



<b>STATE FUND</b>	<b>FY 2004</b>	<b>FY 2005-06 BIENNIUM</b>
	Potential indeterminate loss as a result of making transfers from the Federal Fiscal Relief Fund permissive	Potential indeterminate loss as a result of making transfers from the Federal Fiscal Relief Fund permissive
Expenditures	Increase of \$4,724,074 Increase of \$889,196 in federal share of Medicaid costs	Increase of \$200,000 due to over-earmarked OHS line item Increase of \$30,010,723 in federal share of Medicaid costs
<b>Central Service Agency Fund (Fund 115)</b>		
Revenues	\$1,210 gain	\$1,340 gain
Expenditures	- 0 -	- 0 -
<b>Motor Vehicle Collision Repair Registration Fund (Fund 5H9)</b>		
Revenues	- 0 -	- 0 -
Expenditures	\$1,210 increase	\$1,340 increase
<b>Sports Facilities Building Fund (Fund 024)</b>		
Revenues	Loss due to fund elimination	- 0 -
Expenditures	Decrease due to fund elimination	- 0 -
<b>Arts and Sports Facilities Building Fund (Fund 030)</b>		
Revenues	Gain equal to amount from Sports Facilities Building Fund (Fund 024)	- 0 -
Expenditures	Increase equal to amount from Sports Facilities Building Fund (Fund 024)	- 0 -
<b>Farm Service Electronic Filing (Fund 5Y7)</b>		
Revenues	Loss of \$60,000	Loss of \$60,000
Expenditures	Minimal decrease	Minimal decrease
<b>Cooperative Contracts (Fund 382)</b>		
Revenues	Gain of \$60,000	Gain of \$60,000
Expenditures	Minimal increase	Minimal increase
<b>Auctioneers (Fund 5B8)</b>		
Revenues	Potential minimal gain	Potential minimal gain
Expenditures	- 0 -	- 0 -
<b>Auction Recovery Fund (Fund 5U1)</b>		
Revenues	Potential minimal loss	Potential minimal loss
Expenditures	- 0 -	- 0 -
<b>Industrial Compliance Operating Fund (Fund 556)</b>		
Revenues	\$75,000 gain in fees to file an appeal	\$75,000 gain in fees to file an appeal
Expenditures	- 0 -	- 0 -
<b>Federal Fiscal Relief Fund</b>		
Revenues	- 0 -	- 0 -
Expenditures	Increase of up to approximately \$30-\$35 million as a result of transfers to the Interagency Reimbursement Fund  Potential indeterminate decrease as a result of making the amount to be transferred to the Medicaid Reserve Fund an "up to" amount  Potential indeterminate decrease as a result of making the transfers to the General Revenue Fund permissive	Increase of any amount not transferred in FY 2004 to the Interagency Reimbursement Fund  Potential indeterminate decrease as a result of making the amount to be transferred to the Medicaid Reserve Fund an "up to" amount  Potential indeterminate decrease as a result of making the transfers to the

STATE FUND	FY 2004	FY 2005
		permissive
<b>Medicaid Reserve Fund</b>		
Revenues	Potential indeterminate loss as a result of making the amount to be transferred from the Federal Fiscal Relief Fund an "up to" amount	Potential indeterminate loss as a result of making the amount to be transferred from the Federal Fiscal Relief Fund an "up to" amount
Expenditures	- 0 -	- 0 -
<b>Interagency Reimbursement Fund</b>		
Revenues	Gain of up to approximately \$30-\$35 million as a result of transfers from the Federal Fiscal Relief Fund	Potential gain of any amount not transferred in FY 2004 from the Federal Fiscal Relief Fund
Expenditures	Increase of up to approximately \$30-\$35 million as a result of passing enhanced federal reimbursement on to local entities	Potential increase in enhanced federal reimbursement to local entities if not all disbursed in FY 2004

Note: The state fiscal year is July 1 through June 30. For example, FY 2004 is July 1, 2003 – June 30, 2004.

- **Capital Reappropriations.** The total amount of capital moneys reappropriated is estimated at approximately \$1.7 billion (\$1,688,293,371).
- **Capital Appropriations.** New capital appropriations contained in the bill are for the School Facilities Commission and the Public Works Commission. Of the \$653.9 million in new appropriations, \$522.6 million is for the School Building Program Assistance Fund (Fund 032), \$120.0 million is for the State Capital Improvements Fund (Fund 038), and \$11.3 million is for the State Capital Improvements Revolving Loan Fund (Fund 040). These moneys will be provided to school districts and local governments to support new or ongoing capital improvement projects.
- **Central Services Agency.** This bill provides for the transfer of up to \$1,210 in FY 2004 and up to \$1,340 in FY 2005 from the Motor Vehicle Collision Repair Registration Fund (Fund 5H9) to the Central Service Agency Fund (Fund 115).
- **Arts and Sports Facilities Commission.** The Sports Facilities Building Fund (Fund 024) is being eliminated in the state treasury and merged into the former Arts Facilities Building Fund (Fund 030), which is renamed in the bill as the Arts and Sports Facilities Building Fund (Fund 030). All revenues and expenditures previously made to and from the Sports Facilities Building Fund (Fund 024) are transferred to the Arts and Sports Facilities Building Fund (Fund 030).
- **Department of Agriculture.** The Farm Service Electronic Filing Fund (Fund 5Y7) is eliminated. The \$60,000 appropriation is transferred to the Cooperative Contracts Fund (Fund 382) in both FYs 2004 and 2005. There is no net effect on the Department's appropriation total.
- **Department of Agriculture.** Currently, if the Auctioneers Fund (Fund 5B8) has a balance of greater than \$300,000, 25% of that balance must be transferred to the Auction Recovery Fund (Fund 5U1) at the request of the Director of Agriculture. The bill limits the transfer to 25% of the balance that is in excess of \$300,000. As a result, Fund 5B8 could retain greater revenues, while Fund 5U1 could lose revenues.
- **Board of Regents.** Descriptive language is updated to reflect the current formula for the allocation of State Share of Instruction subsidy funds among the campuses.
- **Board of Regents.** Language is added to describe the use of Capital Scholarship Program funds for undergraduate participants in the Washington Center Internship Program. Scholarship amounts are to be \$1,800 for a student enrolled at a quarter-system institution and \$2,300 for a student enrolled at a semester-system institution.
- **Department of Commerce.** This bill increases the maximum amount of the fee that the Department of Commerce's Board of Building Appeals may charge for the cost of filing and processing an appeal from \$100 to \$200, resulting in a \$75,000 revenue gain each year in the Industrial Compliance Operating Fund (Fund 556).
- **Department of Development.** Requires the Department to spend no more than 5% of the current appropriation authority on administrative expenses. Current law requires that no more than 5% of the money in the fund can be spent on administrative expenses. This change has no net fiscal effect.
- **Department of Education.** The bill modifies the transportation requirement for nonpublic and community school students, which could possibly increase the state's share of school district transportation expenditures.

- **Department of Education.** The bill allows the Ohio Department of Education to use up to \$100,000 in FY 2005 of GRF appropriation item 200-449, Head Start/Head Start Plus Start Up, to provide program support and technical assistance to Head Start and Head Start Plus agencies.
- **Ethics Commission.** Removes the requirement that members of Congress file a \$40 annual financial disclosure filing fee with the Ohio Ethics Commission. The Ohio Ethics Commission will not experience any reductions in revenue because it does not collect filing fees from members of Congress despite the statutory requirement. The Federal Ethics in Government Act supercedes the application of any state financial disclosure filing requirements to the members of Congress.
- **Ohio Historical Society.** Increases the appropriation by \$200,000 and various earmarks in GRF appropriation item 360-508, Historical Grants, in each fiscal year.
- **Department of Job and Family Services.** For FY 2004, there is a \$4,524,074 increase in appropriation authority for GRF appropriation line item 600-523, Children and Family Subsidy. The Department will use the additional funds to pay for foster parent training that occurred in a prior fiscal year.
- **Department of Job and Family Services.** The bill increases the federal share of the appropriation authority in GRF appropriation item 600-525, Health Care/Medicaid, by \$889,196 in FY 2004 and by \$30,010,723 in FY 2005.
- **Medicaid Reserve Fund.** The bill changes the total amount that the Director of OBM is to transfer to the Medicaid Reserve Fund from \$18,611,156 in FY 2004 and \$90,851,972 in FY 2005 to **up to** \$18,611,156 in FY 2004 and \$90,851,972 in FY 2005. Thus, the bill will result in a potential decrease in the expenditures in the Federal Fiscal Relief Fund and a potential loss of revenue transferred to the Medicaid Reserve Fund.
- **Transfer from Federal Fiscal Relief Fund.** The bill requires the Director of OBM to transfer a certain amount from the Federal Fiscal Relief Fund to the Interagency Reimbursement Fund. According to a spokesperson from OBM, the majority of the transfer is likely to occur in FY 2004. Any amount that is not transferred in FY 2004 will be transferred in FY 2005. Thus, for FY 2004, the bill will result in an increase of up to approximately \$30 million to \$35 million in the expenditures of the Federal Fiscal Relief Fund and a gain of up to approximately \$30 million to \$35 million in revenue to the Interagency Reimbursement Fund. For FY 2005, the bill could result in an increase in the expenditures from the Federal Fiscal Relief Fund of any amount that is not transferred in FY 2004 and a gain of that amount in revenue to the Interagency Reimbursement Fund.
- **Interagency Reimbursement Fund.** The bill also requires, if necessary, OBM to seek Controlling Board approval for an increase in the appropriation in federal line items used by certain state departments to pass on the federal share to certain local entities. Thus, the bill will result in an increase of up to approximately \$30 million to \$35 million in the expenditures from the Interagency Reimbursement Fund and a gain of up to approximately \$30 million to \$35 million in the revenue for county boards of mental retardation and developmental disabilities; boards of mental health; boards of alcohol, drug addiction, and mental health services; boards of alcohol and drug addiction services; and any other entity that qualifies under the federal Jobs and Growth Tax Relief Reconciliation Act of 2003.
- **Department of Job and Family Services.** The bill makes it permissible for the Director of OBM to transfer the remaining cash in the Federal Fiscal Relief Fund to the GRF. It is estimated that up to \$241.6 million will be remaining in the Federal Fiscal Relief Fund. Thus, the bill will result in a potential indeterminate decrease in expenditures from the Federal Fiscal Relief Fund and a potential indeterminate loss in revenue to the GRF.
- **Department of Health.** The bill would decrease the time a person can be employed by home health and hospice agencies without the results of a background check from 60 days to 30 days. This provision would not impact the number of background checks being performed, therefore, LSC estimates that it would have no direct fiscal impact on state or local government entities.
- **Estate Taxes.** State estate tax revenue is estimated to increase by \$4.2 million while the local subdivisions estate tax revenue will decrease by \$4.2 million due to the changes in the payment proportion of the estate tax administrative costs and local expenses.
- **Tuition Trust Authority.** The bill directs the Tuition Trust Authority, when calculating the weighted average tuition of state universities for purposes of its Guaranteed Savings Program, to exclude any tuition reductions that vary among individual students.

### *Local Fiscal Highlights*

LOCAL GOVERNMENT	FY 2004	FY 2005-06 BIENNIUM
<b>Local Governments (Municipalities and Townships)</b>		
Revenues	- 0 -	\$4.2 million loss
Expenditures	- 0 -	- 0 -
<b>Certain School Districts</b>		
Revenues	- 0 -	- 0 -
Expenditures	Potential increase	Potential increase
<b>County boards of mental retardation and developmental disabilities; boards of mental health; boards of alcohol, drug addiction, and mental health services; boards of alcohol and drug addiction services</b>		
Revenues	Gain of up to approximately \$30-\$35 million in enhanced federal reimbursement	Potential indeterminate gain in enhanced federal reimbursement if not all received in FY 2004
Expenditures	- 0 -	- 0 -

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

- ***Public Works Commission capital appropriations.*** The bill appropriates \$131.3 million in new capital moneys for the Public Works Commission through the State Capital Improvements Fund (Fund 038) and the State Capital Improvements Revolving Loan Fund (Fund 040). These moneys will be provided to local governments in the form of grants and loans to support new or ongoing capital improvements projects.
- ***Department of Education.*** The bill modifies the transportation requirement for nonpublic and community school students, which could possibly increase school districts' transportation expenditures.
- ***Estate taxes.*** State estate tax revenue is estimated to increase by \$4.2 million while the local subdivisions estate tax revenue will decrease by \$4.2 million due to the changes in the payment proportion of the estate tax administrative costs and local expenses.
- ***Federal Share.*** The bill also requires, if necessary, OBM to seek Controlling Board approval for an increase in the appropriation in federal line items used by certain state departments to pass on the federal share to certain local entities. Thus, the bill will result in an increase of up to approximately \$30 million to \$35 million in the expenditures from the Interagency Reimbursement Fund and a gain of up to approximately \$30 million to \$35 million in the revenue for county boards of mental retardation and developmental disabilities; boards of mental health; boards of alcohol, drug addiction, and mental health services; boards of alcohol and drug addiction services; and any other entity that qualifies under the federal Jobs and Growth Tax Relief Reconciliation Act of 2003.

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## *Detailed Fiscal Analysis*

### I. Capital Reappropriations

<b>TOTAL REAPPROPRIATIONS<sup>1</sup> BY FUND BY AGENCY</b>	
<b>Fiscal Years 2005-2006</b>	
	Departments
<b>GENERAL REVENUE FUND</b>	
Department of Administrative Services	\$1,510,077
Arts and Sports Facilities Commission	\$350,000
Ohio Historical Society	\$30,721
Department of Natural Resources	<u>\$1,496,971</u>
<b>TOTAL GENERAL REVENUE FUND</b>	<b>\$3,387,769</b>
<b>WILDLIFE FUND</b>	
Department of Natural Resources	\$7,541,073
<b>PUBLIC SCHOOL BUILDING FUND</b>	
School Facilities Commission	\$43,439,172
<b>HIGHWAY SAFETY FUND</b>	
Department of Public Safety	\$2,551,180
<b>WATERWAYS SAFETY FUND</b>	
Department of Natural Resources	\$10,538,304
<b>UNDERGROUND PARKING GARAGE OPERATING FUND</b>	
Capital Square Review and Advisory Board	\$1,442,864
<b>ARMY NATIONAL GUARD SERVICE CONTRACT FUND</b>	
Adjutant General	\$16,200,000
<b>SPECIAL ADMINISTRATIVE FUND</b>	
Department of Job and Family Services	\$16,000,000
<b>CAPITAL DONATIONS FUND</b>	
Arts and Sports Facilities Commission	\$254,557
<b>COMMUNITY MATCH ARMORIES FUND</b>	
Adjutant General	\$8,600,000
<b>STATE FIRE MARSHAL FUND</b>	
Department of Commerce	\$1,900,000

<b>TOTAL REAPPROPRIATIONS<sup>1</sup> BY FUND BY AGENCY</b>		
<b>VETERANS' HOME IMPROVEMENT FUND</b>		
Ohio Veterans' Home	<b>Fiscal Years 2005-2006</b>	\$1,181,453
		Departments
<b>EDUCATION FACILITIES TRUST FUND</b>		
School Facilities Commission		\$17,534,131
<b>CLEAN OHIO REVITALIZATION FUND</b>		
Department of Development		\$17,008,475
<b>HIGHWAY SAFETY BUILDING FUND</b>		
Department of Public Safety		\$8,925,995
<b>ADMINISTRATIVE BUILDING FUND</b>		
Adjutant General		\$12,883,504
Department of Administrative Services		\$118,516,627
Department of Aging		\$10,013
Department of Agriculture		\$1,669,973
Attorney General		\$1,788,188
Capital Square Review and Advisory Board		\$1,034,316
Department of Commerce		\$26,500
Expositions Commission		\$7,761,864
Department of Health		\$800,000
Judiciary/Supreme Court		\$1,381,580
Department of Natural Resources		\$5,250,919
Department of Public Safety		\$1,782,360
School for the Blind		\$1,506,291
School for the Deaf		\$2,232,610
Ohio Veterans' Home		\$600,000
Secretary of State		\$5,800,000
<b>TOTAL ADMINISTRATIVE BUILDING FUND</b>		<b>\$163,084,591</b>
<b>ADULT CORRECTIONAL BUILDING FUND</b>		
Department of Rehabilitation and Correction		
Statewide and Central Office Projects		\$101,465,217
Allen Correctional Institution		\$189,546
Belmont Correctional Institution		\$2,613,468
Chillicothe Correctional Institution		\$3,502,116
Correctional Reception Center		\$268,280
Correctional Medical Center		\$129,045
Corrections Training Academy		\$991,518
Dayton Correctional Institution		\$770,700
Franklin Pre-Release Center		\$41,672
Grafton Correctional Institution		\$420,856
Hocking Correctional Institution		\$73,774

<b>ADULT CORRECTIONAL BUILDING FUND continued</b>		
Lake Erie Correctional Institution		\$142,435
Lebanon Correctional Institution		\$2,439,640
London Correctional Institution		\$1,937,363
Lorain Correctional Institution		\$500
Madison Correctional Institution		\$819,220
Mansfield Correctional Institution		\$1,227,941
Marion Correctional Institution		\$1,718,789
North Coast Correctional Treatment Facility		\$73,163
Northeast Pre-Release Center		\$117,462
Oakwood Correctional Facility		\$96,945
Ohio Reformatory for Women		\$13,106,187
Ohio State Penitentiary		\$4,250,337
Pickaway Correctional Institution		\$18,289,165
Richland Correctional Institution		\$70,634
Ross Correctional Institution		\$7,230,805
Southeastern Correctional Institution		\$7,380,300
Southern Ohio Correctional Facility		\$4,925,698
Toledo Correctional Institution		\$1,118,383
Trumbull Correctional Institution		\$700,306
Warren Correctional Institution		\$292,131
<b>TOTAL Department of Rehabilitation and Corrections</b>		<b>\$176,403,594<sup>2</sup></b>

<b>TOTAL ADULT CORRECTIONAL BUILDING FUND</b>	\$176,403,594 <sup>2</sup>
<b>TOTAL REAPPROPRIATIONS BY FUND BY AGENCY</b>	
<b>Fiscal Years 2005-2006</b>	
<b>JUVENILE CORRECTIONAL BUILDING FUND</b>	
Department of Youth Services	\$27,209,649
<b>TRANSPORTATION BUILDING FUND</b>	
Department of Transportation	\$35,000
<b>ARTS AND SPORTS FACILITIES BUILDING FUND</b>	
Arts and Sports Facilities Commission	\$44,835,448
<b>OHIO PARKS AND NATURAL RESOURCES FUND</b>	
Department of Natural Resources	
Statewide and Local Projects	\$35,513,663
Civilian Conservation	\$1,849,283
Forestry	\$1,505,143
Mineral Resources Management	\$19,500
Natural Areas and Preserves	\$812,055
Parks and Recreation	\$14,513,075
Soil and Water Conservation	\$500
Water	\$4,858,102
TOTAL Department of Natural Resources	\$59,071,321
<b>TOTAL OHIO PARKS AND NATURAL RESOURCES FUND</b>	\$59,071,321
<b>SCHOOL BUILDING PROGRAM ASSISTANCE FUND</b>	
School Facilities Commission	\$11,921,717
<b>MENTAL HEALTH FACILITIES IMPROVEMENT FUND</b>	
Department of Alcohol and Drug Addiction Services	\$3,608,654
Department of Mental Health	\$7,125,973
Department of Mental Retardation and Developmental Disabilities	
Statewide Projects	\$22,120,358
Apple Creek Developmental Center	\$850,708
Cambridge Developmental Center	\$191,712
Columbus Developmental Center	\$284,663
Gallipolis Developmental Center	\$160,000
Montgomery Developmental Center	\$91,172
Mt. Vernon Developmental Center	\$543,789
Northwest Ohio Developmental Center	\$459,409
Southwest Ohio Developmental Center	\$335,072
Springview Developmental Center	\$327,905
Tiffin Developmental Center	\$570,841
Warrensville Developmental Center	\$322,414
TOTAL Mental Retardation and Developmental Disabilities	\$26,258,043
<b>TOTAL MENTAL HEALTH FACILITIES IMPROVEMENT FUND</b>	\$36,992,670
<b>HIGHER EDUCATION IMPROVEMENT FUND</b>	
Educational Telecommunications Network Commission	\$1,702,365
Board of Regents	\$69,559,331
University of Akron	\$19,624,309
Bowling Green State University	\$26,597,729
Central State University	\$14,050,737
University of Cincinnati	\$30,208,640
Cleveland State University	\$25,417,813
Kent State University	\$21,095,892
Miami University	\$20,031,513
Ohio State University	\$160,705,353
Ohio University	\$15,442,606
Shawnee State University	\$4,926,235
University of Toledo	\$27,453,693
Wright State University	\$16,781,509
Youngstown State University	\$12,668,969
Medical College of Ohio	\$3,997,721
Northeastern Ohio Universities College of Medicine	\$3,730,138
Cincinnati State Technical and Community College	\$5,443,485
Clark State Community College	\$908,053
Columbus State Community College	\$26,609,957
Cuyahoga Community College	\$20,946,564
Edison State Community College	\$470,944

HIGHER EDUCATION IMPROVEMENT FUND <sup>1</sup> continued	
<b>TOTAL REAPPROPRIATIONS BY FUND BY AGENCY</b>	\$1,712,961
Lakeland Community College <b>Fiscal Years 2005-2006</b>	\$5,342,236
Lorain Community College	\$1,471,167
Northwest State Community College	\$597,364
Owens Community College	\$12,575,562
Rio Grande Community College	\$840,853
Sinclair Community College	\$2,957,794
Southern State Community College	\$1,362,181
Terra State Community College	\$495,591
Washington State Community College	\$150,548
Belmont Technical College	\$797,906
Central Ohio Technical College	\$154,332
Hocking Technical College	\$1,059,651
Lima Technical College	\$5,102,569
Muskingum Area Technical College	\$1,089,481
Marion Technical College	\$289,367
North Central Technical College	\$427,579
Stark Technical College	\$2,376,819
<b>TOTAL HIGHER EDUCATION IMPROVEMENT FUND</b>	\$567,177,517
<b>PARKS AND RECREATION IMPROVEMENT FUND</b>	
Department of Natural Resources	\$32,819,341
<b>STATE CAPITAL IMPROVEMENT FUND</b>	
Public Works Commission	\$290,546,575
<b>STATE CAPITAL IMPROVEMENTS REVOLVING LOAN FUND</b>	
Public Works Commission	\$62,653,099
<b>CLEAN OHIO CONSERVATION FUND</b>	
Public Works Commission	\$46,531,065
<b>CLEAN OHIO AGRICULTURAL EASEMENT FUND</b>	
Department of Agriculture	\$6,256,886
<b>CLEAN OHIO TRAIL FUND</b>	
Department of Natural Resources	\$6,250,000
<b>TOTAL REAPPROPRIATIONS, ALL FUNDS</b>	\$1,688,293,371

<sup>1</sup> Amounts are estimates of what will be reappropriated effective July 1, 2004.

<sup>2</sup> The totals listed in the bill for the Department of Rehabilitation and Corrections and the Adult Correctional Building Fund are incorrect. The correct total for each is \$176,403,594.

## **II. Public Works Commission Capital Appropriations**

The bill appropriates a total of \$131.3 million in new capital moneys for the Public Works Commission through the State Capital Improvements Fund (Fund 038) and the State Capital Improvements Revolving Loan Fund (Fund 040). These moneys include: (1) \$120 million appropriated from Fund 038 to CAP-150, Local Public Infrastructure, and (2) \$11.3 million appropriated from Fund 040 to CAP-151, Revolving Loan. These appropriations support the State Capital Improvement Program, which provides low interest loans and grants to local governments for projects involving roads and bridges, fresh water supply treatment and distribution systems, wastewater collection and treatment facilities, storm sewer systems, and solid waste disposal facilities. Grant funding comes from \$120 million in bonds issued each year with the GRF used as debt support. All repayments of loans, investment earnings, and moneys from federal or private grants are deposited into the revolving loan fund.

## **III. School Facilities Commission**

Under the bill, \$522,600,000 is appropriated to the School Building Program Assistance Fund (Fund 032) for the FY 2005-2006 biennium. These moneys are generated from the sale of general obligation bonds and provide the state share of basic project costs pursuant to Chapter 3318. of the Revised Code. These funds will be applied to projects approved under the Classroom Facilities Assistance Program, the Accelerated Urban Program, the Exceptional Needs Program, and the Expedited Local Partnership Program.

The Classroom Facilities Assistance Program (CFAP) is the largest of the School Facilities Commission's (SFC) building programs. Through FY 2004, SFC will have provided funding for replacement and renovation projects in 124 school districts in Ohio with over \$3.4 billion in state funding committed. The local share of these projects totals \$650 million. Currently, the SFC's largest CFAP project is the Lorain City



School District where the state is paying \$175 million of a \$216 million project. The next ten districts to be serviced under this program are: Steubenville City (Jefferson County), Hardin Northern Local (Hardin County), Millcreek West Unity Local (Williams County), Licking Valley Local (Licking County), Indian Valley Local (Tuscarawas County), Galion City (Crawford County), Clear Fork Valley Local (Richland County), Martins Ferry City (Belmont County), Wheelersburg Local (Scioto County), and Mansfield City (Richland County).

The Accelerated Urban Program accelerates projects for the six largest urban districts (Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo) due to the size and complexity of their problems. All six districts have acquired their local spending. The total projected cost for the six plans is \$5.74 billion, of which \$2.95 billion will be state supported.

The Exceptional Needs Program (ENP), developed in 1999, was designed to address the health and safety needs of districts with below average wealth. In order for a school district to be eligible for benefits under this program, the building involved must need replacement rather than expansion or renovation. The SFC is allowed to use up to 25% of its yearly appropriations for CFAP to fund ENP projects. A total of 26 school districts have been served under this program with total costs of \$465.9 million.

Along with ENP, the Expedited Local Partnership Program (ELPP) was also founded in 1999. This program allows school districts to fund a distinct portion of their Facilities Master Plan through local moneys prior to the time their state funding becomes available through CFAP. Once a district enters CFAP, it receives credit against its local contribution for the work already completed under ELPP. Since its inception, over 250 districts have applied for ELPP. Currently, 95 districts have reached agreement with the SFC on a Facility Master Plan and have been approved for participation in ELPP. Furthermore, approximately 43 ELPP districts are currently engaged in construction. Recently, Seneca East school district (Seneca County) had their ELPP Facility Master Plan accepted by SFC at a cost of approximately \$24 million.

#### **IV. Budget Adjustments, Fund Transfers, and Other Corrections**

##### **Department of Administrative Services**

###### **Salary Schedules for Exempt State Employees and One-Time 2% Pay Supplement**

This bill eliminates the highest salary or wage step, Step 7 (reserved for exempt employees who perform at an exemplary level), from the current and future salary or wage Schedules E-1, and creates new and separate salary or wage schedules exclusively for Step 7 entitled "Schedule E-1 for Step Seven Only." According to the Department of Administrative Services (DAS), less than 1,000 state employees are paid at step 7, mostly within the Department of Public Safety and Transportation. This bill also requires that certain exempt employees be paid under Schedule E-1 or E-2.

In addition, this bill requires that the one-time 2% pay supplement that eligible permanent employees who are to be compensated under the new schedule will be based on the annualization of Step 6 of the employee's corresponding pay range in Schedule E-1. It is likely that these provisions will result in payroll savings to the state. Approximately 50% of payroll is paid out of the General Revenue Fund and the other 50% is paid out of other agency operating funds, therefore, the largest savings will be realized by the GRF. However, this bill also makes exempt permanent employees of state boards and commissions eligible for the one-time 2% pay supplement, thus increasing payroll expenses in December 2004 for these boards and commissions. This rectifies an apparent omission.

###### **Administrative Building Fund**

This bill specifies that the Director of Budget and Management may transfer specified amounts of investment earnings, instead of a certain percentage as stated in current law, from the Administrative Building Fund to the State Architect's Fund. These specified amounts must be in excess of the amounts required to meet federal requirements. In addition, this bill requires the Director to approve and provide a voucher for rebates and payments made from the Administrative Building Fund to meet federal arbitrage requirements under the Internal Revenue Code. These changes will not have any effect on the actual transferred amount of money from the Administrative Building Fund to the State Architect's Fund. The first transfer of funds, from the 4th quarter of FY 2003, totaled \$172,881 and the second transfer of funds, from the 1st quarter of FY 2004, totaled \$97,660.

###### **State Architect's Office Duties**

This bill authorizes, rather than requires the Department of Administrative Services (DAS) to periodically do all the following: (1) require each state agency to categorize the use of space allotted to the agency between office space, common areas, storage space, and other uses and report its findings to DAS, (2) create and update a master space utilization plan for all space allotted to state agencies, (3) conduct a cost-benefit analysis to determine the effectiveness of state-owned buildings, and (4) assess periodically the alternatives associated with consolidating the commercial leases for buildings located in Columbus. By authorizing and not requiring DAS to fulfill these duties the State Architect's Office may experience some savings. This office is funded by the GRF and the State Architect Fund (Fund 131).

###### **Central Services Agency**

This bill provides for the transfer of up to \$1,210 in FY 2004 and up to \$1,340 in FY 2005 from the Motor Vehicle Collision Repair Registration Fund (Fund 5H9) in the Department of Transportation to the Central Service Agency Fund (Fund 115) in the Department of Administrative Services. This transfer will allow the Motor Vehicle Collision Repair Board to participate in the development of a web-based

licensing system that will be used by other licensing boards and commissions. This system is expected to be provided by the Central Services Agency by June 30, 2004.

### **Arts and Sports Facilities Commission**

Under the bill, the Sports Facilities Building Fund (Fund 024) is being eliminated as a separate fund in the state treasury and is being merged into the former Arts Facilities Building Fund (Fund 030), which is being renamed in the bill as the Arts and Sports Facilities Building Fund (Fund 030). This change results in no net fiscal effect. Revenues and expenditures that were previously credited to the Sports Facilities Building Fund (Fund 024) will be shifted to the Arts and Sports Facilities Building Fund (Fund 030). All expenditures previously made from the Sports Facilities Building Fund (Fund 024) will be made from the Arts and Sports Facilities Building Fund (Fund 030). In addition, any unencumbered and unallotted appropriations made in H.B. 675 and Am. Sub. H.B. 524 to the credit of the Sports Facilities Building Fund (Fund 024) are transferred to the Arts and Sports Facilities Building Fund (Fund 030). Any encumbrances made on the Sports Facilities Building Fund (Fund 024) are cancelled and re-established in the Arts and Sports Facilities Building Fund (Fund 030).

### **Department of Agriculture**

#### **Farm Service Electronic Filing Fund Eliminated**

Under the bill, the Farm Service Electronic Filing Fund (Fund 5Y7) is eliminated within the Department of Agriculture. The \$60,000 appropriation is transferred to the Cooperative Contracts Fund (Fund 382) for both fiscal years. The definition of Fund 382 is expanded to include revenue from the United States Farm Service Agency. The use of the money is hereby expanded to include fees charged in advance by the Secretary of State for electronic filing related to Farm Service Agency agricultural loans. This will have no net effect on the Department's appropriation total.

#### **Auctioneer's Fund Transfer**

Under the bill, the Director of Budget and Management, upon request from the Director of Agriculture, must transfer 25% of the balance that is in excess of \$300,000 of the Auctioneer's Fund (Fund 5B8) to the Auction Recovery Fund (Fund 5U1). Currently, if the balance of the Auctioneer's Fund at the end of each fiscal year is greater than \$300,000, the Director of Budget and Management, upon request from the Director of Agriculture, must transfer 25% of the balance to the Auction Recovery Fund (Fund 5U1). As a result, Fund 5B8 could retain greater revenues, while Fund 5U1 could lose revenues. In FY 2003, Fund 5B8 had a balance of \$606,775; of this \$151,693 was transferred to Fund 5U1. This bill limits the transfer to 25% of the balance that is in excess of \$300,000. Only \$76,693 would have been transferred in FY 2003 if this limit was in place in FY 2003.

### **Board of Regents**

#### **State Share of Instruction**

The bill revises descriptive language in Section 89.04 of H.B. 95 in order to update the description of the current formula for the allocation of appropriation item 235-501, State Share of Instruction, among the public-assisted college and university campuses. The appropriation and the allocation formula remain unchanged.

#### **Capital Scholarship Program**

The bill adds language to Section 89.08 of H.B. 95 to describe the use of appropriation item 235-518, Capital Scholarship Program. The funds are to be used by the Board of Regents to provide scholarships to undergraduates of Ohio's four-year public and private colleges and universities that participate in the Washington Center Internship Program. The scholarship amounts will be \$1,800 for a student enrolled at a quarter-system institution and \$2,300 for a student enrolled at a semester-system institution. The number of scholarships is to be limited by the amounts appropriated in FYs 2004 and 2005. The Washington Center must provide matching funds: \$1,200 for each student enrolled at a quarter-system institution and \$1,700 for each student enrolled at a semester-system institution.

### **Department of Commerce Board of Building Appeals Filing Fee**

This bill increases the maximum amount of the fee that the Department of Commerce's Board of Building Appeals may charge for the cost of filing and processing an appeal from \$100 to \$200. This provision will result in a \$75,000 revenue gain each year in the Industrial Compliance Operating Fund (Fund 556).

### **Department of Development**

Current law states that the Department of Development may not use more than 5% of all the *moneys* in the Low and Moderate Income Housing Trust Fund (Fund 646) for administrative expenses. The bill changes the requirement to allow the Department to use no more than 5% of the *current year appropriation authority* for the fund for administrative expenses. The Department currently calculates its administrative expenses (of no more than 5%) based on the current year appropriation. This provision changes the law to reflect current practices. There is no net fiscal effect for this provision.

### **Department of Education**

### **Transportation of nonpublic and community school students**

Generally, school districts are required to provide transportation to and from school for all pupils in grades kindergarten through eight who reside in their district and live more than two miles from their school. This requirement includes pupils who attend community and nonpublic schools, except where this transportation requires more than 30 minutes of travel time by school bus from a certain point defined in statute. The bill changes this point from "the collection point designated by the district of residence" to "the public school building to which the pupils would be assigned if attending the public school designated by the district of residence." The bill would thus clarify the point from where this 30 minutes is measured. To the extent this change increases the amount of transportation districts may be required to offer to nonpublic and community school students, it may result in higher costs for districts and the state.

### **Head Start/Head Start Plus Start Up**

The bill allows the Ohio Department of Education to use up to \$100,000 in FY 2005 of GRF appropriation item 200-449, Head Start/Head Start Plus Start Up, to provide program support and technical assistance to Head Start and Head Start Plus agencies. The total FY 2005 appropriation for this item is \$5,000,000, which is unchanged by the bill. These funds are to be used to provide start up grants to Head Start and Head Start Plus agencies whose expenditures will then be reimbursed with federal Title IV-A (TANF) funds. Currently, the Department may use up to \$1,963,697 in FY 2005 of state special revenue fund appropriation item 200-663, Head Start Plus/Head Start (Fund 5W2), for program support and technical assistance. Fund 5W2 consists of federal Title IV-A (TANF) funds that are used primarily to reimburse Head Start and Head Start Plus agencies for program expenditures. The bill does not change the set aside from item 200-663. Am. Sub. S.B. 2 as passed by the House of Representatives, however, would increase this set aside by \$36,303 to \$2,000,000.

### **Ohio Historical Society**

During the Am. Sub. H.B. 95 Conference Committee, an amendment was adopted that increased the earmark for the Western Reserve Historical Society from \$600,000 to \$800,000 in each fiscal year; the amendment also decreased an earmark with the Department of Education's GRF appropriation item, 200-540, Special Education Enhancements, for the Bellefaire Jewish Children's Bureau from \$800,000 to \$600,000. The amendment had no net fiscal effect; however, when the amendment was adopted, no corresponding increase in the appropriation amount was made to the OHS line item, which was already fully earmarked. Because there was no money left in the line item for the \$200,000 increase, all of the earmarks, including the \$800,000 earmark for the Western Reserve Historical Society, were reduced proportionately to ensure that the line item was no longer over-earmarked.

This provision increases the appropriation in GRF appropriation item 360-508, Historical Society, by \$200,000 in each fiscal year. The \$200,000 increase is distributed among the following earmarks to increase them to the noted amounts: \$100,000 in each fiscal year for the Hebrew Union College in Cincinnati for the Center for Holocaust and Humanity Education, \$150,000 in FY 2004 to the National Underground Railroad Freedom Center in Cincinnati, \$250,000 in each fiscal year to the Great Lakes Historical Society in Vermilion, \$800,000 in each fiscal year to the Western Reserve Historical Society in Cleveland, \$500,000 in FY 2004 to the Village of Dennison for the Historical Center Street District, \$100,000 in each fiscal year to the Harbor Heritage Society Steamship Mather in Cleveland, and \$500,000 in each fiscal year to the Cincinnati Museum Center.

### **Job and Family Services**

#### **Children and Family Subsidy**

For FY 2004, there is a proposed \$4,524,074 increase in appropriation authority for appropriation item 600-523, Children and Family Subsidy. The Department of Job and Family Services will use the additional funds to pay for foster care training that occurred in a prior fiscal year. This additional funding is appropriated from the General Revenue Fund.

#### **Health Care/Medicaid**

The bill increases the federal share in appropriation authority in GRF appropriation item 600-525, Health Care/Medicaid, by \$889,196 in FY 2004 and by \$30,010,723 in FY 2005.

The appropriation of the federal share of GRF appropriation item 600-525, Health Care/Medicaid, included in Am. Sub. H.B. 95 of the 125th General Assembly (the budget act) did not accurately reflect the estimated blended Medicaid match rate. The federal financial share of Ohio's Medicaid program changes every federal fiscal year. In accordance with federal law, the federal government shares in the cost of Medicaid at a matching rate known as the Federal Medical Assistance Percentage (FMAP). The FMAP is calculated based upon each state's per capita income in recent years relative to the entire nation. The general description of how this cost-sharing mechanism works has traditionally been as follows: for every one dollar Ohio spends on Medicaid, the federal government gives Ohio approximately 60 cents. However, while the majority of the spending in appropriation item 600-525, Health Care/Medicaid, is matched at the FMAP rate, a few items, primarily contracts, are matched at 50%, and all family planning services receive a 90% match. In addition, about 15% of Medicare buy-in premiums receive no federal match. The State Children's Health Insurance Program is matched at an enhanced FMAP of about 70%. Lastly, the Disability Assistance Medical program is a state funded only program and receives no federal reimbursement. The appropriation in appropriation item 600-525 reflects a blending of these various match rates.

The state pays 100% of Medicaid costs up front out of appropriation item 600-525 and the federal government reimburses a portion of those costs. The federal Medicaid reimbursement is deposited into the GRF. Without this increase in the federal share of the 600-525 appropriation, the state would not be able to pay the federal share of the upfront costs of the program in FYs 2004 and 2005. The federal government reimburses state expenditures of the federal share after the Medicaid costs have been incurred.

### **Federal Jobs and Growth Tax Relief Reconciliation Act of 2003**

#### **Background**

The federal Jobs and Growth Tax Relief Reconciliation Act of 2003 (H.R. 2), passed by Congress in May 2003, temporarily increases the share of Medicaid expenditures that the federal government will pay. The federal government is providing temporary fiscal relief to the states in the amount of \$20 billion. The states are to receive \$10 billion in flexible assistance for essential government services or federal mandates, and \$10 billion in the form of a 2.95% increase in the Federal Matching Assistance Percentage (FMAP) rate for Medicaid services. Ohio's share of these funds is \$384.0 million in flexible assistance and \$386.1 million in estimated increased federal Medicaid reimbursements.

During the quarters that the enhanced FMAP is authorized, Am. Sub. H.B. 95 of the 125th General Assembly requires the Department of Job and Family Services (ODJFS) to deposit the amount of federal revenue attributable to the enhanced FMAP that is being made available into the newly created Federal Fiscal Relief Fund. The disposition of cash from this new fund is to occur as follows:

- (1) On a schedule to be determined by the Office of Budget and Management (OBM), the Director of OBM is to make cash transfers to the newly created Medicaid Reserve Fund. The total amount transferred shall be \$18,611,156 in FY 2004 and \$90,851,972 in FY 2005. The Director of ODJFS is required to make requests to the Director of OBM as necessary to increase the appropriation in appropriation item 600-525, Health Care/Medicaid. The Director of OBM is required to transfer the state share of such amounts from the Medicaid Reserve Fund to the GRF. The transferred amount plus the federal share associated with this amount is appropriated. The Department of Job and Family Services is required to use this appropriation authority to pay claims for Medicaid services.
- (2) After the amounts have been transferred, the Director of OBM is required to transfer the remainder of cash in the Federal Fiscal Relief Fund to the GRF on a schedule to be determined by OBM.

In addition, Am. Sub. H.B. 95 of the 125th General Assembly requires that for the third and fourth calendar quarters of federal fiscal year (FFY) 2003 and the first, second, and third calendar quarters of FFY 2004, the reimbursement rate for all Medicaid service expenditures paid by state or local entities shall be at the nonenhanced FMAP rate.

However, federal interpretation, issued after the Am. Sub. H.B. 95 of the 125th General Assembly was passed, specifically indicates that states cannot keep the enhanced federal reimbursement rate generated as a result of local expenditures.

As a result of this federal interpretation, the state must pass on the enhanced federal reimbursement to certain local entities during the course of the biennium. If the amounts designated for the local entities are not passed through, the federal government could withhold all Medicaid reimbursement.

#### **Provisions of the Bill and the related Fiscal Impact**

The bill makes several changes related to the provision of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 under Am. Sub. H.B. 95 of the 125th General Assembly. The changes and the related fiscal impacts are the following:

- (1) The bill changes the total amount that the Director of OBM is to transfer to the Medicaid Reserve Fund from \$18,611,156 in FY 2004 and \$90,851,972 in FY 2005 to **up to** \$18,611,156 in FY 2004 and \$90,851,972 in FY 2005. Thus, the bill will result in a potential decrease in expenditures in the Federal Fiscal Relief Fund and a potential loss of revenue transferred to the Medicaid Reserve Fund.
- (2) The bill requires the Director of OBM to determine the amount of enhanced reimbursement related to Medicaid expenditures for which the state share was paid by one of the following entities: county boards of mental retardation and developmental disabilities; boards of mental health; boards of alcohol, drug addiction, and mental health services; boards of alcohol and drug addiction services; and any other entity that qualifies under the federal Jobs and Growth Tax Relief Reconciliation Act of 2003. The ODJFS estimates that this amount of the enhanced reimbursement is approximately \$30 million to \$35 million.
- (3) The bill requires the Director of OBM to transfer the above amount from the Federal Fiscal Relief Fund to the Interagency Reimbursement Fund. According to a spokesperson from OBM, the majority of the transfer is likely to occur in FY 2004. Any amount that is not transferred in FY 2004 will be transferred in FY 2005. Thus, for FY 2004, the bill will result in an increase of up to approximately \$30 million to \$35 million in expenditures from the Federal Fiscal Relief Fund and a gain of up to approximately \$30 million to \$35 million in revenue to the Interagency Reimbursement Fund. For FY 2005, the bill could result in an increase in the expenditures from the Federal Fiscal Relief Fund of any amount that is not transferred in FY 2004 and a gain of that amount in revenue to the Interagency Reimbursement Fund.
- (4) The bill also requires, if necessary, OBM to seek Controlling Board approval for an increase in the appropriation in federal line items used by certain state departments to pass on the federal share to the aforementioned local entities. Thus, the bill will result in an increase of up to approximately \$30 million to \$35 million in expenditures from the Interagency Reimbursement Fund and a gain of up

to approximately \$30 million to \$35 million in the revenue for county boards of mental retardation and developmental disabilities; boards of mental health; boards of alcohol, drug addiction, and mental health services; boards of alcohol and drug addiction services; and any other entity that qualifies under the federal Jobs and Growth Tax Relief Reconciliation Act of 2003.

- (5) As stated earlier, Ohio's share of estimated increased federal Medicaid reimbursement is \$386.1 million. This revenue is to be deposited in the Federal Fiscal Relief Fund (Fund FY9). As of January 12, 2004, Ohio has received \$216.9 million in additional revenue because of the increased FMAP, which is about 56% of the estimated \$386.1 million, and these funds have been deposited into Fund FY9. Out of Fund FY9, the Director of Budget and Management will transfer up to \$18,611,156 toward the end of FY 2004 and \$90,851,972 in FY 2005 to the Medicaid Reserve Fund (Fund FY8). In addition, approximately \$30 million to \$35 million will be transferred from Fund FY9 to the Interagency Reimbursement Fund to pay the enhanced federal reimbursement to local boards. The remainder, up to an estimated \$241.6 million, would be available for transfer to the GRF. The bill makes it permissible for the Director of OBM to transfer the remaining cash in the Federal Fiscal Relief Fund to the GRF. Thus, the bill will result in a potential indeterminate decrease in expenditures from the Federal Fiscal Relief Fund and a potential indeterminate loss in revenue to the GRF.

### **Department of Health**

The bill would decrease the time a person can be employed by home health and hospice agencies without the results of a background check from 60 days to 30 days. The Bureau of Criminal Investigations estimates that a background check that includes a Federal Bureau of Investigations (FBI) background check can take 60 days or longer. FBI data is required if the applicant has not lived in Ohio for five years, and may also be requested by the hiring agency. This provision would not impact the number of background checks being performed, therefore, LSC estimates that it would have no direct fiscal impact on state or local government entities.

### **Department of Mental Health**

Am. Sub. H.B. 95 of the 125th General Assembly created language that would allow the Ohio Department of Mental Health (ODMH) and the Ohio Department of Job and Family Services (ODJFS) to develop "statewide access and acuity standards for partial hospitalization" and also included a service-matching tool developed by ODJFS. This language was to allow the departments to develop tools to assure that partial hospitalization is available as appropriate for children and youth in the child welfare system and that these children are placed in the most appropriate setting based on their needs. Since then, it has become clear that the service-matching tool cannot be developed within the time frame originally established. Because Assertive Community Treatment (ACT) and Intensive Home and Community Based Services (IHCBS) were tied to partial hospitalization in the language, both ODJFS and ODMH are now concerned that ACT and IHCBS could be jeopardized because of the delay. The ODMH and ODJFS Child Welfare believe their first priority should be getting federal approval for Medicaid to cover ACT and IHCBS while continuing to work on the partial hospitalization and service matching tool. As a result, the parties have requested that language in the budget appropriation act relative to partial hospitalization services be removed from the ODJFS Revised Code section 5111.022. Instead, this bill proposes a provision be added in section 5119.611 of the Revised Code to require ODMH to revise its certification standards for partial hospitalization. According to the departments, this change will facilitate a quick and collaborative implementation of the language. This provision will most likely result in a one-time minimal increase in administrative costs for ODMH.

### **Estate Tax Revenue and Payment of Sheriff Fees and County Auditor Expenses**

The bill specifies that the sheriff fees and county auditor expenses related to the administration of the estate tax will be paid out of the state and local estate tax revenues, in proportion to their shares of estate tax revenue. Currently, all of the local expenses are paid out of the state 20% share. State estate tax revenue is estimated to increase by \$4.2 million while estate tax revenue to the local subdivisions will decrease by \$4.2 million per fiscal year. This revenue decrease from estate tax will vary by the local subdivisions.

In FY 2002, total fees and expenses related to the estate tax administration was \$5.2 million and total estate tax revenue collected was \$375.4 million (GRF received \$116.3 million and local governments received \$259.2 million).

For deaths after January 1, 2002, the state GRF receives 20% of the estate tax revenues and the municipality or township of an estate's origin receives the remaining 80% of estate tax revenues. An Estate Tax return is filed within nine months of a person's death.

### **Tuition Trust Authority—Calculation of Weighted Average Tuition**

The bill directs the Tuition Trust Authority, when calculating the weighted average tuition of state universities for purposes of its Guaranteed Savings Program, to exclude any tuition reductions that vary among individual students. This codifies a portion of an August 2003 opinion by the Ohio Attorney General that the Tuition Trust Authority had requested in order to clarify its procedures in response to the pilot tuition restructuring plan at Miami University.

*LSC fiscal staff: Allison Thomas, Economist  
Joseph Rogers, Budget Analyst  
Maria Seaman, Senior Budget Analyst  
Holly Wilson, Budget Analyst  
Ed Millane, Budget Analyst*

*Wendy Risner, Budget Analyst*  
*David Price, Senior Budget Analyst*  
*Zak Talarek, Budget Analyst*  
*Jeremie Newman, Budget Analyst*  
*Jonathan Lee, Budget Analyst*  
*Melanie Carter, Economist*  
*Ruhaiza Ridzwan, Economist*  
*Chris Murray, Economist*  
*Ivy Chen, Economist*

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