receive \$107.5 million in FY 2006.

Although the Foundation's trust fund will not receive any new revenues in FY 2005, its programs are funded through the endowment fund, which had a total value of \$312.4 million as of September 30, 2003. Since the endowment fund is a custodial fund, the moneys in the fund are controlled by the Foundation's Board of Directors and legislative approval of spending is not required.

All activities of the Foundation are required to be in accordance with five goals outlined in the Revised Code. The overarching goal of the Foundation is to reduce the use of tobacco among Ohioans. The Foundation works toward that goal through awarding community grants, continuing its counter-marketing campaign, and launching special focus initiatives. In FY 2003, the Foundation awarded a total of 72 grants, totaling \$14 million per year for three years covering all 88 counties. The Foundation's counter-marketing campaign, "Stand," is entering its third year. This campaign is focused on youth and is designed to change cultural acceptance of tobacco use and combat the marketing dollars spent by the tobacco industry. In FY 2004, the Foundation launched a number of pilot projects to address specific populations (e.g., pregnant women, college students, chronically ill). In FYs 2005 and 2006, the Foundation plans to expand these pilot projects statewide.

Southern Ohio Agricultural and Community Development Foundation

Operating Expenses

The bill appropriates \$421,725 in FY 2005 and \$430,277 in FY 2006 to the Southern Ohio Agricultural and Community Development Foundation (SOA) for payroll expenses. These funds are accounted for in the Southern Ohio Agricultural and Community Development Operating Expenses Fund (Fund 5M9). The Foundation currently has five employees. The five positions are Executive Director, Executive Secretary, Administrative Assistant, and two Management Analysts. The proposed appropriation level will enable SOA to maintain current staffing levels but will not allow for any new positions to be created.

SOA Programs

The mission of the Foundation is to create and develop opportunities for Ohio's tobacco farming areas, as well as rural communities, in order to mitigate the adverse economic impact of reduced tobacco production. The Foundation also helps replace production of tobacco with the production of other agricultural products. The Foundation is responsible for developing programs to help accomplish these goals. The Foundation will fund four projects in FYs 2005 and 2006. The programs are as follows:

- **Education Assistance Program** – Provides education and training assistance to tobacco growers making the transition from tobacco growing to the production of other agricultural products. Approximately \$2 million per year will be devoted to this program.
- **Agricultural Diversity Program** – Assists those voluntarily moving away from dependence on tobacco by expanding current agricultural enterprises or diversifying into alternative agricultural enterprises. Approximately \$3 million per year will be allocated to this program.
- **Economic Development** – Assists in strategic investments in communities that have been adversely affected by the reduction in the demand for tobacco with an emphasis on job creation and retention. Approximately \$4 million per year will be committed to this program.
- **Agricultural Projects** – Projects include grain handling, livestock systems, genetics feeding systems, and forage improvements. The projects help tobacco farmers that have production livestock and provide them with fencing, corrals, chutes, and grain handling equipment. Approximately \$3 million per year will be dedicated to this program.

In addition to the operating expenses fund (Fund 5M9), appropriations are made to the Foundation from the Southern Ohio Agricultural and Community Development Trust Fund (Fund K87). Moneys appropriated from Fund K87 are transferred to the Southern Ohio Agricultural and Community Development Endowment Fund. The Endowment Fund is a custodial fund and is held in the custody of the Treasurer of State. The Foundation's Board of Trustees, which is made up of twelve members, determines its annual budget, which does not require legislative approval. The bill appropriates \$13.2 million in FY 2005 and \$12.6 million in FY 2006 from Fund K87.

School Facilities Commission

The Ohio School Facilities Commission (OSFC) will receive \$243.2 million in capital appropriations over the FY 2005-2006 biennium for continuing renovation and construction of Ohio's primary and secondary schools under capital appropriation item CAP-780 (Fund N87), Classroom Facilities Assistance Program. The Ohio School Facilities Commission uses these dollars, along with bond and cash appropriations, to fund the state share of school facilities projects under the Classroom Facilities Assistance program (CFAP), the Accelerated Urban Initiative, and the Exceptional Needs (ENP) programs.

In the FY 2005-2006 biennium, the \$243.2 million appropriation equals approximately 18.4% of the expected \$1.32 billion in new appropriation for the CFAP, the Accelerated Urban Initiative, and ENP programs. The Ohio School Facilities Commission anticipates that most of the \$243.2 million in appropriation will be used to help continue state funding for the phased district projects that are currently being served or for new districts that will be served in FYs 2005 and 2006. The appropriation may also be used in one or two accelerated urban district projects.

The original tobacco funding proposal for the FY 2003-2004 biennium was \$313.4 million. However, with the enactment of Am. Sub. S.B. 242 and subsequent budget acts of the 124th and 125th General Assemblies, the appropriation was adjusted downward to \$25.6 million. This is equal to approximately 8.2% of the original proposal amount. Capital appropriations in the amount of \$287.8 million were authorized to offset the reduction in tobacco revenue appropriations.

Overall, since FY 2000, \$308.4 million has been appropriated to the Education Facilities Trust Fund. Of this amount, \$286.8 million (93%) has been encumbered. Furthermore, \$208.5 million (67%) of the total appropriated amount has been disbursed for approved school facilities projects as of October 1, 2003. These funds have provided all or part of the state share in 30 school districts (20 CFAP, 1 Accelerated Urban and 9 ENP). Ninety-eight new or renovated school buildings have resulted from those 30 district projects. In these 29 CFAP and ENP projects, the funds appropriated to date have provided about 41% of the state share for these districts. In addition, these funds have also

provided a very small portion (\$1.3 million) of the state share of the Accelerated Urban project in the Columbus City School District.

Department of Development

The bill appropriates \$24.1 million in FY 2005 and \$23.9 million in FY 2006 from the Biomedical Research and Technology Transfer Trust Fund (Fund M87) through appropriation item 195-435, Biomedical Research and Technology Transfer, to be used for competitive grants called Ohio Biomedical Research and Technology Transfer Partnership Awards. The fund was created in Am. Sub. S.B. 192 of the 123rd General Assembly to fund biomedical research and biotechnology projects that produce jobs and business opportunities and improve the health of Ohioans under the direction of the Board of Regents. The appropriations and administrative responsibilities of the fund were transferred from the Board of Regents to the Department of Development in H.B. 675 of the 124th General Assembly along with the creation of the Third Frontier Commission, which was charged with overseeing the use of the fund and approval of grant awards. The Commission is comprised of the Director of Development, the Governor's Science and Technology Advisor, and the Chancellor of the Board of Regents. The Department of Development provides administrative support to the Commission through a staff of three.

The appropriation level in the bill is expected to support two additional rounds of Partnership Awards with three to four grants per funding cycle at a value of \$5-\$8 million per project. Grants must involve clear commercialization pathways and goals in one of the following scientific areas: human genetics, structural biology, biomedical engineering, computational biology, environmental biology, or plant biology. Awards are generally larger in size, averaging nearly \$8.0 million per grant. Recipients are required to commit matching funds equal in size of the grant award. Administration expenses are limited to 5%. A portion of the funds allowed for administrative expenses will be used to contract with an outside entity for application review.

During FY 2003, Partnership Awards totaling \$56.2 million were made for seven research projects involving medical facilities, universities, federal entities, and private companies. This distribution included the FY 2002 appropriations, which could not be awarded by the end of the 2002 fiscal year. In FY 2004, the Commission awarded three projects totaling \$23.6 million for cancer, brain, and computational medicine research.

SchoolNet Commission

The bill appropriates approximately \$9.3 million in FY 2005 and \$6.3 million in FY 2006 for the SchoolNet Commission. The appropriations will be used to continue the SchoolNet Plus program into grades seven and eight. SchoolNet Plus distributes grants to help school districts purchase one multimedia computer and other related hardware and services for every five students. SchoolNet Plus completed the 1:5 ratio multimedia computer project for grades K-6 by the end of FY 2003. The SchoolNet Plus program began serving seventh graders in FY 2004 and is scheduled to complete the program for seventh grade students in FY 2005. SchoolNet Plus will be able to start services to eighth grade students with the appropriations made for FY 2006. Completion of services to eighth graders will require additional appropriations.

Under the SchoolNet Plus program, services are provided to school districts in accordance with each district's wealth rank, which places the districts into one of four wealth quartiles. Wealth ranking is based on a three-year average property valuation (with some income adjustments). Currently, seventh graders in the bottom 50% (quartiles one and two) of school districts are being served. These districts currently, in FY 2004, are receiving \$275 per student. In FY 2005, the seventh graders in the top 50% (quartiles three and four) of school districts will be served. Districts in the top 50% will receive approximately \$105 per student. Based on the appropriation for FY 2006, services will start to be rendered to eighth grade students in approximately 160 lowest-wealth districts in the state. These districts will receive up to \$275 per student.

Public community schools, the School for the Deaf, and the School for the Blind are also eligible to receive funding through the SchoolNet Plus program. These schools, however, are not ranked by wealth because they do not have authority to raise taxes locally. The Ohio SchoolNet Commission, therefore, sets aside a portion of the per-grade funding equal to the percentage of students who are served in these schools. For example, community schools serve approximately 1% of all seventh grade students, so the commission sets aside approximately 1% of its budget for students in community schools. In this case, funding allows for each community school to receive base funding of \$1,375 to assure funding for the purchase of one multimedia computer. In addition, community schools receive \$105 per student in the seventh grade above the first five students. Seventh grade students are served in FY 2004, with anticipated completion of the seventh grade population in FY 2005. Services to eighth grade students in community schools, the School for the Deaf, and the School for the Blind are also expected to begin in FY 2006.

If a district has met the state's goal of one computer for every five students in the targeted grade, the district may use the funds provided through SchoolNet Plus to purchase computers for successive grades or to fulfill educational technology needs in other grades as specified in the district's technology plan.

Attorney General

Law Enforcement Improvements Trust Fund

Existing division (B) of section 183.02 and section 183.10 of the Revised Code, which are unchanged by the bill, control the revenues and expenditures of Fund J87. Specifically, section 183.10 of the Revised Code creates the Law Enforcement Improvements Trust Fund (Fund J87) and requires that: (1) all money credited to the fund be used by the Office of the Attorney General to maintain, upgrade, and modernize its law enforcement and laboratory facilities, and (2) all investment earnings of the fund be credited to the fund.

Under current law, unchanged by the bill, Fund J87 will not receive any additional amounts transferred from the Tobacco Master

Settlement Agreement Fund (Fund 087). Fund J87 will, however, continue to retain its investment earnings.

For FYs 2003 and 2004, a total of \$7.2 million was appropriated from Fund J87 in line item 055-635, Law Enforcement Technology, Training, and Facility Enhancements. According to the Office of the Attorney General's Tobacco Budget Revenue Request for the FY 2005-2006 biennium, these funds were used to: (1) construct the Tactical Training Center addition to the Ohio Peace Officer Training Academy (OPOTA), and (2) to purchase laboratory and technology enhancements for the Bureau of Criminal Identification and Investigation (BCI&I), which included expenditures to support maintenance system upgrades of the Automated Fingerprint Identification System (AFIS), illicit drug identification services, DNA analysis chemicals and services, and continued training enhancements at OPOTA.

The bill appropriates out of the cash balance in the Fund J87 approximately \$8.65 million in FY 2005 and \$3.0 million in FY 2006 from Fund J87 to line item 055-635, Law Enforcement Technology, Training, and Facility Enhancements. According to the Office of the Attorney General's Tobacco Budget Revenue Request for the FY 2005-2006 biennium, these additional funds will be used as follows:

- **Criminal Justice Network Initiative** - Develop a "web-based" Criminal Justice Information Network that will provide all Ohio law enforcement free Internet access to numerous criminal justice-related databases including FinCrime network, E-Som Network, Identify Theft Database and Passport, Dental Link, Ohio Photo-Print, and DNA-Link. (\$5.0 million in FY 2005; \$1.0 million in FY 2006.)
- **OPOTA Renovations** - Fund various maintenance and replacement activities at the OPOTA facility located in London, Ohio. (\$3.4 million in FY 2005; \$2.0 million in FY 2006.)
- **BCI&I Facility Improvements** - Construct office space for the new Child and Elder Protection Section of the Attorney General's office within a previously unfurnished portion of the BC&I facility located in London, Ohio (\$247,000 in FY 2005).

Tobacco Settlement Oversight, Administration, and Enforcement

The bill appropriates \$562,546 in FY 2005 and \$573,797 in FY 2006 from the Tobacco Settlement Oversight, Administration, and Enforcement Fund (Fund U87) to pay the Attorney General's costs in the oversight, administration, and enforcement of certain provisions of the Tobacco Master Settlement Agreement.

The Attorney General plans to use a portion of these moneys to increase staff in its Tobacco Enforcement Unit by one attorney for enforcement and litigation matters and one paralegal to assist in both enforcement and in client representation matters. The need for increased staffing is due to the continuation of lawsuits against both participating and nonparticipating tobacco manufacturers.

Department of Taxation

The bill appropriates \$223,563 in FY 2005 and \$228,034 in FY 2006 from the Tobacco Settlement Enforcement Fund (Fund T87) to the Department of Taxation. The funds will be used to pay costs related to the enforcement and compliance of both participating and nonparticipating manufacturers to the MSA.

The Department maintains a database of all vendors that sell cigarettes or other tobacco products of nonparticipating manufacturers that are not covered in the MSA for the state excise tax on cigarettes and other tobacco products purposes. These vendors are required to file a monthly report with the Tax Commissioner detailing the quantity of all cigarettes and roll-your-own cigarette tobacco sold in Ohio for each brand that is not covered by the MSA. A penalty of up to \$250 per month may be imposed for reports that are not filed in a timely manner. The Department assists the Attorney General in criminal enforcement and compliance efforts of those delinquent in payments of the excise tax on cigarettes and other tobacco products.

Department of Education

The bill increases GRF appropriation item 200-501, Base Cost Funding, by \$80.0 million in FY 2004. The Ohio Department of Education (ODE) estimates that this appropriation item plus those other appropriation items used to fund state education formula aid are approximately \$108.3 million under what is needed to fully fund the formula. In addition to this appropriation increase, the ODE is seeking Controlling Board approval for transfers from other ODE appropriation items totaling about \$28.3 million. These transfers include lapses totaling \$15.8 million. The other \$12.5 million comes from executive order reductions that have been forgiven by the Executive.

According to the ODE, the shortfall in the appropriation is primarily caused by a higher than expected average daily membership (ADM) for both regular and special education students. According to the May #1 payment file, total ADM is approximately 7,000 students higher than what was estimated and total special education ADM is approximately 10,000 students higher. In addition, business tangible personal property values have decreased more than expected. The ODE estimates it will need an additional \$15 million in order to fund formula adjustments due to this decrease in property values.

In addition to the appropriation increase, the bill increases two set-asides in the ODE's FY 2004 budget. The first is an increase of \$8,256,773 in the set-aside of GRF appropriation item 200-502, Pupil Transportation, for special education transportation. According to the ODE, in addition to the \$8.3 million for special education transportation, appropriation item 200-502 is short \$17.1 million for regular transportation. The needed funds are to be transferred to appropriation item 200-502 subject to Controlling Board approval. The second is an increase in the set-aside of GRF appropriation item 200-540, Special Education Enhancements, for preschool special education units and preschool supervisory units. The set-aside in FY 2004 is increased from \$78,384,498 to the remainder of the appropriation after all other set-

asides have been met. According to the ODE, an additional \$5.2 million will be available for this set-aside, subject to Controlling Board approval of a needed transfer.

Secretary of State Voting Machine Procurement

Recently enacted legislation placed additional requirements on the Secretary of State's plans to buy and deploy new voting equipment statewide in calendar years 2004 and 2005. Am. Sub. H.B. 262 of the 125th General Assembly specified these requirements and appropriated \$111.5 million in federal Help America Vote Act funds for these purposes. On May 3, 2004, the Controlling Board already approved the release of funds slated for calendar year 2004 purchases. The provision contained in this bill (Sub. H.B. 434) clarifies that the remaining amounts slated for new voting equipment in calendar year 2005 are also subject to Controlling Board approval.

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