Fiscal Note & Local Impact Statement

126 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **H.B. 530** DATE: **March 14, 2006**

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

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

CONTENTS: **To make capital reappropriations for the biennium ending June 30, 2008, to make certain supplemental and capital appropriations, and to provide authorization and conditions for the operation of state programs**

State Fiscal Highlights

Capital Reappropriations and New Appropriations

STATE FUND	FY 2006	FY 2007-08 BIENNIUM
Capital Reappropriations		
General Revenue Fund	- 0 -	$1,067,747 increase
Wildlife Fund	- 0 -	$6,687,444 increase
Public School Building Fund	- 0 -	$46,659,933 increase
Highway Safety Fund	- 0 -	$3,081,567 increase
Waterways Safety Fund	- 0 -	$14,385,777 increase
Underground Parking Garage Operating Fund	- 0 -	$966,631 increase
Nursing Home – Federal Fund	- 0 -	$2,697,500 increase
Army National Guard Service Contract Fund	- 0 -	$5,845,553 increase
Special Administrative Fund	- 0 -	$18,076,956 increase
Community Match Armories Fund	- 0 -	$4,273,922 increase
State Fire Marshal Fund	- 0 -	$33,833 increase
Veterans' Home Improvement Fund	- 0 -	$1,767,930 increase
Education Facilities Trust Fund	- 0 -	$114,342,348 increase
Clean Ohio Revitalization Fund	- 0 -	$53,910,427 increase
Job Ready Site Development Fund	- 0 -	$30,000,000 increase
Highway Safety Building Fund	- 0 -	$3,561,703 increase
Administrative Building Fund	- 0 -	$101,079,856 increase
Adult Correctional Building Fund	- 0 -	$105,036,819 increase
Juvenile Correctional Building Fund	- 0 -	$12,269,885 increase
Cultural and Sports Facilities Building Fund	- 0 -	$39,831,048 increase
Ohio Parks and Natural Resources Fund	- 0 -	$47,894,047 increase
School Building Program Assistance Fund	- 0 -	$190,205,552 increase
Mental Health Facilities Improvement Fund	- 0 -	$40,896,474 increase
Higher Education Improvement Fund	- 0 -	$491,699,205 increase
Parks and Recreation Improvement Fund	- 0 -	$31,742,587 increase
State Capital Improvements Fund	- 0 -	$262,740,460 increase
State Capital Improvements Revolving Loan Fund	- 0 -	$65,646,475 increase
Clean Ohio Conservation Fund	- 0 -	$43,316,386 increase
Clean Ohio Agricultural Easement Fund	- 0 -	$5,892,856 increase
Clean Ohio Trail Fund	- 0 -	$6,344,000 increase
New Capital Appropriations		
Clean Ohio Assistance Fund	- 0 -	$53,000,000 increase
Job Ready Sites Fund	- 0 -	$30,000,000 increase
Public School Building Fund	-0-	$80,000,000 increase
Administrative Building Fund	- 0 -	$3,110,550 increase
Adult Correctional Building Fund	- 0 -	$30,024,990 increase

STATE FUND	FY 2006	FY 2007-08 BIENNIUM
Juvenile Correctional Building Fund	- 0 -	[illegible] increase
Ohio Parks and Natural Resources Fund	- 0 -	$5,050,000 increase
School Building Program Assistance Fund	- 0 -	$585,000,000 increase
Mental Health Facilities Improvement Fund	- 0 -	$5,500,000 increase
Higher Education Improvement Fund	- 0 -	$53,500,000 increase
Parks and Recreation Improvement Fund	- 0 -	$1,500,000 increase
State Capital Improvements Fund	- 0 -	$120,000,000 increase
State Capital Improvements Revolving Loan Fund	- 0 -	$24,100,000 increase
Clean Ohio Conservation Fund	- 0 -	$37,500,000 increase
Clean Ohio Agricultural Easement Fund	- 0 -	$6,250,000 increase
Clean Ohio Trail Fund	- 0 -	$6,250,000 increase
State Fire Marshal Fund	- 0 -	$1,908,000 increase
Veterans' Home Improvement Fund	- 0 -	$552,500 increase

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 $1.8 billion ($1,751,954,921).

- ***New Capital Appropriations.*** New capital appropriations contained in the bill total $1.04 billion ($1,044,996,040).

Education

State Fiscal Highlights

STATE FUND	FY 2006	FY 2007-08 BIENNIUM
Budget Adjustments and Transfers		
General Revenue Fund – Adjutant General		
Revenues	- 0 -	- 0 -
Expenditures	Increase of up to $1,500	- 0 -
General Revenue Fund – Board of Regents		
Revenues	- 0 -	- 0 -
Expenditures	Increase of up to $30 million	Increase of up to $30 million
General Revenue Fund of The Ohio State University		
Revenues	Increase of $247,000	Increase of $247,000
Expenditures	- 0 -	- 0 -
National Guard Service Medal Fund (Fund 5DN) – Adjutant General		
Revenues	Gain of $1,500	Potential gain
Expenditures	Increase of up to $1,500	Potential increase
Camp Perry Clubhouse and Rental Fund (Fund 536) – Adjutant General		
Revenues	Loss of $103,981.68	- 0 -
Expenditures	- 0 -	- 0 -
General Obligations Fund (Fund 392) – Department of Health		
Revenues	Gain of $103,981.68	- 0 -
Expenditures	- 0 -	- 0 -

- ***Adjutant General.*** *Service Medal Production.* Appropriates $1,500 for FY 2006 for the newly created Fund 5DN appropriation item 745-618, Service Medal Production, which is to be used to cover start-up costs of medal production. The bill authorizes the Director of Budget and Management to transfer up to $1,500 cash in FY 2006 from the GRF to the National Guard Service Medal Fund (Fund 5DN), which is also created in the bill to receive fees paid by eligible members purchasing the medal. The fees are to be used to cover the future program costs.

- ***Adjutant General and Department of Health.*** *Transfer to General Obligations Fund.* Requires the Director of Budget and Management to transfer $103,981.68 from the Adjutant General's Camp Perry Clubhouse and Rental Fund (Fund 536) to the Department of Health's General Obligations Fund (Fund 392) in FY 2006.

- ***Board of Regents.*** *State Need-Based Financial Aid.* Allows the Director of Budget and Management to increase appropriation authority by up to $30 million in each fiscal year in order to support the distribution of state need-based financial aid. The increased appropriation authority is to be granted only if there are insufficient unencumbered and unobligated GRF appropriation balances within the Board of Regents' budget to cover the distribution of state need-based financial aid in each fiscal year.

- ***Board of Regents.*** *Capital Component.* Increases the appropriation to GRF appropriation item 235-552, Capital Component, by $1,003 in each fiscal year.

- ***Ohio State University.*** *Center for Learning Excellence.* Earmarks $247,000 in FY 2006 and FY 2007 of GRF appropriation item 200-421, Alternative Education Programs, to fund a contract with the Center for Learning Excellence at The Ohio State University.

Health and Human Services

State Fiscal Highlights

STATE FUND	FY 2006	FY 2007-08 BIENNIUM
Budget Adjustments and Transfers		
General Revenue Fund		
Revenues	Gain in federal Medicaid reimbursement if PACE payment transfers are made from ODA to JFS; Gain of $4,163.90 due to transfer from Fund 152; Loss of $5,850 due to transfer to Fund 601	Potential loss of approximately $15.1 million in FY 2007 in federal Medicaid reimbursement due to nursing facility capital adjustment; Potential gain in federal Medicaid reimbursement due to a change in the nursing facility reimbursement rate in FY 2007; Loss of approximately $13.5 million in FY 2007 in federal Medicaid reimbursement due to fund and line item realignment; Gain in federal Medicaid reimbursement if PACE payment transfers are made from ODA to JFS in FY 2007
Expenditures	Potential transfer of appropriations from ODA ALI 490-421 to JFS ALI 600-525 to fund state share of PACE provider payments; Increase in appropriations of $1.65 million for the Ohio Veterans' Home Agency (OVH ALIs 430-100 and 430-200)	Decrease of approximately $15.1 million (decrease in JFS ALI 600-525 federal share appropriation) in FY 2007 due to nursing facility capital adjustment; Potential increase due to a change in the nursing facility reimbursement rate in FY 2007; Decrease of approximately $22.7 million in FY 2007 (JFS ALI 600-525 state and federal share) due to fund and line item realignment; Potential decrease in reimbursement from ODH to free clinics; Potential increase in costs to pay for additional criminal background checks; Potential transfers of appropriations from ODA ALI 490-421 to JFS ALI 600-525 to fund state share of PACE provider payments in FY 2007; Increase in appropriations of $1.65 million for the Ohio Veterans' Home Agency (OVH ALIs 430-100 and 430-200) in FY 2007
General Reimbursement Fund (Fund 106) – Attorney General		
Revenues	- 0 -	Potential gain in fee revenue generated by additional background checks
Expenditures	- 0 -	Potential increase in costs to conduct additional criminal background checks
Miscellaneous Revenue Fund (Fund 152) – Department of Mental Retardation and Developmental Disabilities		
Revenues	Loss of $4,163.90 due to transfer to the GRF	- 0 -
Expenditures	- 0 -	- 0 -

STATE FUND	FY 2006	FY 2007-08 BIENNIUM
Gifts and Miscellaneous Fund (Fund 601) – Commission on Hispanic/Latino Affairs		
Revenues	$5,850 gain due to transfer from the GRF	- 0 -
Expenditures	- 0 -	- 0 -
PASSPORT Fund (Fund 3C4) – Department of Aging		
Revenues	Loss in federal Medicaid reimbursement if PACE payment transfers to JFS are made	Loss in federal Medicaid reimbursement if PACE payment transfers to JFS are made in FY 2007
Expenditures	Decrease in appropriations in ODA ALI 490-621 if federal share of payments to PACE providers is made out of JFS ALI 600-525	Decrease in appropriations in ODA ALI 490-621 if federal share of payments to PACE providers is made out of JFS ALI 600-525 in FY 2007
Health Care - Federal Fund (Fund 3F0), currently Hospital Care Assurance Match Fund – Department of Job and Family Services		
Revenues	Estimated gain of $14.01 million in federal Medicaid reimbursement for targeted case management services; Gain in federal Medicaid reimbursement generated by expenditure of the transfers from ODE to JFS	Gain of approximately $347.8 million in FY 2007 due to Medicaid fund and line item realignment; Gain of federal reimbursement for ABD Managed Care in FY 2007; Estimated gain of $29.79 million in federal Medicaid reimbursement for targeted case management services in FY 2007; Gain in federal Medicaid reimbursement generated by expenditure of the transfers from ODE to JFS in FY 2007
Expenditures	Potential $14.01 million appropriation increase (ALI 600-623) for targeted case management services; Increase in appropriation to JFS ALI 600-623 equal to federal reimbursement generated by expenditure of the transfers from ODE to JFS	Increase of approximately $347.8 million (ALI 600-623) in FY 2007 due to Medicaid fund and line item realignment; Appropriation increase in FY 2007 equal to deposits of federal reimbursements for ABD Managed Care; Potential $29.79 million appropriation increase in FY 2007 (ALI 600-623) for targeted case management services; Increase in FY 2007 appropriation to JFS ALI 600-623 equal to federal reimbursement generated by expenditure of the transfers from ODE to JFS
Interagency Reimbursement Fund (Fund 3G5) – Department of Job and Family Services		
Revenues	Estimated loss of $14.01 million due to rerouting of federal Medicaid reimbursement to Fund 3F0	Estimated loss of $29.79 million in FY 2007 due to rerouting of federal Medicaid reimbursement to Fund 3F0
Expenditures	Estimated decrease of $14.01 million due to rerouting of federal Medicaid reimbursement to Fund 3F0	Estimated decrease of $29.79 million in FY 2007 due to rerouting of federal Medicaid reimbursement to Fund 3F0
Community Alternative Funding System Fund (Fund 3M7) – Department of Mental Retardation and Developmental Disabilities		
Revenues	Estimated loss of $14.01 million due to rerouting of federal Medicaid reimbursement to Fund 5DJ	Estimated loss of $29.79 million in FY 2007 due to rerouting of federal Medicaid reimbursement to Fund 5DJ
Expenditures	Estimated decrease of $14.01 million due to rerouting of federal Medicaid reimbursement to	Estimated decrease of $29.79 million in FY 2007 due to rerouting of federal Medicaid

STATE FUND	FY 2006	FY 2007-08 BIENNIUM
Children's Trust Fund (Fund 198) – Department of Job and Family Services		
Revenues	- 0 -	Loss of $1.5 million in FY 2007 due to transfer to Fund 5BH; One-year delay of transfer of unspent cash from Fund 5BH in FY 2007; Transfer in FY 2008 of unspent cash from Fund 5BH; Potential delay in transfer of fee revenue in FY 2007 and FY 2008 (no change in amount transferred)
Expenditures	- 0 -	- 0 -
Veterans' Home Operating Fund (Fund 4E2) – Veterans' Home Agency		
Revenues	Potential gain due to transfer from Fund 604	Potential gain due to transfer from Fund 604 in FY 2007
Expenditures	- 0 -	- 0 -
Partnerships for Success Fund (Fund 5BH) – Department of Youth Services		
Revenues	- 0 -	Gain of $1.5 million due to transfer from Fund 198 in FY 2007; One-year delay of transfer of unspent cash to Fund 198 in FY 2007; Transfer in FY 2008 of unspent cash to Fund 198
Expenditures	- 0 -	- 0 -
Family Violence Prevention Fund (Fund 5BK) – Department of Public Safety		
Revenues	- 0 -	Potential delay in transfer of fee revenue (no change in amount transferred)
Expenditures	- 0 -	- 0 -
Medicaid Program Support-State Fund (Fund 5C9) – Department of Job and Family Services		
Revenues	Gain of $9.34 million due to transfer from DMR to JFS related to targeted case management services	Gain of $20.28 million in FY 2007 due to transfer from DMR to JFS related to targeted case management services
Expenditures	Potential $9.34 million appropriation increase (JFS ALI 600-671) related to targeted case management services; Increase in appropriation to JFS ALI 600-671 equal to amount transferred from ODE to JFS	Potential $20.28 million appropriation increase in FY 2007 (JFS ALI 600-671) related to targeted case management services; Increase in appropriation to JFS ALI 600-671 in FY 2007 equal to amount transferred from ODE to JFS
Military Injury Relief Fund (Fund 5DB) – Department of Job and Family Services		
Revenues	- 0 -	- 0 -
Expenditures	- 0 -	$2.0 million appropriation increase in FY 2007 (JFS ALI 600-637)
Targeted Case Management Services Fund (Fund 5DJ) – Department of Mental Retardation and Developmental Disabilities		
Revenues	$9.34 million gain from county boards (direct or pledged state subsidies to county boards); $23.35 million gain from JFS	$20.28 million gain from county boards in FY 2007 (direct or pledged state subsidies to county boards); $50.07 million gain from JFS in FY 2007
Expenditures	$32.69 million increase in appropriations (DMR ALIs 322-625 and 322-626)	$70.35 million increase in appropriations in FY 2007 (DMR ALIs 322-625 and 322-626)
Medicaid Revenue and Collections Fund (Fund 5DL) – Department of Job and Family Services		
Revenues	- 0 -	Gain of approximately $56.9 million in FY 2007 due to Medicaid fund and line item realignment
Expenditures	- 0 -	Increase of approximately $56.9 million in FY 2007 (ALI

STATE FUND	FY 2006	FY 2007-08 BIENNIUM
		600-692) due to Medicaid fund and line item realignment
Prescription Drug Rebates Fund (Fund 5P5) – Department of Job and Family Services		
Revenues	- 0 -	Loss of approximately $359.0 million in FY 2007 due to Medicaid fund and line item realignment
Expenditures	- 0 -	Decrease of approximately $359.0 million in FY 2007 (ALI 600-692) due to Medicaid fund and line item realignment
Veterans' Home Improvement Fund (Fund 604) – Veterans' Home Agency		
Revenues	Potential loss due to transfer to Fund 4E2	Potential loss in FY 2007 due to transfer to Fund 4E2
Expenditures	- 0 -	- 0 -

Department of Aging

- *PASSPORT Transfers.* Makes changes to the language that deals with the transfer of funds from the Department of Job and Family Services (JFS) to the Department of Aging (ODA) to reimburse ODA for PASSPORT services provided to individuals who were previously admitted to a nursing facility while they were on a waiting list for the PASSPORT program, for whom PASSPORT is appropriate, and who prefer to participate in PASSPORT rather than reside in the nursing facility. Specifically, the language is changed from *the transfer of an entire biennium's worth of estimated expenses* to a *quarterly transfer of actual expenditures*. Therefore, the state share from GRF line item 600-525, Health Care/Medicaid, in JFS to be transferred to GRF line item 490-403, PASSPORT, in ODA will be based on actual expenditures instead of estimated costs. Similarly, the corresponding increases in line item 600-655, Interagency Reimbursement (Fund 3G5), in JFS and line item 490-607, PASSPORT (Fund 3C4), in ODA reflecting the federal share will be based on actual costs. If actual expenditures are higher or lower than estimated costs, the transfers and increases in appropriations will be higher or lower than under current law.

- *Criminal Records Checks for Ombudspersons and Community-Based Long-Term Care Staff.* Expands the requirement that persons under final consideration for employment with a PASSPORT agency undergo a criminal records check. The bill also requires that persons with the Office of the State Long-Term Care Ombudsperson Program undergo criminal records checks. This could increase costs to the Department of Aging. It is unknown at this time if applicants will pay for any or part of these background check costs. LSC has assumed that any additional costs to the Department would likely be paid using GRF money already appropriated to the Department. As a result of the requirement for additional background checks, the Bureau of Criminal Identification and Investigation (BCII) could realize an increase in workload. However, the cost of background check fees would likely cover most of the expenses related to increased workload. As a result, any increase to BCII will be minimal.

Department of Health

- *Free Clinic Reimbursement.* Potentially lowers the percentage of medical liability insurance premiums that the Department of Health is mandated to reimburse free clinics participating in a professional liability insurance reimbursement program from a fixed 80% of the premiums paid (up to a maximum of $20,000) to an amount that is up to 80%.

Commission on Hispanic/Latino Affairs

- *Transfer from the GRF.* Allows for the transfer of $5,850 from the General Revenue Fund to Fund 601 in the Commission on Hispanic/Latino Affairs' budget prior to June 30, 2006. The amount was mistakenly posted to the GRF at the end of FY 2005.

Department of Job and Family Services

- *Payment to Nursing Facilities for Uncompensated Capital Costs.* Reduces the appropriation in line item 600-525, Health Care/Medicaid, by $10 million state share and the corresponding federal share in FY 2007. The bill also appropriates $10 million in FY 2007 to newly created line item 600-529, Capital Compensation Program, in the Department of Job and Family Services and earmarks those dollars for payments to nursing facilities for uncompensated capital costs. Therefore, the net effect to the GRF is zero in terms of state share; however, the state will probably lose an estimated $15.1 million in federal Medicaid reimbursement. According to JFS, the federal government is unlikely to reimburse the state for retroactive payments for capital costs to nursing facilities.

- *Fiscal Year 2007 Medicaid Reimbursement Formula for Nursing Facilities.* Requires that a nursing facility's rate as determined under the new formula be increased by a certain percentage. Thus, the bill potentially increases the FY 2007 Medicaid reimbursement rate for nursing facilities. The state receives reimbursement of approximately 60% of any Medicaid costs from the federal government.

- *Medicaid Fund and Line Item Realignment.*
    - Creates the Medicaid Revenue and Collections Fund (Fund 5DL) into which the nonfederal share of Medicaid-related

collected revenues, collections, and recoveries that are not credited to another fund are to be credited. Renames the Hospital Care Assurance Match Fund (to which federal matching funds that are received under the Hospital Care Assurance Program are credited) the Health Care – Federal Fund and provides for the federal share of Medicaid-related revenues, collections, and recoveries (including drug rebates) that are not credited to another fund to also be credited to the fund.

  - Expressly requires that the nonfederal share of all supplemental rebates paid by drug manufacturers under the Supplemental Drug Rebate Program be credited to the Prescription Drug Rebates Fund (Fund 5P5).
  - Adjusts appropriations in line items 600-525, Health Care/Medicaid, 600-623, Health Care Federal, and 600-692, Prescription Drug Rebate – State, to reflect the changes as a result of separating the state share and the federal share of Medicaid drug rebates and third-party collections.
  - Renames line item 600-692 from "Health Care Services" to "Prescription Drug Rebate – State."
  - Creates a new line item 600-639, Medicaid Revenue and Collections, to be used by the Department of Job and Family Services for Medicaid services.

- *ABD Managed Care Funding.* Requires that federal reimbursement for the Aged, Blind, and Disabled (ABD) Managed Care Program be deposited into the Hospital Care Assurance Match Fund – Federal Fund (Fund 3F0) instead of the ABD Managed Care Program – Federal Fund (Fund 3AZ), which is being eliminated by this provision, and appropriates the amounts deposited into Fund 3F0 for the ABD Managed Care Program to line item 600-699, ABD Managed Care Program – Federal.

- *Hospital Care Assurance Match Fund.* Allows the Department of Job and Family Services to use the existing federal fund, Hospital Care Assurance Match, which is renamed Health Care – Federal in the bill (Fund 3F0), instead of the new federal fund, Fund 3BB, which was created in Am. Sub. H.B. 66 of the 126th General Assembly, to collect and distribute federal hospital care assurance funds.

- *Military Injury Relief Fund.* Creates appropriation line item 600-637, Military Injury Grants, in the Department of Job and Family Services and appropriates $2.0 million in FY 2007. Am. Sub. H.B. 66 of the 126th General Assembly (the budget act) created the Military Injury Relief Fund, but did not provide any spending authority for the fund.

- *Children's Trust Fund – Delay in Transfer of Vital Statistics Fees.* Changes the times by which additional fees on certified copies of birth records, certifications of birth, death records, and filings for divorce decrees and decrees of dissolution are to be forwarded from local commissioners of health, local registrars of vital statistics, and courts of common pleas to the Treasurer of State for deposit into the Children's Trust Fund (Fund 198 within the Department of Job and Family Services) and the Family Violence Prevention Fund (Fund 5BK within the Department of Public Safety). The amounts of the fees deposited into these funds are not changed; however, there could be a delay in the transfer of these moneys to Fund 198 and Fund 5BK.

- *Recovery of Medicaid Overpayments.* Eliminates the restriction that limits the Department of Job and Family Services to recovering a Medicaid overpayment to the five-year period immediately following the end of the state fiscal year in which the overpayment is made, but provides that the Department may make such a recovery only if it notifies the provider of the overpayment during that five-year period. By eliminating the restriction, the state has a greater chance to recover Medicaid overpayments. Thus, this provision of the bill could result in savings to the state.

- *Medicaid Audits.* Allows for funds from Fund 4J5, Home and Community-Based Services for the Aged, to be used for any part of the audit of a nursing facility or intermediate facility for mental retardation and developmental disabilities. Currently, the audits are limited to Medicaid cost reports. Am. Sub. H.B. 66 of the 126th General Assembly (the budget act) earmarked $1 million in each fiscal year to fund the state share of audits of Medicaid cost reports.

Department of Job and Family Services and Other State Agencies

- *Assisted Living Waiver Transfers (Department of Aging).* Corrects language involving the transfer of funds from GRF line item 600-525, Health Care/Medicaid (within the Department of Job and Family Services), to GRF appropriation 490-422, Assisted Living Waiver (within the Department of Aging). GRF line item 600-525, Health Care/Medicaid, contains both state and federal share. The amendment would change the transfer of the state share from GRF line item 600-525, Health Care/Medicaid, to GRF line item 490-422, Assisted Living Waiver, to the *certified amount* rather than the *estimated costs*. The amendment would also reduce GRF line item 600-525, Health Care/Medicaid, by the corresponding federal share and eliminate the language transferring the federal share from 600-525 in JFS to the Assisted Living – Federal Fund (Fund 3C4) in the Department of Aging since an appropriation has been established in Fund 3C4 for FY 2007 and because the federal share would already be passed on to the Department of Aging through JFS appropriation 600-655. If the certified amount is higher or lower than estimated costs, the transfers and changes in appropriations will be higher or lower than under current law.

- *PACE (Department of Aging).* Provides a mechanism to transfer funds from the Department of Aging to the Department of Job and Family Services to make payments to PACE providers.

- *Disability Medical Assistance Program (Department of Mental Health).* Increases GRF line item 600-513, Disability Medical Assistance, in the Department of Job and Family Services by $4.3 million in FY 2006 and $5.7 million in FY 2007. Decreases GRF line item 335-419, Community Medication Subsidy, in the Department of Mental Health by $4.3 million in FY 2006 and $5.7 million in FY 2007 and removes the earmark for Disability Medical Assistance Program.

- *ICF/MR Conversion Pilot Program (Department of Mental Retardation and Developmental Disabilities)*. The bill requires the Director of Job and Family Services to adjust an ICF/MR's franchise permit fee if the ICF/MR's certified capacity is reduced under the ICF/MR Conversion Pilot Program. It also permits the Director to adjust an ICF/MR's franchise permit fee if the facility's certified capacity is increased after the ICF/MR Conversion Pilot Program is terminated. If the franchise fee revenue is reduced due to a decrease in the Medicaid-certified beds, the state will receive less franchise fee revenue under its Medicaid program.

- *Partnerships for Success (Department of Youth Services).* Provides for a cash transfer of $1.5 million in FY 2007 from the Children's Trust Fund (Fund 198 in the Department of Job and Family Services) to the Partnerships for Success Fund (Fund 5BH in the Department of Youth Services) and changes the date by which the Office of Budget and Management must transfer to the Children's Trust Fund any cash that remains unspent in the Partnerships for Success Fund from January 1, 2007 to January 1, 2008.

- *Reimbursements to a School District for Medicaid Services (Department of Education).* Increases the appropriations in line item 600-671, Medicaid Program Support, and 600-623, Health Care – Federal, in the Department of Job and Family Services based on transfers from the Department of Education for Medicaid services provided in school districts and the corresponding federal match.

Department of Mental Retardation and Developmental Disabilities

- *Targeted Case Management Services.* Creates State Special Revenue Fund 5DJ, Targeted Case Management Services, and appropriation line items 322-625, Targeted Case Management Match, and 322-626, Targeted Case Management Services, in DMR and allows the Department to enter into an interagency agreement with JFS to pay for targeted case management services. Provides direction on how the local share of targeted case management costs should be collected from the county boards of mental retardation and developmental disabilities. **The net fiscal impact to the state will be zero.**

- *Transfer of Oil and Gas Lease Revenue to the GRF.* Requires that by June 30, 2006, or as soon as possible thereafter, the Director of Budget and Management transfer $4,163.90 cash from the Miscellaneous Revenue Fund (Fund 152 in the Department of Mental Retardation and Developmental Disabilities (DMR)) to the GRF in order to fulfill the requirement of Revised Code section 5123.23 that all money received from leases, for oil and gas, of real estate owned by the state and placed under the supervision of DMR be paid into the state treasury to the credit of the GRF.

Ohio Veterans' Home Agency

- *Increase in Appropriations for Operating.* Increases the appropriations in GRF line item 430-100, Personal Services, by $800,000 in each fiscal year and GRF line item 430-200, Maintenance, by $850,000 in each fiscal year.

- *Transfer Between Funds.* Allows the Director of Budget and Management to transfer cash from SSR Fund 604, Veterans' Home Improvement, to SSR Fund 4E2, Veterans' Home Operating, to be used for costs relating to the veterans' homes.

- *Quarterly Report on Fiscal Operations.* Requires the Ohio Veterans' Home Agency to submit a report, each fiscal quarter, on the status of the Agency's fiscal operations to the Governor, President of the Senate, Minority Leader of the Senate, Speaker of the House of Representatives, and Minority Leader of the House of Representatives. This reporting requirement could minimally increase costs for the Agency.

Law Enforcement, Judiciary, and Corrections

State Fiscal Highlights

STATE FUND	FY 2006	FY 2007-08 BIENNIUM
Budget Adjustments and Transfers		
General Revenue Fund and Other State Funds (Sale of Debt Owed the State) – Attorney General		
Revenues	- 0 -	Potential gain from sale of debt owed the state
Expenditures	- 0 -	Potential decrease in collections enforcement workload and related operating expenses from sale of debt owed the state
General Revenue Fund – Public Defender Commission		
Revenues	- 0 -	Up to $80,000 or more annual gain in interest earned from investment of Legal Aid Fund (Fund 574) moneys
Expenditures	- 0 -	- 0 -
Legal Aid Fund (Fund 574) – Public Defender Commission		
Revenues	- 0 -	Up to $80,000 or more annual loss, as all future interest earnings on fund's moneys redirected to the GRF

STATE FUND	FY 2006	FY 2007-08 BIENNIUM
Expenditures	- 0 -	Potential decrease, commensurate with revenue loss
Highway Patrol Federal Contraband, Forfeiture, and Other Fund (Abolished Fund 3BF) – Department of Public Safety		
Revenues	One-time transfer of existing cash balance estimated at roughly $2.0 million to replacement Fund 83J and Fund 83T; Fund subsequently abolished with all future revenues directed to Fund 83J and Fund 83T	
Expenditures	Fund abolished; Purposes shifted to Fund 83J and Fund 83T	
Highway Patrol Justice Contraband Fund (New Fund 83J) – Department of Public Safety		
Revenues	One-time cash transfer estimated at roughly $1.98 million from Fund 3BF plus certain future criminal forfeiture proceeds received pursuant to federal law	
Expenditures	Increase, commensurate with available revenues	
Highway Patrol Treasury Contraband Fund (New Fund 83T) – Department of Public Safety		
Revenues	One-time cash transfer estimated at roughly $20,000 from Fund 3BF plus certain future criminal forfeiture proceeds received pursuant to federal law	
Expenditures	Increase, commensurate with available revenues	
Bureau of Motor Vehicles Fund (Fund 4W4) – Department of Public Safety		
Revenues	- 0 -	- 0 -
Expenditures	- 0 -	Potential one-time minimal programming costs
Security, Investigations, and Policing Fund (Fund 840) – Department of Public Safety		
Revenues	Potential annual gain from certain vehicle weight violation fines	
Expenditures	- 0 -	- 0 -
Partnerships for Success Fund (Fund 5BH) – Department of Youth Services		
Revenues	- 0 -	One-time $1,500,000 cash transfer in FY 2007 from Children's Trust Fund (Fund 198)
Expenditures	- 0 -	Increase up to the amount of available revenue in FY 2007

- ***Attorney General.*** The fiscal effect of the sale of certain debts will be determined by how the savings in debt collections operations compares to how much the state loses in foregone debt collections revenues. The magnitude and direction of that potential state fiscal effect is uncertain at this time. Presumably, however, the Attorney General would not sell debts owed to the state unless: (1) more revenue would be collected than might otherwise have been the case if the state had held onto the debts, (2) less time and money was expended on debt collection efforts than might otherwise have been the case if the state had held onto the debts, in particular for the Attorney General's Collections Enforcement Section, or (3) some combination of (1) and (2).

- ***Public Defender Commission.*** *Legal Aid Fund (Fund 574).* As a result of the bill, Fund 574 would no longer retain the interest earnings from investments, the practical effect of which will be to redirect any of the fund's future interest earnings to the GRF. Based on current market conditions, the provision will produce an annual revenue loss of approximately $80,000 in moneys that would otherwise have been credited to Fund 574 and an annual gain of the same magnitude to the GRF. The loss of investment earnings revenue theoretically at least would translate into a reduction of corresponding magnitude in the total amount of financial assistance that might otherwise have been distributed to legal aid societies statewide.

- ***Department of Public Safety.*** *Criminal forfeiture proceeds.* In order to comply with federal law, the bill eliminates the Department of Public Safety's Highway Patrol Federal Contraband, Forfeiture, and Other Fund (Fund 3BF) and creates the Highway Patrol Justice Contraband Fund (Fund 83J) and the Highway Patrol Treasury Contraband Fund (Fund 83T) in its place and transfers the cash balance in Fund 3BF to Fund 83J and Fund 83T as appropriate.

- ***Department of Public Safety.*** *Bureau of Motor Vehicles Fund (Fund 4W4).* According to BMV personnel, in order to comply with the bill's prohibition against the display of social security numbers on drivers' licenses and identification cards, the Bureau could incur a minimal one-time cost to perform the necessary modifications to existing software. The Department's Bureau of Motor Vehicles Fund (Fund 4W4) would mostly be the source of the moneys necessary to cover the one-time cost.

- ***Department of Public Safety.*** *Vehicle Weight Violation Fine Money.* By establishing the distribution of certain vehicle weight violation fines, money collected as a result of an arrest made by the State Highway Patrol that might otherwise have been deposited in the county treasury where the violation occurred would instead be deposited in the state treasury, possibly to the credit of the Security, Investigations, and Policing Fund (Fund 840). As of this writing, the magnitude of that potential revenue gain to the state treasury annually is uncertain.

- ***Department of Youth Services.*** *Partnerships for Success Fund (Fund 5BH).* The bill transfers $1.5 million, in FY 2007, from the Department of Job and Family Services' Children's Trust Fund (Fund 198) to the Department of Youth Services' Partnerships for Success Fund (Fund 5BH), the purpose for which appears to be: (1) to provide subsidies to counties to build their capacity to effectively prevent and respond to child and adolescent problem behaviors, while promoting positive youth development, and (2) to provide technical assistance and training tailored to the circumstances of each county being served.

Taxation

State Fiscal Highlights

STATE FUND	FY 2006	FY 2007-08 BIENNIUM
Budget Adjustments and Transfers		
General Revenue Fund – *National Guard Tax Deductions*		
Revenues	- 0 -	Loss up to $47,500 or more in FY 2007, $45,700 or more in FY 2008
Expenditures	- 0 -	- 0 -
General Revenue Fund – *Incorporation of Changes Made to Federal Tax Laws in 2005*		
Revenues	Potential loss of $2 million	Potential loss of $6 million
Expenditures	- 0 -	- 0 -
General Revenue Fund – *Administration of Insurance Taxes*		
Revenues	- 0 -	Potential gain or loss
Expenditures	- 0 -	- 0 -
General Revenue Fund – *Tax Exemption for the Columbus Crew Stadium*		
Revenues	- 0 -	- 0 -
Expenditures	- 0 -	Potential increase in school district aid
General Revenue Fund – *Telephone Company Refundable Tax Credit*		
Revenues	Potential loss up to $1.4 million	Potential loss up to $2.8 million in FY 2007, up to $4.0 million in FY 2008
Expenditures	- 0 -	- 0 -

General Revenue Fund Provisions

- *National Guard Tax Deductions.* Establishes two new deductions under the personal income tax for members of the National Guard on active duty or their designated beneficiaries. The revenue loss from these deductions depends on the number of Guard members on active duty, which is assumed to fall as the U.S. pulls forces out of the conflict in Iraq. The combined revenue loss from these deductions is estimated to be up to $53,000 or more in FY 2007, up to $51,000 or more in FY 2008, up to $24,000 or more in FY 2009, and up to $16,000 or more in subsequent fiscal years. Revenue from this tax is allocated according to the following statutory formula: 89.5% to the GRF, 5.7% to the Library and Local Government Support Fund, 4.2% to the Local Government Fund, and 0.6% to the Local Government Revenue Assistance Fund.

- *Incorporation of Changes Made to Federal Tax Laws in 2005*. The bill incorporates into Ohio tax law all changes made in federal tax law in 2005. The references to the 2005 federal tax law would reduce Ohio tax revenue collections in FY 2006 by $2 million and in FYs 2007-2008 by $6 million.

- *Administration of Insurance Taxes.*

  - The bill establishes procedures for payment of interest by insurers due to late payment or underpayment of insurance taxes, or to insurers due to overpayment of taxes. This provision, and a provision that establishes the order in which tax credits must be claimed, may increase or decrease revenue to the GRF.
  - Foreign insurers are required to make advance payment based on the previous year's taxes before credits, rather than after credits. This would accelerate the payment of foreign insurance taxes slightly within a fiscal year.
  - Foreign insurers are required to make advance payment of taxes on fire insurance premiums. This would accelerate payments slightly within a fiscal year to the State Fire Marshall's Fund (Fund 546).

- *Tax Exemption for the Columbus Crew Stadium.* Because the tax exemption for the Columbus Crew Stadium may reduce tax revenues to the Columbus City School District, state aid to that district may increase.

- *Community Reinvestment Areas.* Tax exemptions for dwellings constructed in Community Reinvestment Areas, whose owners are late in filing applications for these tax exemptions, generally would result in increased state aid to school districts in which these residences are located.

- *Laundry and Dry Cleaning Services.* The bill exempts from the sales and use tax certain tangible personal property items used to remove soil or dirt from articles of clothing and other fabric items supplied as part of a laundry and dry cleaning service. This exemption reduces state sales and use tax revenues.

- *Telephone Company Refundable Tax Credit.* Converts an existing credit under the corporate franchise tax (CFT) from nonrefundable to refundable, for three years, then the credit would expire. The credit is for telephone companies for their cost of providing network access to the communicatively impaired. The credit is nonrefundable for tax year 2005, but the bill would make it refundable for tax years 2006, 2007, and 2008. This provision may decrease revenue from the CFT by up to $1.4 million in FY 2006, $2.8 million in FY 2007, and $4.2 million in FY 2008. The credit is eliminated after taxable year 2008, so that the bill may increase revenue by up to $1.4 million in FY 2009. There would be no revenue effect after FY 2009. Revenue from the CFT is allocated according to the following statutory formula: 95.2% goes to the GRF, 4.2% goes to the Local Government Fund (LGF), and 0.6% goes to the Local Government Revenue Assistance Fund (LGRAF). The local government fund freeze means that the GRF experiences the full revenue loss during the current biennium.

General Government

State Fiscal Highlights

STATE FUND	FY 2006	FY 2007-08 BIENNIUM
Budget Adjustments and Transfers		
General Revenue Fund – Department of Agriculture, Department of Health		
Revenues	Gain to AGR corresponding to cost-sharing agreement with EPA and ODH for lab costs	Gain to AGR corresponding to cost-sharing agreement with EPA and ODH for lab costs
Expenditures	Increase for AGR and ODH corresponding to share of lab maintenance costs	Increase for AGR and ODH corresponding to share of lab maintenance costs
General Revenue Fund – Auditor of State and Office of Budget and Management		
Revenues	Gain of $320,000 for Auditor's equipment purchases	$180,000 gain in FY 2007 for Auditor's equipment purchases
Expenditures	- 0 -	Potential increase or decrease related to transfer of WIRE Program to OBM in FY 2008
General Revenue Fund – Department of Commerce		
Revenues	- 0 -	Potential minimal gain from the issuance of F-7 liquor permits
Expenditures	- 0 -	- 0 -
General Revenue Fund – Department of Development		
Revenues	- 0 -	- 0 -
Expenditures	Slight decrease in administrative expenses	Slight decrease in administrative expenses
General Revenue Fund – House and Senate Journals		
Revenues	- 0 -	- 0 -
Expenditures	Potential minimal decrease	Potential minimal decrease
General Revenue Fund – Department of Natural Resources		
Revenues	Gain of $315,000 in appropriation authority to cover central support charges	Gain of $365,000 in appropriation authority to cover central support charges
Expenditures	- 0 -	- 0 -
Central Services Agency Fund (Fund 115) – Department of Administrative Services		
Revenues	- 0 -	Gain from the payment of licensing board services charges not to exceed $375,700
Expenditures	- 0 -	- 0 -
State Architect's Fund (Fund 131) – Department of Administrative Services		
Revenues	Potential gain from the release of escrowed funds	Potential gain from the release of escrowed funds
Expenditures	- 0 -	- 0 -
Governor's Residence Fund (Fund 5A2) – Department of Administrative Services		
Revenues	Potential gain from endowment funds	Potential gain from endowment funds
Expenditures	Potential increase to cover additional landscaping and administrative expenses	Potential increase to cover additional landscaping and administrative expenses

STATE FUND	**FY 2006**	**FY 2007-08 BIENNIUM**
Statewide Treatment and Prevention Fund (Fund 475) – Alcohol and Drug Addiction Services		
Revenues	- 0 -	Potential minimal gain from the issuance of F-7 liquor permits
Expenditures	- 0 -	- 0 -
Public Audit Expense Intra-State (Fund 109) – Auditor of State		
Revenues	$2,700,000 gain	$2,700,000 gain in FY 2007 only
Expenditures	- 0 -	- 0 -
Training Program Fund (Fund 584) – Auditor of State		
Revenues	$50,000 gain	$50,000 gain in FY 2007 only
Expenditures	- 0 -	- 0 -
Undivided Liquor Permit Fund (Fund 066) – Department of Commerce		
Revenues	- 0 -	Potential minimal gain from the issuance of F-7 liquor permits
Expenditures	- 0 -	- 0 -
Occupational Licensing and Regulatory Fund (Fund 4K9) – Department of Commerce		
Revenues	- 0 -	Gain from two additional boards utilizing fund
Expenditures	- 0 -	Increase from two additional boards utilizing fund; initial increase for transition costs, and uncertain impact on future costs
Cultural and Sports Facilities Building Fund (Fund 030) – Cultural Facilities Commission		
Revenues	Administration of capital funding for various projects is redirected both within and outside of CFC, resulting in a net loss of $1,575,000 to Fund 030	A total of $1,575,000 in capital moneys is not reappropriated to CFC
Expenditures	Potential decrease associated with not administering various capital projects	Potential decrease associated with not administering various capital projects
Facilities Establishment Fund (Fund 037) – Department of Development		
Revenues	Loss of up to $5,475,000 transfer to Fund 5D2	- 0 -
Expenditures	- 0 -	- 0 -
Urban Redevelopment Loans Fund (Fund 5D2) – Department of Development		
Revenues	Gain of up to $5,475,000 transfer from Fund 037	- 0 -
Expenditures	- 0 -	- 0 -
Laboratory Services Fund (Fund 199) – Environmental Protection Agency		
Revenues	- 0 -	- 0 -
Expenditures	Increase corresponding to share of lab maintenance costs	Increase corresponding to share of lab maintenance costs
Surface Water Protection Fund (Fund 4K4) – Environmental Protection Agency		
Revenues	-0-	Potential minimal loss in Section 401 fee revenue
Expenditures	- 0 -	- 0 -
Environmental Protection Fund (Fund 5BC) – Environmental Protection Agency		
Revenues	- 0 -	- 0 -
Expenditures	Increase corresponding to share of lab maintenance costs	Increase corresponding to share of lab maintenance costs
Parks and Recreation Improvement Fund (Fund 035) – Department of Natural Resources		
Revenues	Loss of $20,000 transfer to Fund 227	- 0 -
Expenditures	- 0 -	- 0 -
Parks Capital Expenses Fund (Fund 227) – Department of Natural Resources		
Revenues	Gain from $20,000 transfer from Fund 035	- 0 -
Expenditures	- 0 -	- 0 -
State and Federal Infrastructure Bank Fund (Fund 212 and Fund 213) – Department of Transportation		
Revenues	Potential gain from increased levels of SIB loan repayments	Potential gain from increased levels of SIB loan repayments

STATE FUND	FY 2006	FY 2007-08 BIENNIUM
Expenditures	0	0

- **_Department of Administrative Services._** *Central Service Agency – Professional Licensing Boards*. The bill adds $375,700 in FY 2007 to DAS appropriation item 100-632, Central Service Agency (Fund 115) to cover expenses for establishing and recovering the costs of maintaining the CAVU licensing system used by the professional licensing boards, and for the costs of supporting the licensing function in FY 2007. This is needed because the planned consolidation of the licensing boards within the Department of Commerce in FY 2007 is postponed until FY 2008 by this bill.

- **_Department of Administrative Services._** *Unclaimed funds deposited into the State Architect's Fund.* The bill allows for a contractor's funds escrowed by DAS and held by an escrow agent for a public improvement contract to be released to the State Architect's Fund (Fund 131) if the contractor has not claimed the funds within a reasonable time. This change will result in a revenue gain to the State Architect's Fund (Fund 131). The amount of the gain will depend on the amount of unclaimed funds. This amount is currently unknown.

- **_Department of Administrative Services._** *Governor's Residence Advisory Commission.* The Governor's Residence Fund (Fund 5A2) may experience a gain from endowment funds for the maintenance and care of the gardens on the grounds of the Governor's Residence. If no additional endowments are received, these landscaping expenses will have to be covered with moneys available in Fund 5A2, or from some other source. Since the bill adds two new members to the Commission, any additional actual and necessary expenses as well as additional administrative expenses that may occur would also have to be covered by moneys in Fund 5A2, or from some other source. An estimate of these additional expenses is currently unknown.

- **_Auditor of State._** *Replacement of Aging Equipment.* Increases the appropriation by $320,000 in FY 2006 and $180,000 in FY 2007 for GRF appropriation item 070-321, Operating Expenses, to replace aging equipment used by the Auditor's office for core functions.

- **_Auditor of State._** *Public Audit Expenses.* Increases the appropriation by $2,700,000 in FY 2006 and FY 2007 for appropriation item 070-601, Public Audit Expense – Intra-State, within the Public Audit Expense—Intrastate Fund (Fund 109), to pay expenses associated with performing a greater number of audits of school districts, Medicaid providers, and investments within the Bureau of Workers' Compensation. With the increase, total appropriations would be $12,000,000 in each fiscal year.

- **_Auditor of State._** *Training Costs—GASB 34.* Increases the appropriation by $50,000 in FY 2006 and FY 2007 for appropriation item 070-603, Training Program, within the Training Program Fund (Fund 584), to pay expenses associated with the training of local entities needed because of the implementation of GASB 34 accounting standards. With the increase, total appropriations for training would be $181,250 in both FY 2006 and FY 2007.

- **_Office of Budget and Management._** *Transfer of Warrant Writing Functions from Auditor of State.* Effective July 1, 2007, transfers the warrant writing functions, specifically the WIRE program, from the Auditor of State to the Office of Budget and Management (OBM). This program costs approximately $1.16 million in each fiscal year. Of this amount, approximately $1,000,000 is paid from the GRF, and the remainder is paid from the Uniform Accounting Network/Technology Improvements Fund. Employees of the Auditor of State assigned to or responsible for this payment function will be transferred to OBM on July 1, 2007, or as soon as possible thereafter. This function is currently GRF-funded and is expected to remain so. GRF expenditures for this function may increase or decrease, depending on how OBM implements the program.

- **_Department of Commerce._** *F-7 Temporary Liquor Permits.* This bill creates the F-7 temporary liquor permit for certain qualified golf events. There may thus be an increase in liquor permit fee revenue depending on the number issued. The fee for this permit is $450. Liquor permit fees are deposited into the Undivided Liquor Permit Fund (Fund 066) and distributed to the GRF and the Statewide Treatment and Prevention Fund (Fund 475) within the Department of Alcohol and Drug Addiction Services (ODADAS) for treatment and prevention programming, and local governments.

- **_Department of Commerce._** *Licensing Boards Consolidation.* The bill creates the Division of Professional Regulation in the Department of Commerce, but delays its creation until July 1, 2007, the beginning of FY 2008. The Division will comprise the 20 boards and commissions included in the board consolidation plan (all 4K9 boards, plus the Motor Vehicle Collision Repair Registration Board and the Medical Transportation Board). Receipts, fees, and fines are to be deposited into the Occupational Licensing and Regulatory Fund (Fund 4K9) as under current practice. The overall effect of the consolidation would be a likely short-term increase in transition costs starting in FY 2008. Future savings or costs would be difficult to project. Until the consolidation at the beginning of FY 2008, this provision provides FY 2007 appropriations for each of the 20 boards and commissions as stand-alone entities.

- **_Cultural Facilities Commission._** *Transfer of Funding for Various Capital Projects.* Funding for the Goll Wood Homestead ($50,000) is transferred to the Department of Natural Resources; funding for the Robins Theatre Renovations project ($1,000,000) is cancelled and distributed between the Packard Music Hall Renovations project (under CFC) and Mosquito Lake State Park (under DNR); funding for the Madison County Historic Schoolhouse ($40,000) is redirected to the Armory Youth Center; and funding for the Cleveland Institute of Art ($1,000,000), the Friendly Inn Settlement House ($250,000), and the Merrick House ($250,000) is transferred to Cleveland State University. The resulting net loss of capital appropriations and reappropriations under Fund 030 is $1,575,000.

- **_Department of Development._** *EDGE Bond Guarantee Program.* Slight savings in administrative expenses may be realized under the EDGE Bond Guarantee Program by allowing the Director of Development to seek Controlling Board approval once per year for each surety company that applies for bond guarantees.

- ***Department of Development.*** *Transfer to the Urban Redevelopment Loans Fund (Fund 5D2).* The bill increases the amount of cash that may be transferred from the Facilities Establishment Fund (Fund 037) to the Urban Redevelopment Loans Fund (Fund 5D2) from $10,950,000 to $16,425,000 (an increase of $5,475,000) over the FY 2006-2007 biennium.

- ***Environmental Protection Agency.*** *Section 401 Water Quality Certification Fee Exemption*. The bill specifies that Section 401 water quality certification fees do not apply to U.S. Army Corps of Engineers projects. This will result in a potential minimal loss of application and review fee revenue.

- ***General Assembly.*** *House and Senate Journals*. The bill permits the House and Senate Journals to be published electronically rather than printed. This may result in a minimal decrease in expenditures from the GRF.

- ***Department of Natural Resources.*** *Wildlife Central Support*. The bill increases GRF appropriation item 725-401, Wildlife-GRF Central Support, by $315,000 in FY 2006 and $365,000 in FY 2007, for a total of $1,315,000 in FY 2006 and $1,365,000 in FY 2007. This would be used to pay for the Division's share of central support charges in each fiscal year. Without this increase, it may be that other Divisions would be required to pay higher central support charges.

- ***Department of Natural Resources.*** *Parks Capital Expenses Fund Transfer.* The bill requires the Director of Budget and Management to transfer $20,000 in start-up funds in FY 2006 from the Parks and Recreation Improvement Fund (Fund 035) to the newly created Parks Capital Expenses Fund (Fund 227). The transfer will assist in account transaction processing.

- ***Department of Transportation.*** *State Infrastructure Bank Funds.* Because the bill now allows townships to use motor fuel tax revenues as debt service on State Infrastructure Bank (SIB) loans, similar to the authority granted to counties and municipalities, State and Federal Infrastructure Bank Funds (Fund 212 and Fund 213) may experience a gain in revenue from increased levels of township SIB loan repayments on future projects. These increased payments may provide additional funds for future projects statewide.

- ***Department of Agriculture, Department of Health, Environmental Protection Agency.*** *Co-location of State Agency Labs.* This provision requires that the Department of Administrative Services, Department of Agriculture (ODA), Department of Health (ODH), and the Ohio Environmental Protection Agency (OEPA) enter into a memorandum of understanding for co-locating the labs of ODA, ODH, and EPA agencies on ODA's Reynoldsburg campus. The Department of Agriculture is responsible for the labs' maintenance and care, but each occupant would share the costs for such maintenance proportionately. It is presumed that AGR and ODH would use GRF appropriations to pay for their share of the lab's maintenance costs. The EPA would tap either the Environmental Protection Fund (Fund 5BC) or the Laboratory Services Fund (Fund 199) to pay its share of expenses.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2006	FY 2007-08 BIENNIUM
Local Governments (Counties, Municipalities, and Townships) – *Temporary Liquor Permits*		
Revenues	Potential minimal gain from the issuance of F-7 liquor permits	Potential minimal gain from the issuance of F-7 liquor permits
Expenditures	- 0 -	- 0 -
Local Governments (LLGSF, LGF, & LGRAF) – *National Guard Tax Deductions*		
Revenues	- 0 -	Minimal loss
Expenditures	- 0 -	- 0 -
Local Governments (LLGSF, LGF, & LGRAF) – *Telephone Company Refundable Tax Credit*		
Revenues	- 0 -	Potential loss up to $201,000 in FY 2008
Expenditures	- 0 -	- 0 -
Counties – *County Partnerships for Success Projects*		
Revenues	- 0 -	Up to $1.5 million in FY 2007 state subsidy moneys to support Partnerships for Success Projects statewide
Expenditures	- 0 -	Up to $1.5 million increase to support Partnerships for Success Projects statewide
Counties and Municipalities – *Vehicle Weight Violation Fine Money*		
Revenues	Potential gain for municipalities from certain vehicle weight violation fines with corresponding potential loss to county in which affected county located	Potential gain for municipalities from certain vehicle weight violation fines with corresponding potential loss to county in which affected county located
Expenditures	- 0 -	- 0 -
Townships – *State Infrastructure Bank Provisions*		

LOCAL GOVERNMENT	FY 2006	FY 2007-08 BIENNIUM
Revenues	Unknown gain, if any, in future SIB loans due to additional fund leverage	Unknown gain, if any, in future SIB loans due to additional fund leverage
Expenditures	- 0 -	- 0 -
School Districts – *School Breakfast and Lunch Programs*		
Revenues	- 0 -	- 0 -
Expenditures	- 0 -	Potential increase for approximately 250 schools to establish breakfast programs
School Districts – *Educational Choice Scholarship Eligibility*		
Revenues	- 0 -	Some districts may have deductions from their state aid for scholarship students
Expenditures	- 0 -	Potential decrease for districts with scholarship students
School Districts – *National Guard Tax Deductions*		
Revenues	- 0 -	Minimal loss
Expenditures	- 0 -	- 0 -
Columbus City School District and City of Columbus – *Tax Exemption for the Columbus Crew Stadium*		
Revenues	- 0 -	Possible loss of tax revenues to the school district potentially offset by increase in state aid Loss of more than $183,066 per year to other units of local government
Expenditures	- 0 -	- 0 -
Public Health Clinics – *Free Clinic Reimbursement*		
Revenues	Potential loss in reimbursement from Department of Health	Potential loss in reimbursement from Department of Health
Expenditures	- 0 -	- 0 -
Local Commissioners of Health, Local Registrars of Vital Statistics, and Courts of Common Pleas – *Delay in Transfer of Vital Statistics Fees*		
Revenues	Potential delay in transfer of fee revenue to Treasurer of State (no change in amount transferred)	Potential delay in transfer of fee revenue to Treasurer of State (no change in amount transferred)
Expenditures	- 0 -	- 0 -
Area Agencies on Aging – *Criminal Records Checks for Ombudspersons and Community-Based Long-Term Care Staff*		
Revenues	- 0 -	- 0 -
Expenditures	Potential increase in costs to conduct criminal background checks	Potential increase in costs to conduct criminal background checks
County Alcohol and Drug Addiction Services Boards and Community Mental Health Boards – *Combining the Boards*		
Revenues	- 0 -	- 0 -
Expenditures	Potential savings	Potential savings

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

- ***Local Governments.*** *F-7 Temporary Liquor Permits.* Local governments receive a portion of liquor permit fee revenue. The issuance of a new F-7 liquor permit would result in a minimal increase in liquor permit revenue for the local governments where the liquor permits are issued. It is unlikely that this bill would increase local law enforcement costs since, presumably, police already patrol these golf events.

- ***Local Governments.*** *National Guard Tax Deductions.* The tax deductions for members of the National Guard on active duty or their designated beneficiaries would reduce revenues from the state individual income tax by up to $53,000 or more in FY 2007, $51,000 or more in FY 2008, and $24,000 or more in FY 2009. The local government funds freeze for FYs 2006 and 2007 would result in no revenue loss to the local government funds in FY 2007 from the tax changes. In subsequent years the revenue loss would be shared by the GRF, the LLGSF, the LGF, and the LGRAF according to the statutory distribution of income tax receipts.

- ***Local Governments.*** *Telephone Company Refundable Tax Credit.* Converts an existing credit under the corporate franchise tax (CFT) from nonrefundable to refundable, for three years, then the credit would expire. The credit is for telephone companies for their cost of providing network access to the communicatively impaired. The credit is nonrefundable for tax year 2005, but the bill would make it refundable for tax years 2006, 2007, and 2008. This provision may decrease revenue from the CFT by up to $1.4 million in state FY 2006, $2.8 million in FY 2007, and $4.2 million in FY 2008. The credit is eliminated after taxable year 2008, so that the bill may increase revenue by up to $1.4 million in FY 2009. There would be no revenue effect after FY 2009. The statutory formula allocates 4.2% of revenue from the CFT to the Local Government Fund (LGF), and 0.6% to the Local Government Revenue Assistance Fund (LGRAF). The local government fund freeze means that there is no revenue loss to these funds during the current state biennium.

- ***Local Governments.*** *Laundry and Dry Cleaning Services.* The bill exempts from the sales and use tax certain tangible personal property items used to remove soil or dirt from articles of clothing and other fabric items supplied as part of a laundry and dry cleaning service. This exemption reduces revenues from local permissive and transit authority sales and use taxes.

- ***Counties.*** *County Partnerships for Success Projects*. Presumably, as a result of the $1.5 million cash transfer to the Department of Youth Services' Partnerships for Success Fund, up to that amount could be available in FY 2007 to disburse in the form of county subsidies, the purpose for which would be to build their capacity to effectively prevent and respond to child and adolescent problem behaviors, while promoting positive youth development.

- ***Counties.*** *County Funding of Nonprofit Science Museums.* The bill authorizes boards of county commissioners to maintain and operate facilities to encourage the study of and promote the sciences and natural history and to levy a tax for that purpose.

- ***Counties.*** *Sales and Use Tax*. The bill eliminates the requirement that resolutions levying or increasing a county sales and use tax levied for general fund purposes be adopted at least 120 days before the tax or tax increase goes into effect. The bill also refunds to a person that constructs an "impact facility" up to 75% of the county piggyback sales and use taxes collected on each retail sale for a term of up to ten years or until the person's investment in the impact facility has been realized, whichever occurs first.

- ***Cuyahoga County.*** *Regional Arts and Cultural Districts Cigarette Tax*. The bill authorizes qualifying regional arts and cultural districts to tax cigarettes up to an amount not exceeding 30 cents per pack of cigarettes. The bill potentially increases revenues for Cuyahoga County (the only county that qualifies) if the county decides to exercise this option.

- ***Counties and Municipalities.*** *Vehicle Weight Violation Fine Money.* By establishing the distribution of certain vehicle weight violation fines, money collected as a result of an arrest made by municipal law enforcement personnel that might otherwise have been deposited in the county treasury where the violation occurred would instead be deposited in the municipal treasury. As of this writing, the magnitude of that potential revenue gain to a municipal treasury, and corresponding potential loss to the appropriate county treasury is uncertain.

- ***Townships.*** *State Infrastructure Bank Provisions.* Townships may experience an unknown gain, if any, from additional SIB loans due to the ability to use state motor fuel tax revenue as debt service on SIB loans.

- ***School Districts.*** *School Breakfast and Lunch Programs.* Expands the mandate for school districts to offer breakfast and lunch programs and includes community schools and nonpublic schools in this mandate. Approximately 250 public schools that would fall under the expanded mandate are not currently providing a breakfast program. These schools may incur costs related to setting up the program, although they can opt out if they cannot afford these costs.

- ***School Districts.*** *Educational Choice Scholarship Eligibility.* Expands eligibility for the Educational Choice Scholarship Pilot Program, adding approximately 28,000 eligible students at 53 school buildings in FY 2007. The total number of scholarships remains capped at 14,000, but the bill may increase the number of eligible students in some districts that already have eligible students and may result in eligible students in some districts that currently do not have any eligible students. For each scholarship student, $5,200 is deducted from the resident district's state aid in FY 2007. The resident district will not have to educate the student.

- ***School Districts.*** *Tax to Offset Charge-Off Increases.* Permits school districts to levy, with voter approval, a property tax that approximately offsets any year-to-year decrease in state base cost funding caused by inflation in the real property component of the formula charge-off. If a district receives approval to levy such a tax, the district may not need to pass property tax levies as frequently and will, therefore, potentially decrease expenditures on levy campaigns.

- ***School Districts.*** *Exceptional Needs Program.* Expands eligibility for participating in the Exceptional Needs Program (ENP) to include school districts in the 51st through 75th percentiles. Currently, districts in the 1st through 50th percentiles and districts with territory larger than 300 miles are eligible to participate in the ENP. Current law allows the School Facilities Commission to spend up to 25% of its annual appropriations for the ENP. The bill could potentially decrease ENP funding for districts in the 1st through 50th percentiles and districts with territory larger than 300 miles and increase ENP funding for districts in the 51st through 75th percentiles.

- ***School Districts.*** *Limit on a School District's Net Indebtedness.* Allows debt that is to cover the cost of items designated by the School Facilities Commission as "required locally funded initiatives" and the cost of site acquisition associated with the Classroom Facilities Assistance Program to go beyond the statutory limits on a district's net indebtedness. This would make it easier for school districts to issue more debt to fund those items.

- ***School Districts.*** *National Guard Tax Deductions.* School district income tax revenues would be reduced due to a reduction in the tax base; the tax base would be reduced by the two new deductions.

- ***School Districts/Local Governments.*** *Restoration of Tax Exemption for Certain Churches.* The bill authorizes a one-year retrospective property tax exemption for church property that qualified for exemption for tax year 2003 but did not receive the exemption because a former owner did not file an application. School districts and other local governments would forgo tax revenues for tax year 2003 from two churches, which under current law the owners of these churches would be required to pay in order to restore the tax-exempt status of the churches.

- ***School Districts/Local Governments.*** *Tax Exemption for Qualifying Hospital Property.* A tax exemption for qualifying hospital property would result in loss of tax revenue to school districts and other local governments. The loss of tax revenues to schools would in most cases be partially offset by increased state aid.

- ***School Districts/Local Governments.*** *Community Reinvestment Areas.* Units of local government may forgo tax revenue as a result of authorization for late filing of applications for tax exemption in Community Reinvestment Areas. The loss of tax revenues to schools generally would be only partially offset by increased state aid.

- ***Columbus City School District/City of Columbus.*** *Tax Exemption for the Columbus Crew Stadium.* The tax exemption for the Columbus Crew Stadium could reduce tax revenues to the Columbus City School District by more than $410,564 per year. Any tax exemption is contingent on approval by the school district. More tax-exempt property in the district would potentially increase state aid to the district. The tax exemption would also reduce tax revenues to other units of local government by more than $183,066.
    - The bill would also provide exemption from taxation for some or all taxes owed on the property for prior years.

- ***Public Health Clinics.*** *Free Clinic Reimbursement.* Potentially lowers the percentage of medical liability insurance premiums that the Department of Health is mandated to reimburse free clinics participating in a professional liability insurance reimbursement program from a fixed 80% of the premiums paid (up to a maximum of $20,000) to an amount that is up to 80%.

- ***Local Commissioners of Health, Local Registrars of Vital Statistics, and Courts of Common Pleas.*** *Delay in Transfer of Vital Statistics Fees.* Changes the times by which additional fees on certified copies of birth records, certifications of birth, death records, and filings for divorce decrees and decrees of dissolution are to be forwarded from local commissioners of health, local registrars of vital statistics, and courts of common pleas to the Treasurer of State for deposit into the Children's Trust Fund (Fund 198 within the Department of Job and Family Services) and the Family Violence Prevention Fund (Fund 5BK within the Department of Public Safety). The amounts of the fees deposited into these funds are not changed; however, there could be a delay in the transfer of these moneys to Fund 198 and Fund 5BK.

- ***Area Agencies on Aging.*** *Criminal Records Checks for Ombudspersons and Community-Based Long-Term Care Staff.* Expands the requirement that persons under final consideration for employment with a PASSPORT agency undergo a criminal records check. The bill also requires that persons with Regional Offices of the Long-Term Care Ombudsperson Program also undergo criminal records checks. This could increase costs to regional long-term care ombudspersons programs. It is unknown at this time if applicants will pay for any or part of these background check costs.

- ***County Alcohol and Drug Addiction Services Boards and Community Mental Health Boards.*** *Combining the Boards.* Combining the two boards (county alcohol and drug addiction services boards and community mental health boards) could result in a savings by reducing the duplication in board operations in the counties that currently have separate boards.

- ***County Boards of Mental Retardation and Developmental Disabilities.*** *Targeted Case Management Services.* Requires the county boards of mental retardation and developmental disabilities to submit payment directly or pledge state subsidy money to cover the nonfederal portion of the funding for targeted case management services. These provisions will affect cash flow to and from the county boards; however, the net fiscal impact to the state and county boards will be zero.

Detailed Fiscal Analysis

I. CAPITAL REAPPROPRIATIONS

TOTAL REAPPROPRIATIONS[1] BY FUND BY AGENCY Fiscal Years 2007-2008	
	Departments
GENERAL REVENUE FUND	
Department of Administrative Services	$963,900
Department of Natural Resources	$103,847
TOTAL GENERAL REVENUE FUND	$1,067,747
WILDLIFE FUND	
Department of Natural Resources	$6,687,444
PUBLIC SCHOOL BUILDING FUND	
School Facilities Commission	$46,659,933
HIGHWAY SAFETY FUND	

Department of Public Safety	$3,081,567
WATERWAYS SAFETY FUND	
Department of Natural Resources	$14,386,757
UNDERGROUND PARKING GARAGE OPERATING FUND	
Capitol Square Review and Advisory Board	$966,631
NURSING HOME – FEDERAL FUND	
Ohio Veterans' Home	$2,697,500
ARMY NATIONAL GUARD SERVICE CONTRACT FUND	
Adjutant General	$5,845,553
SPECIAL ADMINISTRATIVE FUND	
Department of Job and Family Services	$18,076,956
COMMUNITY MATCH ARMORIES FUND	
Adjutant General	$4,273,922
STATE FIRE MARSHAL FUND	
Department of Commerce	$33,833
VETERANS' HOME IMPROVEMENT FUND	
Ohio Veterans' Home	$1,767,930
EDUCATION FACILITIES TRUST FUND	
School Facilities Commission	$114,342,348
CLEAN OHIO REVITALIZATION FUND	
Department of Development	$53,910,427
JOB READY SITE IMPROVEMENT FUND	
Department of Development	$30,000,000
HIGHWAY SAFETY BUILDING FUND	
Department of Public Safety	$3,561,703
ADMINISTRATIVE BUILDING FUND	
Adjutant General	$6,076,903
Department of Administrative Services	$74,933,078
Department of Agriculture	$1,766,759
Attorney General	$51,942
Capitol Square Review and Advisory Board	$1,743,633
Expositions Commission	$5,017,940
Department of Natural Resources	$5,448,784
Department of Public Safety	$1,932,242
School for the Blind	$2,350,124
School for the Deaf	$1,758,451
TOTAL ADMINISTRATIVE BUILDING FUND	$101,079,856
ADULT CORRECTIONAL BUILDING FUND	
Department of Rehabilitation and Correction	
Statewide and Central Office Projects	$83,605,359
Belmont Correctional Institution	$28,928
Chillicothe Correctional Institution	$385,188
Correctional Reception Center	$2,205
Correctional Medical Center	$80,895
Corrections Training Academy	$913,710
Dayton Correctional Institution	$462,429
Franklin Pre-Release Center	$1,200
Grafton Correctional Institution	$920,416
Lebanon Correctional Institution	$1,393,488
London Correctional Institution	$253,893
Lorain Correctional Institution	$17,000
Madison Correctional Institution	$1,500
Mansfield Correctional Institution	$925,985
Marion Correctional Institution	$153,691
Ohio Reformatory for Women	$2,252,788
Ohio State Penitentiary	$12,700
Pickaway Correctional Institution	$12,655,918

Richland Correctional Institution	$271,278
Ross Correctional Institution	$117,063
Southeastern Correctional Institution	$430,521
Southern Ohio Correctional Facility	$150,664
TOTAL Department of Rehabilitation and Corrections	$105,036,819
TOTAL ADULT CORRECTIONAL BUILDING FUND	$105,036,819
JUVENILE CORRECTIONAL BUILDING FUND	
Department of Youth Services	$12,269,885
CULTURAL AND SPORTS FACILITIES BUILDING FUND	
Cultural Facilities Commission	$39,831,048
OHIO PARKS AND NATURAL RESOURCES FUND	
Department of Natural Resources	
Statewide and Local Projects	$32,837,144
Forestry	$746,018
Natural Areas and Preserves	$504,324
Parks and Recreation	$9,859,723
Soil and Water Conservation	$75,000
Water	$3,871,838
TOTAL Department of Natural Resources	$47,894,047
TOTAL OHIO PARKS AND NATURAL RESOURCES FUND	$47,894,047
SCHOOL BUILDING PROGRAM ASSISTANCE FUND	
School Facilities Commission	$190,205,552
MENTAL HEALTH FACILITIES IMPROVEMENT FUND	
Department of Alcohol and Drug Addiction Services	$3,088,902
Department of Mental Health	$20,187,765
Department of Mental Retardation and Developmental Disabilities	
Statewide and Central Office Projects	$16,494,812
Cambridge Developmental Center	$52,479
Columbus Developmental Center	$17,294
Gallipolis Developmental Center	$47,859
Montgomery Developmental Center	$2,159
Mt. Vernon Developmental Center	$501,122
Northwest Ohio Developmental Center	$87,631
Southwest Ohio Developmental Center	$222,072
Tiffin Developmental Center	$46,841
Warrensville Developmental Center	$77,857
Youngstown Developmental Center	$69,681
TOTAL Mental Retardation and Developmental Disabilities	$17,619,807
TOTAL MENTAL HEALTH FACILITIES IMPROVEMENT FUND	$40,896,474
HIGHER EDUCATION IMPROVEMENT FUND	
eTech Ohio	$1,941,225
Board of Regents	$66,637,039
University of Akron	$23,217,289
Bowling Green State University	$39,827,235
Central State University	$4,553,017
University of Cincinnati	$15,104,051
Cleveland State University	$31,462,721
Kent State University	$31,628,070
Miami University	$18,020,903
Ohio State University	$105,955,671
Ohio University	$12,372,088
Shawnee State University	$3,494,827
University of Toledo	$22,309,569
Wright State University	$19,424,168
Youngstown State University	$8,911,098
Medical College of Ohio	$5,280,294
Northeastern Ohio Universities College of Medicine	$2,256,371
Case Western Reserve University	$1,544,871
Cincinnati State Technical and Community College	$5,397,625
Clark State Community College	$2,528,886
Columbus State Community College	$5,692,058
Cuyahoga Community College	$21,405,646
Edison State Community College	$708,331
Jefferson Community College	$456,420
Lakeland Community College	$6,019,855
Lorain County Community College	$10,287,582

TOTAL REAPPROPRIATIONS[1] BY FUND BY AGENCY

Fiscal Years 2007-2008

	Departments
Northwest State Community College	$935,126
Owens Community College	$4,656,228
Rio Grande Community College	$1,460,951
Sinclair Community College	$2,536,658
Southern State Community College	$181,365
Terra State Community College	$3,432,190
Washington State Community College	$385,162
Belmont Technical College	$998,351
Central Ohio Technical College	$369,780
Hocking Technical College	$2,782,153
James Rhodes State College	$1,508,966
Zane State College	$2,063,879
Marion Technical College	$213,893
North Central Technical College	$1,858,708
Stark Technical College	$1,878,885
TOTAL HIGHER EDUCATION IMPROVEMENT FUND	$491,699,205
PARKS AND RECREATION IMPROVEMENT FUND	
Department of Natural Resources	$31,742,587
STATE CAPITAL IMPROVEMENTS FUND	
Public Works Commission	$262,740,460
STATE CAPITAL IMPROVEMENTS REVOLVING LOAN FUND	
Public Works Commission	$65,646,475
CLEAN OHIO CONSERVATION FUND	
Public Works Commission	$43,316,386
CLEAN OHIO AGRICULTURAL EASEMENT FUND	
Department of Agriculture	$5,892,856
CLEAN OHIO TRAIL FUND	
Department of Natural Resources	$6,344,000
TOTAL REAPPROPRIATIONS, ALL FUNDS	$1,751,954,921

[1] Reappropriation amounts represent estimates of available moneys starting July 1, 2006.

II. NEW CAPITAL APPROPRIATIONS

New capital appropriations contained in the bill total $1.04 billion. Appropriations include:

- Department of Agriculture: $6,250,000 to the Clean Ohio Agricultural Easement Fund (Fund 057).
- Capitol Square Review and Advisory Board: $1,610,500 to the Administrative Building Fund (Fund 026) for improvements to the Statehouse cupola's gutters and roof, for sidewalk repairs, and replacement of handicap ramps.
- Department of Commerce: $1,908,000 to the State Fire Marshal Fund (Fund 546) for office and dormitory additions.
- Department of Development: $53,000,000 to the Clean Ohio Assistance Fund (Fund 003) for Clean Ohio Revitalization and Clean Ohio Assistance projects; $30,000,000 to the Job Ready Sites Fund (Fund 012).
- Expositions Commission: $500,000 to the Administrative Building Fund (Fund 026) for "Asset Procurement."
- Department of Mental Health: $5,500,000 to the Mental Health Facilities Improvement Fund (Fund 033) for "campus consolidation."
- Department of Natural Resources: $1,000,000 to the Administrative Building Fund (Fund 026) for "MARCS Equipment;" $5,050,000 to the Ohio Parks and Natural Resources Fund (Fund 031) for "project planning" and dam rehabilitation; $1,500,000 to the Parks and Recreation Improvement Fund (Fund 035) for South Bass Island State Park; $6,250,000 to the Clean Ohio Trail Fund (Fund 061).
- Public Works Commission: $120,000,000 to the State Capital Improvements Fund (Fund 038) for local public infrastructure purposes; $24,100,000 to the State Capital Improvements Revolving Loan Fund (Fund 040) to be used in accordance with sections 164.01 to 164.12 of the Revised Code; $37,500,000 to the Clean Ohio Conservation Fund (Fund 056).
- Board of Regents: $53,500,000 to the Higher Education Improvement Fund (Fund 034) for the Ohio Library and Information Network and the Third Frontier Project.
- Department of Rehabilitation and Correction: $30,024,990 to the Adult Correctional Building Fund (Fund 027) for improvements to powerhouse, security, and water systems, electric system upgrades, and general building renovations.
- School Facilities Commission: $80,000,000 to the Public School Building Fund (Fund 021); $585,000,000 to the School Building

Program Assistance Fund (Fund 032) for program assistance purposes.

- Ohio Veteran's Home: $552,500 to the Veterans' Home Improvement Fund (Fund 604) for roof replacement at Secrest/Veterans' Hall.

- Department of Youth Services: $1,750,000 to the Juvenile Correctional Building Fund (Fund 028) for fire suppression, safety, and security purposes.

III. BUDGET ADJUSTMENTS, FUND TRANSFERS, AND OTHER CORRECTIONS

Department of Administrative Services

Central Service Agency – Professional Licensing Boards

The bill increases appropriation item 100-632, Central Service Agency (Fund 115) by $375,700 in FY 2007, to $860,878. This is needed because the planned consolidation of the licensing boards within the Department of Commerce in FY 2007 is postponed until FY 2008 by this bill. The Central Service Agency will use the additional appropriation to cover expenses for establishing and recovering the costs of maintaining the CAVU licensing system used by the professional licensing boards. Earmarking requires CSA to bill the licensing boards the appropriate amounts for its services, but limits these charges to $375,700. All payments will be deposited into Fund 115. Also for FY 2007, any changes from the method used to calculate FY 2006 costs to be recovered via transfer of funds or any changes from the type of costs recovered through FY 2006 transfers are subject to Controlling Board approval.

Unclaimed Funds Deposited into the State Architect's Fund

The bill allows for a contractor's funds escrowed by the Department of Administrative Services (DAS) and maintained in an account with an escrow agent for a public improvement contract to be released to the State Architect's Fund (Fund 131) if the contractor has not claimed the funds within a reasonable time. Prior to the release of the funds to DAS the bill requires DAS to notify the contractor of the escrowed amount. If the contractor fails to respond to the notice within 30 days the money shall be released to DAS. The bill states that the money released shall be considered an additional fee related to the administration of the contract. This change will result in a revenue gain to the State Architect's Fund (Fund 131). The amount of the gain will depend on the amount of unclaimed funds. Currently, an estimate of the additional funds that may be credited to Fund 131 is unknown.

Governor's Residence Advisory Commission

The bill adds additional responsibilities to the Governor's Residence Advisory Commission, including providing for the care and placement of plants on the grounds of the Governor's residence, and establishing the grounds as a representation of Ohio's natural ecosystems. Furthermore, the bill provides that any aesthetic materials and plants that have been acquired, donated, or loaned or otherwise obtained for the Governor's residence, must be approved by the Commission. The bill also increases the members of the Commission from nine members to eleven members. The two new members include the mayor of the city of Bexley and the chief executive officer of the Franklin Park Conservatory.

To cover the costs of these new responsibilities as well as cover any actual and necessary expenses of the two additional board members, the Governor's Residence Fund (Fund 5A2) may experience an increase in expenditures. If there are not sufficient funds in Fund 5A2 to cover these expenses, other appropriations approved by the General Assembly may pay for these expenses. However, some of these additional costs, if any, may be covered by any new endowments deposited into the fund. The bill adds that the Commission may accept any endowment for the maintenance and care of the grounds on the residence in addition to currently allowable gifts, bequests, donations, or other devises.

Membership of the eTech Ohio Commission and Ohio Business Gateway Steering Committee

The bill replaces the Director of Administrative Services (DAS), or the Director's designee, as a nonvoting member of both the eTech Ohio Commission and the Ohio Business Gateway Steering Committee with the Director of the Office of Information Technology, or the Director's designee. This change will create no fiscal impact on the operations of either the Commission or the Committee.

Adjutant General

Commemorative Ohio National Guard Service Medal

The bill creates the Commemorative Ohio National Guard Service Medal for Ohio National Guard members who have been honorably or medically discharged or released from service. The Adjutant General's Department is required to design the medal, determine the purchase fee for the medal, and administer the program. Based on the costs of administering other medal programs, the Department expects start-up costs to be approximately $1,000 to $1,500, which may include designing and purchasing the initial group of medals to be purchased by eligible members. Fees received from those members purchasing the medal are expected to cover future program costs. The Department estimates each medal to cost between $10 and $15. It is not known at this time how many members would be eligible for the medal; however, the Department anticipates the number to be in the tens of thousands.

The bill creates the National Guard Service Medal Fund (Fund 5DN), in the state treasury, to collect moneys received from those eligible members who wish to purchase a medal. The bill also creates Fund 5DN appropriation item 745-618, Service Medal Production, and appropriates $1,500 in FY 2006 to cover the program's start-up costs. The Director of Budget and Management is authorized to transfer up to $1,500 from the GRF to Fund 5DN in FY 2006.

Cash transfer to General Obligation Fund (Fund 392)

The bill requires the Director of Budget and Management to transfer $103,981.68 from the Adjutant General's Camp Perry Clubhouse and Rental Fund (Fund 536) to the Department of Health's General Obligations Fund (Fund 392) in FY 2006. The transfer corrects two depositing errors, made by the Department of Health, in which $103,981.68 was incorrectly placed into Fund 536 rather than Fund 392.

Department of Aging

PASSPORT Transfers

The bill makes changes to the language that deals with the transfer of funds from the Department of Job and Family Services (JFS) to the Department of Aging (ODA) to reimburse ODA for PASSPORT services provided to individuals who were previously admitted to a nursing facility while they were on a waiting list for the PASSPORT program, for whom PASSPORT is appropriate, and who prefer to participate in PASSPORT rather than reside in the nursing facility. Specifically, the language is changed from *the transfer of an entire biennium's worth of estimated expenses* to a *quarterly transfer of actual expenditures*. Therefore, the state share from GRF line item 600-525, Health Care/Medicaid, in JFS to be transferred to GRF line item 490-403, PASSPORT, in ODA will be based on actual expenditures instead of estimated costs. Similarly, the corresponding increases in line item 600-655, Interagency Reimbursement (Fund 3G5), in JFS and line item 490-607, PASSPORT (Fund 3C4), in ODA reflecting the federal share will be based on actual costs. If actual expenditures are higher or lower than estimated costs, the transfers and increases in appropriations will be higher or lower than under current law.

Criminal Records Checks for Ombudspersons and Community-Based Long-Term Care Staff

The bill expands the requirement that persons under final consideration for employment with a PASSPORT agency in a position that involves providing direct care to an older adult undergo a criminal records check to persons under final consideration with any community-based long-term care agency in a position that involves providing direct care to an individual of any age.

The bill also requires that persons under final consideration for employment with the Office of the State Long-Term Care Ombudsperson Program in a position that involves providing ombudsperson services to residents of long-term care facilities and recipients of community-based long-term care services, including as the State Long-Term Care Ombudsperson or the head of a regional long-term care ombudsperson program, undergo a criminal records check.

Lastly, the bill adds transportation services as a service that is considered to be a community-based long-term care service for purposes of state law governing ombudsperson services and certification of community-based long-term care agencies.

Expanding the number of people who must undergo background checks before employment may cause additional expense to the Department and to Regional Offices of Long-Term Care Ombudsperson Programs at Area Agencies on Aging. The Ombudsperson program receives funding from state and federal sources. It is unknown at this time if applicants will pay for any or part of these background check costs. LSC has assumed that any additional costs to the Department would likely be paid using GRF money already appropriated to the Department. As a result of the requirement for additional background checks, the Bureau of Criminal Identification and Investigation may have an increase in workload. However, the cost of background check fees would likely cover most of the expenses related to increased workload. As a result, any increase to BCII will be minimal.

Department of Agriculture

Co-location of State Agency Labs – Department of Agriculture Campus

This provision requires that the Department of Administrative Services (DAS), Department of Agriculture (AGR), Department of Health (ODH), and the Ohio Environmental Protection Agency (EPA) enter into a memorandum of understanding concerning the co-location of their labs on the Department of Agriculture's Reynoldsburg campus. This memorandum or any revision is subject to OBM approval, and would require the Department of Agriculture to be responsible for the laboratories' maintenance and care, with the cost of such care being proportionately allocated among AGR, EPA, and ODH. OBM and DAS would assist in addressing issues regarding the memorandum's implementation.

Currently, the Department of Agriculture's maintenance staff is paid through the GRF. However, it may be that in the future, other funds may be used to pay for such expenses for the new building. The Department of Health's expenses for the building would most likely also come from the GRF. The Environmental Protection Agency's expenses may be paid out of either the Laboratory Services Fund (Fund 199) or the Environmental Protection Fund (Fund 5BC), as either fund may be used to pay its share of laboratory maintenance expenses. The Environmental Protection Agency is in the building now, and the Department of Health is scheduled to move in by March 2006.

Attorney General

Sale of final overdue claims

The bill: (1) authorizes the selling of final overdue claims owed to the state to private parties, (2) requires the State Auditor to review state agencies' procedures for collecting debts owed to them, (3) specifies a procedure for determining when debts are due for the purpose of when the debts must be certified to the Attorney General for collection, and (4) permits the Attorney General to sell the claims through a competitive process.

The state fiscal effect of the sale of certain debts will likely be dependent on the following variables: (1) the expenditures saved by reducing the Attorney General's debt collections workload, (2) the revenues lost by the sale of debts owed to the state at some price that would potentially reflect only a percentage of the value of that debt, and (3) the revenues generated from the sale of debts owed to the state. The net state fiscal effect will be determined by how the savings in debt collections operations compares to how much the state loses in foregone debt collections revenues. The magnitude and direction of that potential state fiscal effect is uncertain at this time. Presumably, however, the Attorney General would not sell debts owed to the state unless: (1) more revenue would be collected than might otherwise have been the case if the state had held onto the debts, (2) less time and money was expended on debt collection efforts than might otherwise have been the case if the state had held onto the debts, or (3) some combination of (1) and (2). Under current law, unchanged by the bill, the Attorney General's Collections Enforcement Section is statutorily responsible for collecting past due debts owed to the state of Ohio. The provision carries no readily apparent local fiscal effect.

Auditor of State

Operating Expenses Appropriation Increase

The bill increases appropriation item 070-321, Operating Expenses, by $320,000 in FY 2006 and by $180,000 in FY 2007. This increase is to help facilitate the transfer of warrant writing functions to the Office of Budget and Management (OBM) and to replace aging equipment used by the Auditor's office for other core functions.

WIRE Program Transfer from Auditor of State to OBM

The bill transfers the warrant writing functions, specifically the WIRE program, from the Auditor of State to OBM, effective July 1, 2007. This program costs approximately $1.16 million in each fiscal year. Of this amount, approximately $1.0 million is paid from appropriation item 070-321, Operating Expenses, and the remainder is paid from appropriation item 070-406, Uniform Accounting Network/Technology Improvements Fund. The employees responsible for the administration of this program will continue to do so within OBM.

Public Audit Expense – Intra-State

The bill increases appropriation item 070-601, Public Audit Expense – Intra-State, by $2,700,000 in FY 2006 and FY 2007. This increase is to pay expenses associated with performing a greater number of audits of school districts, Medicaid, and investments within the Bureau of Workers' Compensation. With the increase, total appropriations for this activity would be $12,000,000 in FY 2006 and FY 2007.

Training Costs – GASB 34 Implementation

The bill increases appropriation item 070-603, Training Program, by $50,000 in FY 2006 and FY 2007. This increase is to pay expenses associated with the training of local entities because of the implementation of GASB 34 accounting standards. With the increase, total appropriations for training would be $181,250 in both FY 2006 and FY 2007.

Office of Budget and Management

WIRE Program Transfer

Employees of the Auditor of State assigned to or responsible for this payment function will be transferred to the Office of Budget and Management on that date or as soon as possible thereafter. This function is currently GRF-funded through the Auditor of State and is expected to remain so after being transferred to OBM. Depending on how OBM implements the function, there could be an increase or decrease in expenditures beginning in FY 2008.

Department of Commerce

Liquor Permit for Certain Qualified Golf Events

This bill creates the F-7 liquor permit to authorize certain nonprofit organizations to sell beer, wine, mixed beverages, and spirituous liquor by the individual drink at a qualified golf event being held on premises located in a political subdivision where the sale of such beverages is otherwise permitted by law on that day under certain circumstances. For example, a qualified golf event would be a golf tournament hosted by a nonprofit organization and sanctioned by a recognized national golf organization such as the USGA, PGA, or LPGA where contributions to charity are made from the proceeds of the event that equal at least $200,000 in the aggregate. It is uncertain how many golf events would opt for the F-7 permit, but would appear to apply to major tournaments such as the Muirfield event. This will not likely create any substantial new local enforcement costs since, presumably, law enforcement personnel already patrol golf events.

The fee for this temporary permit is $450 and may only be effective for not more than eight days. The $100 processing fee, which covers the Division of Liquor Control's expenses in fingerprinting and making background checks for permanent license applications, does not apply to temporary liquor permit applications. Liquor permit fees are deposited into Undivided Liquor Permit Fund (Fund 066) and distributed to the

GRF, the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) for treatment and prevention programming, and the local governments where the liquor permits are issued.

Licensing Boards Consolidation

The bill creates the Division of Professional Regulation in the Department of Commerce, but delays its creation until July 1, 2007 (the beginning of FY 2008). The Division will comprise the following existing boards and commissions: The Ohio Athletic Commission; Barber Board; State Board of Cosmetology; Board of Embalmers and Funeral Directors; State Board of Optometry; Ohio Optical Dispensers Board; State Board of Psychology, State Chiropractic Board; State Board of Sanitarian Registration; Veterinary Medical Licensing Board; Board of Speech-Language Pathology and Audiology; Ohio Occupational Therapy, Physical Therapy, and Athletic Trainers Board; Counselor, Social Worker, and Marriage and Family Therapist Board; Chemical Dependency Professionals Board; Ohio Board of Dietetics; Ohio Respiratory Care Board; Ohio Medical Transportation Board; Motor Vehicle Collision Repair Registration Board; State Board of Orthotics, Prosthetics, and Pedorthics; and Manufactured Homes Commission.

The provision eliminates the authority of each of the boards and commissions to appoint an executive director and staff and gives that authority to the Superintendent of Professional Regulation, who is appointed by the Director of Commerce. Receipts, fees, and fines will continue to be deposited into the Occupational Licensing and Regulatory Fund (Fund 4K9), as under current practice; however, license and fine revenue from the Motor Vehicle Collision Repair Registration Board and the Medical Transportation Board, which currently maintain separate operating funds, will also be added to this pool.

The cost to carry forward the consolidation in FY 2008 and beyond is uncertain. However, it is likely that there will be significant costs to effectuate the migration of information technology systems from the distinct boards to the Department of Commerce, a process that may take up to three to four years. While there may be a short-term increase in transition costs, any new future costs or savings resulting from the consolidation would be difficult to estimate.

Until the consolidation of these boards within the newly created Division of Professional Regulation at the beginning of FY 2008, this provision provides FY 2007 appropriations for each of the twenty boards and commissions as stand-alone entities.

Cultural Facilities Commission

Funding for several capital projects originally appropriated under the Cultural Facilities Commission (CFC) is either transferred to other agencies or redirected for other projects administered by the CFC. In the case when a project is transferred to another agency, expenses associated with overseeing the project and administering the capital dollars, theoretically, also transfer to the new agency, resulting in potential savings for the CFC.

Goll Wood Homestead

Funding in FY 2006 for the Goll Wood Homestead ($50,000) is transferred from the Cultural Facilities Commission (CFC) to the Department of Natural Resources (DNR). In so doing, CFC appropriation item CAP-862, Goll Wood Homestead is eliminated and $50,000 is added to DNR appropriation item CAP-748, Local Parks Projects – Statewide. The project is reappropriated in FYs 2007 and 2008 under DNR.

Cleveland Institute of Art

Funding in FY 2006 for the Cleveland Institute of Art ($1,000,000) is transferred from CFC to Cleveland State University (under the Board of Regents). In so doing, CFC appropriation item CAP-069, Cleveland Institute of Art, is eliminated and Cleveland State University appropriation item CAP-148, Cleveland State University, is established. The project is reappropriated in FYs 2007 and 2008 under Cleveland State University.

Friendly Inn Settlement House and Merrick House

Funding in FY 2006 for the Friendly Inn Settlement House ($250,000) and the Merrick House ($250,000) is also transferred from CFC to Cleveland State University. CFC appropriation item CAP-856, Friendly Inn Settlement House Historic Site, and CAP-857, Merrick House Historic Site, are eliminated and Cleveland State University appropriation item CAP-084, Neighborhood Centers Renovations, is established and earmarked for renovations to each house. The projects are reappropriated in FYs 2007 and 2008 under Cleveland State University.

Robins Theatre, Packard Music Hall, and Mosquito Lake State Park

FY 2006 appropriation item CAP-063, Robins Theatre Renovations, is eliminated and $975,000 is added to appropriation item CAP-898, Packard Music Hall Renovation Project. Additionally, $25,000 is added to DNR appropriation item CAP-089, Mosquito Lake State Park, and is earmarked for costs associated with conducting a state lodge feasibility study. Reappropriations for the Packard Music Hall and Mosquito Lake State Park continue in FYs 2007 and 2008 at the same levels of funding.

Armory Youth Center

Funding in FYs 2006 to 2008 is redirected under CFC appropriation item CAP-822, the name for which changes from "Madison County Historic Schoolhouse" to "Armory Youth Center." Additionally, the Cultural Facilities Commission and the Ohio Historical Society are required to enter into an agreement whereby funds for the Armory Youth Center are administered by the Ohio Historical Society.

Department of Development

Transfer to the Urban Redevelopment Loan Fund

Am. Sub. H.B. 66 of the 126th General Assembly provided for a transfer from the Facilities Establishment Fund (Fund 037) to the Urban Redevelopment Loans Fund (Fund 5D2) for up to $10,950,000 over the biennium. The bill increases the amount of this transfer to $16,425,000 in order to cover prior-year encumbrances that will be paid in FY 2006.

Bond Guarantees for Minority and EDGE Businesses

The bill eliminates the authority of the Minority Development Financing Advisory Board to make recommendations to the Director of Development regarding the review and approval of applications submitted by surety companies under the EDGE Bond Guarantee Program. Additionally, the Director of Development is authorized (with Controlling Board approval) to approve one application per fiscal year from each surety company for bond guarantees, up to a specified amount that is intended to cover one year's worth of activity under the program. The intent of these provisions is, in short, to eliminate a couple of steps currently required to guarantee bonds under the EDGE program. Currently, surety companies are required to submit individual applications to the Director for bond guarantees, and the Director is required to seek Controlling Board approval for each approved application. In allowing the Director to seek Controlling Board approval once per year for each surety company (and reserving the right of the surety company to seek additional, individual approval for applications beyond the approved limit), the change may result in slight savings in administrative expenses for the Department.

Department of Education

Ohio State University – Center for Learning Excellence

The bill decreases the earmark of GRF appropriation item 200-421, Alternative Education Programs, for grants to suburban and rural districts by $247,000 in FY 2006 and FY 2007 and uses this appropriation to fund a contract with the Center for Learning Excellence at The Ohio State University to provide technical support and evaluation of the alternative education grant program. According to the Department of Education, four former grant recipients did not apply for grant extensions so that the reduction in the earmark will not affect the amounts received by current grantees.

School Districts

School Breakfast and Lunch Programs

The bill expands the mandate for school districts to offer breakfast and lunch programs to cover schools where at least one-fifth (instead of one-third, under current law) of the students are eligible under federal guidelines for free breakfasts and lunches, and also expands the program to state-mandated summer intervention programs. The bill also includes community schools and nonpublic schools in this mandate. The bill allows schools, community schools, and nonpublic schools to opt out of the expanded mandate if they cannot afford to implement the programs and they publicly notify residents. District schools that fall under the current one-third mandate, however, may not opt out. According to data from the Department of Education, approximately 250 public schools and 44 nonpublic schools that would fall under the expanded mandate are not currently providing a breakfast program. These schools may incur costs related to setting up the program, although they can opt out if they cannot afford these costs. The programs themselves are designed to be self-sufficient with federal and state reimbursements and the price of the meals covering the cost.

Educational Choice Scholarship Eligibility

H.B. 66 established the Educational Choice Scholarship Pilot program, beginning in FY 2007, to provide up to 14,000 scholarships to eligible students that can be used for tuition at nonpublic schools. The bill makes two changes to the eligibility criteria for the program. Currently, student eligibility generally requires enrollment in the previous year in a public school that has been in academic emergency for three consecutive years. The bill expands eligibility to students enrolled in public schools that have been in either academic emergency or academic watch for three consecutive years. Provision is also currently made for students entering kindergarten and for students enrolled in community schools. In these cases, students are eligible if students at the public school to which they would otherwise be assigned based on their residence are eligible. At least two districts in the state, however, have an intradistrict open enrollment policy under which students in certain grade levels are not automatically assigned to a particular school building. The bill specifies that in the case of these districts all kindergarten and community school students who are in the grade levels covered by the policy are eligible for the scholarships if the district has been in academic emergency for three consecutive years.

According to the Department of Education, students enrolled in or assigned to 49 buildings are currently eligible for scholarships in FY 2007. These buildings had a total enrollment of 19,338 in FY 2005. The bill's expansion of eligibility to students enrolled in or assigned to buildings that have been in either academic emergency or academic watch for three consecutive years permits students from approximately another 53 buildings to participate in the program. These 53 buildings had a total enrollment of approximately 28,160 in FY 2005. The number of scholarships, however, is still capped at 14,000 in FY 2007. This change may not, therefore, result in more scholarships being awarded, but will likely spread the scholarships over more schools and more districts. Some districts that currently have no eligible students may have eligible students under the bill. Some other districts that already have eligible students may see an increase in the number of eligible students as a result of the bill.

Scholarship students are counted in the average daily membership (ADM) of the resident school district for purposes of state base cost funding. In general, by counting the scholarship student in the resident district's ADM, the resident district's state aid will increase by the base cost per pupil ($5,451 in FY 2007 with base funding supplements) with the cost-of-doing-business factor adjustment. The resident district will then have $5,200 per scholarship student deducted from its state aid, so that, in general, a district retains about $200 of state aid for each scholarship student. The school funding formula, however, contains guarantee provisions that result in some districts receiving more state aid than what is calculated for their ADMs. Such a district may not receive an increase in state funding when a scholarship student is added to its ADM, but will still have the $5,200 deducted. School districts will not, however, have to educate the student.

Dayton City School District appears to be the only district with an intradistrict open enrollment policy under which students are not automatically assigned to a particular school building that has also been in academic emergency for three consecutive years. Dayton will have, under this provision, more students eligible for the scholarships in FY 2007. In fact, all incoming kindergarten students will be eligible as will all students currently enrolled in community schools. Dayton receives transitional aid in FY 2006, which means that Dayton's state funding is based on the state funding received in FY 2005 and may not increase when a few students are added to its ADM as long as the FY 2006 aid calculation remains below the FY 2005 calculation. Should Dayton continue to receive transitional aid in FY 2007, including a few additional scholarship students in the district's ADM may not result in an increase in state aid. For each community school student resident in Dayton, the entire base cost per pupil plus any special education and career-technical education weighted funding, parity aid, and poverty-based assistance generated by the student is deducted from Dayton's state aid. Dayton, therefore, may experience an increase in revenue if students (especially special and career-technical education students) that would otherwise have attended a community school are instead awarded a scholarship.

School District Tuition

The bill makes changes to the school district tuition law regarding which district is responsible for bearing the cost of educating a disabled child receiving special education and related services. Under these changes some districts may become responsible whereas others will no longer be responsible for bearing these costs.

Post-Secondary Enrollment Options

The bill repeals the requirement that the state Superintendent of Public Instruction seek reimbursement of state payments if a student does not attain a passing grade in a college course under the Post-Secondary Enrollment Options Program and replaces it with a requirement that the school district, community school, or nonpublic school in which the student is enrolled seek reimbursement. This provision shifts the administrative burden of seeking reimbursements from the state to local districts.

Autism Scholarship Program

The bill expands eligibility, beginning in FY 2007, for the Autism Scholarship Program by including children who have been identified as having a "pervasive developmental disorder – not otherwise specified (PPD-NOS)" as well as children who have been identified as autistic. The program provides scholarships of up to $20,000 to eligible students whose parents choose to enroll the child in a nonpublic or alternative public special education program. Each scholarship student is counted in the average daily membership (ADM) of the student's resident district for purposes of the state funding formula, and the amount of the scholarship is deducted from the resident district's state aid. In general, by counting the scholarship student in the resident district's ADM, the resident district's state aid will increase by the base cost per pupil ($5,451 in FY 2007 with base funding supplements) with the cost-of-doing-business factor adjustment plus a percentage of the additional special education weighted costs ($23,021 for an autistic student in FY 2007). The percentage of the weighted cost paid with state funds is equal to the percentage of the base cost paid for by the state for each district, referred to as the district's "state share percentage." State share percentages range from more than 80% in some low wealth districts to 0% in some very high wealth districts. For an average wealth district the state share percentage is approximately 50%. An average wealth district would receive, therefore, approximately $17,000 from the state for each scholarship student counted in its ADM. Higher wealth districts would received less and lower wealth districts would receive more. An average wealth district, therefore, could lose up to $3,000 in revenue for each student who receives a scholarship. In FY 2005, however, the average scholarship amount was approximately $12,600 while an average wealth district received approximately $16,200 from the state for each scholarship student included in ADM, so that, on average, districts were not losing revenue under the program. In addition, school districts will not incur the costs of educating the child.

Community School Enrollment

The bill prohibits certain students from being included in the enrollment of a community school, including students who were enrolled in the school during the previous school year when achievement tests were administered but did not take one or more of the tests, unless the student had a statutory exemption or a waiver from the Superintendent of Public Instruction. This provision may lead to a reduction in community school enrollment and a corresponding reduction in state funding transferred from school districts to community schools.

Community School Assessments

Beginning in the 2006-2007 school year, H.B. 66 mandates certain community schools to administer fall and spring reading and mathematics assessments, requires the State Board of Education to adopt standards for expected gains on those assessments, and establishes sanctions for certain community schools failing to meet those standards. Under these provisions, community schools incur the costs of administering and scoring the assessments. In addition, the sanctions could result in a community school being closed. The bill delays these provisions until the 2007-2008 school year, thereby also delaying any fiscal effects.

Calculation of Average Daily Membership (ADM)

The bill prohibits including in a school district's average daily membership, used for state funding purposes, any student who has graduated from a nonpublic high school. Any reduction in the ADM of a school district will, in general, reduce the state aid received by that district.

All-Day Kindergarten

The bill permits school districts receiving payments for the all-day kindergarten component of poverty-based assistance to use payments received for the other components of poverty-based assistance, including academic intervention payments, for all-day kindergarten. This provision gives these districts more flexibility in the use of poverty-based assistance and may allow them to use local funds that would have otherwise been used for all-day kindergarten, for other purposes.

School District Income Tax

H.B. 66 added an option for school districts wishing to levy an income tax. Instead of the tax base being Ohio adjusted gross income, districts may choose to levy the tax on only the employment earnings portion of Ohio adjusted gross income. The bill prohibits a district from levying taxes on both of these bases. This change could eliminate the possibility of confusion associated with taxing on two different bases in a single district. Of the 153 school districts with an income tax in FY 2006, one district, Circleville City (Pickaway County), has adopted the new employment-only earnings base. No districts have levied a tax on both of the possible bases.

The bill also permits school districts that levy income taxes to exempt from taxation military pay and allowances received by taxpayers stationed outside Ohio to the extent it is not already exempt from Ohio adjusted gross income (combat pay, for example, is already exempt). Any district choosing to authorize this exemption may incur a reduction in local revenues. This reduction could be offset by state revenues if the district receives gap aid. Approximately 8 of the 153 districts with an income tax receive gap aid in FY 2006.

Tax to Offset Charge-off Increases

The bill permits school districts to levy, with voter approval, a property tax that approximately offsets any year-to-year decrease in state base cost funding caused by inflation in the real property component of the formula charge-off. The tax must be levied for a minimum of five years and is limited to a maximum 4% increase per year in total operating taxes from carryover real property. If a district receives approval to levy such a tax, the district may not need to pass property tax levies as frequently and will, therefore, potentially decrease expenditures on levy campaigns.

Environmental Protection Agency

Environmental Protection – Section 401 Water Quality Certification Fee Exemption for U.S. Army Corps of Engineers

The bill specifies that application and review fees for the issuance of Section 401 water quality certifications issued by the Ohio Environmental Protection Agency (Ohio EPA) do not apply to the U.S. Army Corps of Engineers. This provision may result in a minimal, at most, loss in fee revenue for the Surface Water Protection Fund (Fund 4K4); however, there will be no corresponding decrease in expenditures, as the Ohio EPA will continue to review such projects.

General Assembly

House and Senate Journals

The bill permits the House and Senate Journals to be published electronically rather than printed. This provision yields a potential minimal decrease in expenditures from the GRF.

Department of Health

Free Clinic Reimbursement

The bill potentially lowers the percentage of medical liability insurance premiums that the Department of Health is mandated to reimburse free clinics participating in a professional liability insurance reimbursement program from a fixed 80% of the premiums paid (up to a maximum of $20,000) to an amount that is up to 80%.

Commission on Hispanic/Latino Affairs

Transfer from the GRF

The bill allows the Director of Budget and Management to transfer $5,850 in cash from the General Revenue Fund to Fund 601, Gifts and Miscellaneous, in the Commission on Hispanic/Latino Affairs' budget prior to June 30, 2006. The amount was mistakenly posted to the GRF at the end of FY 2005.

Department of Job and Family Services

Payments to Nursing Facilities for Uncompensated Capital Costs

The bill requires that the Director of Job and Family Services make a payment in FY 2007 to a qualifying nursing facility for uncompensated FY 2006 interest, depreciation, and lease expenses incurred due to a new capital project for which no adjustment to the facility's Medicaid reimbursement rate has been made.

The bill also contemplates, subject to the appropriation of funds for FY 2008, that the Director make a payment in FY 2008 to a qualifying nursing facility for uncompensated FY 2007 interest, depreciation, and lease expenses incurred due to a new capital project for which no adjustment to the facility's Medicaid reimbursement rate has been made if any money appropriated for the FY 2007 payments remains after the FY 2007 payments are made.

The bill reduces the appropriation in line item 600-525, Health Care/Medicaid, by $10 million state share and the corresponding federal share in FY 2007. The bill also appropriates $10 million in FY 2007 to newly created line item 600-529, Capital Compensation Program, in the Department of Job and Family Services and earmarks those dollars for payments to nursing facilities for uncompensated capital costs. Therefore, the net effect to the GRF is zero in terms of state share; however, the state will probably lose an estimated $15.1 million in federal Medicaid reimbursement. According to JFS, the federal government is unlikely to reimburse the state for retroactive payments for capital costs to nursing facilities.

FY 2007 Medicaid Reimbursement Formula for Nursing Facilities

The FY 2007 reimbursement rate for nursing facilities (NFs) is to be determined in accordance with the new statutory formula in Am. Sub. H.B. 66 of the 126th General Assembly. However, the budget act also provided that if an NF's rate as determined under the new formula is more than 102% of the rate the facility is paid on June 30, 2006, JFS must reduce the facility's 2007 rate so that the rate is no more than 102% of its June 30, 2006 rate. If an NF's 2007 rate as determined under the new formula is less than 98% of its June 30, 2006 rate, JFS is required to increase the facility's rate so that the rate is no less than 98% of its June 30, 2006 rate.

The bill requires that a nursing facility's rate as determined under the new formula be increased by a certain percentage. Thus, the bill potentially increases the FY 2007 Medicaid reimbursement rate for NFs. The state receives reimbursement of approximately 60% of any Medicaid costs from the federal government.

Medicaid Fund and Line Item Realignment

The bill realigns Medicaid funds and line items. Specifically, the bill does the following:

- Creates the Medicaid Revenue and Collections Fund (Fund 5DL) into which the nonfederal share of Medicaid-related collected revenues, collections, and recoveries that are not credited to another fund are to be credited. Renames the Hospital Care Assurance Match Fund (to which federal matching funds that are received under the Hospital Care Assurance Program are credited) the Health Care – Federal Fund and provides for the federal share of Medicaid-related revenues, collections, and recoveries (including drug rebates) that are not credited to another fund to also be credited to the fund.
- Expressly requires that the nonfederal share of all supplemental rebates paid by drug manufacturers under the Supplemental Drug Rebate Program be credited to the Prescription Drug Rebates Fund (Fund 5P5).
- Adjusts appropriations in line items 600-525, Health Care/Medicaid; 600-623, Health Care Federal; and 600-692, Prescription Drug Rebate – State, to reflect the changes as a result of separating the state share and the federal share of Medicaid drug rebates and third party collections.
- Renames line item 600-692 from "Health Care Services" to "Prescription Drug Rebate – State."
- Creates a new line item 600-639, Medicaid Revenue and Collections, to be used by the Department of Job and Family Services for Medicaid services.

ABD Managed Care Funding

The bill requires that federal reimbursement for the Aged, Blind, and Disabled (ABD) Managed Care Program be deposited into the Hospital Care Assurance Match Fund – Federal Fund (Fund 3F0) instead of the ABD Managed Care Program – Federal Fund (Fund 3AZ), which is being eliminated by this provision, and appropriates the amounts deposited into Fund 3F0 for the ABD Managed Care Program to line item 600-699, ABD Managed Care Program – Federal.

Hospital Care Assurance Match Fund

The bill allows the Department of Job and Family Services to use the existing federal fund, Hospital Care Assurance Match, which is renamed Health Care – Federal (Fund 3F0) in the bill, instead of the new federal fund, Fund 3BB, which was created in Am. Sub. H.B. 66 of the 126th General Assembly, to collect and distribute federal hospital care assurance funds.

Military Injury Relief Fund

Am. Sub. H.B. 66 of the 126th General Assembly (the budget act) created the Military Injury Relief Fund, but did not provide any spending authority for the fund. The bill creates appropriation line item 600-637, Military Injury Grants, in the Department of Job and Family Services and appropriates $2.0 million in fiscal year 2007.

Children's Trust Fund - Delay in Transfer of Vital Statistics Fees

The bill changes the times by which additional fees on certified copies of birth records, certifications of birth, death records, and filings for divorce decrees and decrees of dissolution are to be forwarded from local commissioners of health, local registrars of vital statistics, and courts of common pleas to the Treasurer of State for deposit into the Children's Trust Fund (Fund 198 within the Department of Job and Family Services) and the Family Violence Prevention Fund (Fund 5BK within the Department of Public Safety). Under current law, these fees are to be forwarded to the Treasurer of State not later than the tenth day of the immediately following month. The bill requires these fees to be forwarded to the Treasurer of State not later than 30 days following the end of each quarter for certified copies of birth records, certifications of birth, and death records and not later than 20 days following the end of each month for divorce decrees and decrees of dissolution. The amounts of the fees deposited into these funds are not changed; however, there could be a delay in the transfer of these moneys to Fund 198 and Fund 5BK.

Recovery of Medicaid Overpayments

The bill eliminates the restriction that limits the Department of Job and Family Services to recovering a Medicaid overpayment to the five-year period immediately following the end of the state fiscal year in which the overpayment is made but provides that the Department may make such a recovery only if it notifies the provider of the overpayment during that five-year period. By eliminating the restriction, the state has a greater chance to recover Medicaid overpayments. Thus, this provision of the bill could result in savings to the state.

Medicaid Audits

The bill allows for funds from Fund 4J5, Home and Community-Based Services for the Aged, to be used for any part of the audit of a nursing facility or intermediate facility for mental retardation and developmental disabilities. Currently, the audits are limited to Medicaid cost reports. Am. Sub. H.B. 66 of the 126th General Assembly (the budget act) earmarked $1 million in each fiscal year to fund the state share of audits of Medicaid cost reports.

Department of Job and Family Services and Other State Agencies

Assisted Living Waiver Transfers (Department of Aging)

The bill corrects language involving the transfer of funds from GRF line item 600-525, Health Care/Medicaid (within the Department of Job and Family Services), to GRF appropriation 490-422, Assisted Living Waiver (within the Department of Aging). GRF line item 600-525, Health Care/Medicaid, contains both state and federal share. The amendment would change the transfer of the state share from GRF line item 600-525, Health Care/Medicaid, to GRF line item 490-422, Assisted Living, to the *certified amount* rather than the *estimated costs*. The amendment would also reduce GRF line item 600-525, Health Care/Medicaid, by the corresponding federal share and eliminate the language transferring the federal share from 600-525 in JFS to the Assisted Living – Federal Fund (Fund 3C4) in the Department of Aging since an appropriation has been established in Fund 3C4 for FY 2007 and because the federal share would already be passed on to the Department of Aging through JFS appropriation 600-655. If the certified amount is higher or lower than estimated costs, the transfers and changes in appropriations will be higher or lower than under current law.

PACE (Department of Aging)

Under current law, the Department of Aging is to make payments to PACE providers. The bill provides a mechanism to transfer funds from the Department of Aging to the Department of Job and Family Services to make payments to PACE providers. The bill allows the Director of Budget and Management to do the following:

1. Transfer appropriations equal to the amount certified from GRF line item 490-421, PACE, to GRF line item 600-525, Health Care/Medicaid;
2. Increase the appropriation of GRF line item 600-525, Health Care/Medicaid, by the corresponding federal share; and
3. Decrease the appropriation in line item 490-621, PACE-Federal, (Fund 3C4) by the corresponding federal share.

Disability Medical Assistance Program (Department of Mental Health)

The bill increases GRF line item 600-513, Disability Medical Assistance, in the Department of Job and Family Services by $4.3 million in fiscal year 2006 and $5.7 million in fiscal year 2007 and decreases GRF line item 335-419, Community Medication Subsidy, in the Department of Mental Health by $4.3 million in fiscal year 2006 and $5.7 million in fiscal year 2007. Also, the earmark in the Department of Mental Health for the Disability Medical Assistance Program is removed.

ICF/MR Conversion Pilot Program (Department of Mental Retardation and Developmental Disabilities)

Am. Sub. H.B. 66 of the 126th General Assembly required the Director of ODJFS to seek federal approval for a Medicaid waiver authorizing the ICF/MR Conversion Pilot Program under which no more than 200 individuals receive home and community-based services in lieu of the ICF/MR service.

The bill makes several changes to the law governing the ICF/MR Conversion Pilot Program. The bill specifically requires the Director of Job and Family Services to adjust an ICF/MR's franchise permit fee if the ICF/MR's certified capacity is reduced under the ICF/MR Conversion Pilot Program. It also permits the Director to adjust an ICF/MR's franchise permit fee if the facility's certified capacity is increased after the ICF/MR Conversion Pilot Program is terminated.

Currently, ICF/MRs are required to pay a $9.63 franchise permit fee per Medicaid-certified bed and per number of days of the fiscal year for FYs 2006 and 2007. If the franchise fee revenue is reduced due to a decrease in the Medicaid-certified beds, the state will receive less franchise fee revenue under its Medicaid program.

Partnerships for Success (Department of Youth Services)

The bill provides for a cash transfer of $1.5 million in FY 2007 from the Children's Trust Fund (Fund 198 in the Department of Job and Family Services) to the Partnerships for Success Fund (Fund 5BH in the Department of Youth Services) and changes the date by which the Office of Budget and Management must transfer to the Children's Trust Fund any cash that remains unspent in the Partnerships for Success Fund from January 1, 2007, to January 1, 2008.

Reimbursements to a School District for Medicaid Services (Department of Education)

Am. Sub. H.B. 66 of the 126th General Assembly required that if the Department of Job and Family Services presents to the Department of Education a payment request through an intrastate transfer voucher for the nonfederal share of reimbursements made to a school district for Medicaid services provided by the district, the Department of Education is to pay the amount of that request to the Department of Job and Family Services and is to deduct the amount of that payment from the district. The bill increases the appropriations in line item 600-671, Medicaid Program Support, and 600-623, Health Care Federal, in the Department of Job and Family Services based on transfers from the Department of Education for Medicaid services provided to school districts and the corresponding federal share

Department of Mental Retardation and Developmental Disabilities

Targeted Case Management Services

The bill allows the Department of Mental Retardation and Developmental Disabilities (DMR) to enter into an interagency agreement with the Department of Job and Family Services (JFS) under which DMR will pay JFS the nonfederal portion of the cost of targeted case management services (estimated $9.34 million in FY 2006 and $20.28 million in FY 2007). It also provides direction on how the local share of targeted case management costs should be collected from county boards of mental retardation and developmental disabilities.

Currently, county boards pay the cost of targeted case management services and then bill the state in order to receive the federal Medicaid reimbursement. Under the bill, JFS will pay DMR the total cost of targeted case management services (estimated $23.35 million in FY 2006 and $50.07 million in FY 2007). DMR will then disburse the money to the county boards from Fund 5DJ, Targeted Case Management Services. The county boards will pay DMR the nonfederal share by either direct payment or by pledging state subsidies. DMR will then pay JFS the nonfederal share (Fund 5C9). The federal government will reimburse JFS for the federal share of the costs of targeted case management services (estimated $14.01 million in FY 2006 and $29.79 million in FY 2007). **The net fiscal impact will be zero.**

Transfer of Oil and Gas Lease Revenue to the GRF

The bill requires that by June 30, 2006, or as soon as possible thereafter, the Director of Budget and Management transfer $4,163.90 cash from the Miscellaneous Revenue Fund (Fund 152 in the DMR) to the General Revenue Fund (GRF) in order to fulfill the requirement of Revised Code section 5123.23 that all money received from leases, for oil and gas, of real estate owned by the state and placed under the supervision of DMR be paid into the state treasury to the credit of the GRF.

Department of Natural Resources

Wildlife Central Support

The bill increases the Department of Natural Resources' (ODNR) GRF appropriation item 725-401, Wildlife Central Support by $315,000 in FY 2006 and $365,000 in FY 2007, for a total appropriation amount of $1,315,000 in FY 2006 and $1,365,000 in FY 2007. These appropriations cover the Division of Wildlife's central support costs. All other ODNR Divisions pay central support payments into the Department's Central Support Indirect Fund (Fund 157).

Based on past LSC research, the Department indicates that without this increase in GRF appropriations, all other ODNR divisions would have to share in the cost to cover the $680,000 in central support costs for the Division of Wildlife. H.B. 167 of the 126th General Assembly exempted the Division of Wildlife from making direct and indirect cost payments into Fund 157 and instead required such payments to come out of GRF appropriation item 725-401, Wildlife-GRF Central Support.

Parks Capital Expenses Fund Transfer

The bill makes a technical correction to Section 209.18.09 (Department of Natural Resources) of Am. Sub. H.B. 66 of the 126th General Assembly. The correction includes the transfer of $20,000 in start-up funds from the Parks and Recreation Improvement Fund (Fund 035) to the newly created Parks Capital Expenses Fund (Fund 227). The correction will allow for account transaction processing to be more efficient.

Public Defender Commission

Legal Aid Fund (Fund 574)

The bill: (1) removes the requirement that the Legal Aid Fund (Fund 574) receive income from investment of the moneys in the fund by the State Treasurer, (2) requires the Ohio Legal Assistance Foundation to distribute moneys in Fund 574 monthly instead of twice each year, and (3) requires that the Legal Assistance Foundation Fund contain all moneys distributed to the Ohio Legal Assistance Foundation.

Under current law, Fund 574 retains all income earned from the investment of fund revenue by the State Treasurer. As noted above, Fund 574 would no longer retain the interest earnings from investments, the practical effect of which will be to redirect any of the fund's future interest earnings to the GRF. Based on current market conditions, the provision will produce an annual revenue loss of approximately $80,000 in moneys that would otherwise have been credited to Fund 574 and an annual gain of the same magnitude to the GRF.

Moneys deposited to the credit of Fund 574, which is administered by the Ohio Legal Assistance Foundation, are for the charitable public purpose of providing financial assistance to legal aid societies that provide civil legal services to indigents in Ohio. The loss of investment earnings revenue theoretically at least would translate into a reduction of corresponding magnitude in the total amount of financial assistance that might otherwise have been distributed to legal aid societies statewide.

Department of Public Safety

Vehicle Weight Violation Fine Money

The bill revises the distribution of fine money for vehicle weight violations found in section 5577.99 of the Revised Code. Currently, all fine money for violations pursuant to this section are deposited into the county treasury in the county where the violation occurred. The money is used for the maintenance and repair of roads, highways, bridges, or culverts.

As a result of the bill, certain vehicle weight violation fines collected as a result of: (1) an arrest made by the State Highway Patrol that might otherwise have been deposited in the county treasury where the violation occurred would instead be deposited in the state treasury, possibly to the credit of the Security, Investigations, and Policing Fund (Fund 840), and (2) an arrest made by municipal law enforcement personnel that might otherwise have been deposited in the county treasury where the violation occurred would instead be deposited in the municipal treasury. As of this writing, the magnitude of that potential revenue gain to the state treasury or a municipal treasury, and corresponding potential loss to the appropriate county treasury is uncertain.

Bureau of Motor Vehicles

The bill prohibits the display of a person's social security number on a driver's license, commercial driver's license, temporary instruction permit, or identification card. The Department of Public Safety's Bureau of Motor Vehicles already has the ability to remove social security numbers from drivers' licenses and identification cards if the person specifically requests that it not appear. According to BMV personnel, in order to comply with the prohibition the Bureau might incur a minimal one-time cost to perform the necessary modifications to existing software. The Department's Bureau of Motor Vehicles Fund (Fund 4W4) would mostly be the source of the moneys necessary to cover the one-time cost.

Criminal forfeiture proceeds

In order to comply with federal law, the bill: (1) replaces the Highway Patrol Federal Contraband, Forfeiture, and Other Fund (Fund 3BF) with two new funds, the Highway Patrol Justice Contraband Fund (Fund 83J) and the Highway Patrol Treasury Contraband Fund (83T), to segregate the proceeds the State Highway Patrol receives for a forfeiture of property pursuant to federal law based on the federal agency involved in the activity, (2) specifies that the interest or other earnings of the respective new funds be credited to those funds, and (3) transfers the cash balance in Fund 3BF to Fund 83J and Fund 83T as appropriate.

Board of Regents

Capital Component

The bill increases the appropriation to GRF appropriation item 235-552, Capital Component, by $1,003 in each fiscal year to correct a calculation error.

State Need-Based Financial Aid

The bill grants the Director of Budget and Management, at the request of the Chancellor of the Board of Regents, the authority to transfer the unencumbered and unobligated appropriation balances of GRF appropriation items under the Board of Regents to GRF appropriation item 235-503, Ohio Instructional Grants, in FY 2006 and to GRF appropriation items 235-503, Ohio Instructional Grants, and 235-563, Ohio College Opportunity Grant, in FY 2007. The transfer is to support the distribution of state need-based financial aid without reducing the award amounts or limiting eligibility for the programs as currently outlined in the Revised Code.

However, if the unencumbered and unobligated appropriation balances transferred are insufficient to support the distribution of state need-based financial aid, then the Director of Budget and Management is allowed to increase the appropriation to GRF appropriation item 235-503, Ohio Instructional Grants, by up to $30 million in FY 2006; and to increase the appropriations to GRF appropriation items 235-503, Ohio Instructional Grants, and 235-563, Ohio College Opportunity Grant, by a combined $30 million in FY 2007.

Two-year College Investments

The bill allows the board of trustees or managing authority of a community college, state community college, technical college, or university branch to invest its income in the same manner as the boards of trustees of the state universities. This would allow these districts to invest funds in publicly traded securities rather than solely in bonds or other interest-bearing obligations of a government entity as under current law. While this provision has no direct fiscal effect on the general funds of the two-year colleges, a secondary effect of expanding the investment choices available to the colleges could lead to a possible gain or loss of investment revenue depending on the performance of the additional investment options as compared to the government issued interest-bearing obligations.

Wood County Center for Agriculture

The bill earmarks up to $300,000 of the capital reappropriation under appropriation item CAP-628, Wood County Center for Agriculture, for building renovations to the OSU Extension Office/Ag Business Enhancement Center.

School Facilities Commission

Expansion of the Exceptional Needs Program

The Exceptional Needs Program (ENP) is designed to assist a school district in addressing its health and safety needs associated with a specific building prior to being eligible for district-wide assistance under the main Classroom Facilities Assistance Program. Currently, a school district with a wealth ranking in the 50th percentile or below, or with a territory larger than 300 miles, is eligible to participate in the ENP. Current law allows the School Facilities Commission (SFC) to spend up to 25% of its annual appropriations for the ENP. The bill expands ENP eligibility to school districts in the 51st through 75th percentiles on the SFC's annual eligibility ranking list. It could potentially decrease ENP funding for districts in the 50th percentile or below and districts with territory larger than 300 miles and increase ENP funding for approximately 150 districts in the 51st through 75th percentiles.

Limit on a School District's Net Indebtedness

School districts are generally not allowed to issue debt in excess of 9% of its total taxable valuation. Current law allows districts to go beyond this limit if debt is to cover the district share of the basic project cost associated with the Classroom Facilities Assistance Program (CFAP). The bill further allows debt that is to cover the cost of items designated by the SFC as "required locally funded initiatives" and the cost of site acquisition associated with the CFAP to go beyond the 9% limit. This would make it easier for school districts to issue more debt to fund those items.

Ohio School for the Blind and Ohio School for the Deaf

The bill repeals the provision, created in Am. Sub. H.B. 66 of the 126th General Assembly, that established custodial funds within the state treasury to hold money received from parents for personal use of students at the Ohio School for the Blind (OSB) and the Ohio School for the Deaf (OSD). Instead, the bill authorizes the OSB and OSD superintendents to maintain and manage the money, which was standard practice prior to H.B. 66. Whereas the State Treasurer may experience a small administrative cost decrease as a result of this change, the OSB and OSD may experience a small administrative cost increase to perform functions they had performed prior to H.B. 66.

The bill also requires that the OSB and OSD superintendents deposit any unclaimed funds in the student accounts into the Student Activity and Work-Study Fund (Fund 4M5) and the Educational Program Expenses Fund (Fund 4M0), respectively. Both Fund 4M5 and Fund 4M0 may realize potential minimal revenue increases if student funds remain unclaimed for one year after a student leaves the school. To date both schools have had little, if any, problems in refunding money of departing students.

Department of Taxation

Tax Credit under CFT for Network Access for the Communicatively Impaired

Under current law, telephone companies may claim a nonrefundable credit under the corporate franchise tax (CFT) for the cost to provide network access to the communicatively impaired. The bill makes the credit refundable for tax years 2006, 2007, and 2008. Costs incurred after

December 31, 2007 would not be eligible for reimbursement under the credit.

The Department of Taxation's Tax Expenditure Report indicates that the current tax credit has reduced revenue to the GRF and to the local government funds by a total of between $6.3 million and $7.0 million in recent years. Am. Sub. H.B. 66 enacted a phase-out of the CFT, which may prevent companies from being able to use the full credit that they claim. The tax liability in tax year 2006 is 80% of the liability calculated under the old formula, with the percentage declining to 60% in tax year 2007, 40% in 2008, 20% in 2009, and 0% in 2010. Converting the credit from nonrefundable to refundable may decrease tax liability, and therefore reduce revenues by up to 20% (equal to 100% minus 80%) of $7 million, or up to $1.4 million, in tax year 2006. Under the CFT, tax year 2006 generally corresponds to state FY 2006. Similarly, the revenue loss may be up to 40% of $7 million, or $2.8 million, in state FY 2007, and 60% of $7 million (or $4.2 million) in FY 2008. Since the credit is eliminated in tax year 2009, when the CFT is still in effect, the bill may create a revenue gain up to $1.4 million in FY 2009. Since the CFT is fully phased out beginning in FY 2010, there is no effect on revenue after FY 2009.

The following table provides the estimated maximum effects on revenue, by fund, until the revenue effects end:

Fiscal Year	GRF	LGF	LGRAF
2006	Up to $1.4 million loss	No gain or loss	No gain or loss
2007	Up to $2.8 million loss	No gain or loss	No gain or loss
2008	Up to $4.0 million loss	Up to $176,000 loss	Up to $25,000 loss
2009	Up to $1.3 million gain	Up to $60,000 gain	Minimal gain

Tax Deductions for National Guard Members on Active Duty

The bill establishes two new deductions under the personal income tax. The first is a deduction for the $100,000 death benefit that the Adjutant General (ADJ) pays to the designated beneficiary of a member of the National Guard that is killed while on active duty. The second is a deduction for life insurance premium reimbursements received from ADJ. Current law requires ADJ to reimburse a member of the National Guard for any premiums paid for life insurance under the federal Servicemembers' Group Life Insurance Act, when the premiums are for months the member is on active duty. The monthly premium is currently $27 for full benefits under the program. Both deductions are limited to the extent that these amounts are not already deducted or excluded in computing federal or Ohio adjusted gross income. The analysis below assumes that both benefits are currently taxable under federal law, and thereby included in federal adjusted gross income.

The revenue loss from the death benefit deduction depends on the number of members of the National Guard killed while on active duty, and on the income of the surviving beneficiary. To estimate this revenue loss, effective tax rates under the income tax are projected forward considering the falling rates enacted in Am. Sub. H.B. 66 for various income brackets. For a beneficiary earning $40,000 per year, the deduction would reduce taxes by an estimated $4,090 in FY 2007, $3,887 in FY 2008, or $3,684 in FY 2009. For a beneficiary earning $65,000 per year, by comparison, the deduction would reduce taxes by an estimated $4,356 in FY 2007, $4,141 in FY 2008, or $3,927 in FY 2009. Given historical experience with deaths of National Guard members in Iraq, up to ten or more members may die per year as long as the scale of military activity there continues at the level it has in the last year or so. Of course, if the scale of activity is reduced significantly, the number of deaths would be expected to fall, together with the revenue loss from this provision. Assuming up to ten deaths in calendar years 2006 and 2007 were eligible for the deduction, and assuming up to five deaths in 2008, and three or fewer in subsequent years were eligible, the revenue loss may be up to $44,000 or more in FY 2007, up to $42,000 or more in FY 2008, up to $20,000 or more in FY 2009, and up to $12,000 or more in subsequent fiscal years.

To estimate the revenue loss from the premium reimbursement, it is assumed that approximately 1,500 members of the Guard are on active duty on average each month, and that all of them will purchase the insurance because of the existing reimbursement. The total reimbursement paid would then be approximately $486,000 per year. The revenue loss from this amount of reimbursement would be less than $9,000 in FY 2007 and FY 2008, and would fall to less than $4,000 in FY 2009, assuming the number of National Guard members on active duty remains at current levels through calendar year 2007, and falls by half in 2008.

The total revenue loss from the new deductions is therefore up to the total amounts shown in the following table each year or more. The table also shows the breakdown by fund. The statutory formula allocates 89.5% of revenue to the GRF, 5.2% to the Library and Local Government Support Fund (LLGSF), 4.2% to the Local Government Fund (LGF), and 0.6% to the Local Government Revenue Assistance Fund (LGRAF).

Estimated revenue losses from new income tax deductions

Fiscal year	Total	GRF	LLGSF	LGF	LGRAF
2007	$53,000	$47,500	$3,100	$2,300	$400
2008	$51,000	$45,700	$3,000	$2,200	$400
2009	$24,000	$21,500	$1,400	$1,100	$200
2010	$16,000	$14,400	$1,000	$ 700	$100

The tax deductions would also reduce the tax base for school district income taxes. The revenue loss for each deduction claimed would depend on the school district in which the National Guard member (or the member's beneficiary) resides, and the school district income tax rate for that district. If a member were in a district without a school district income tax, there would be no revenue loss due to that member's deduction. Currently the highest tax rate in any school district in the state under this tax is 2%.

Incorporation of Changes Made to Federal Tax Laws in 2005

The bill incorporates into Ohio tax law all changes made in federal tax law in 2005. The references to the 2005 federal tax laws would reduce state tax revenue collections. According to Department of Taxation estimates, the loss to state revenue collections in FY 2006 and FY 2007-2008 are $2 million and $6 million, respectively.

Administration of Insurance Taxes

The bill makes changes to administration of the domestic insurance tax, the foreign insurance tax, and the tax on fire insurance premiums. The domestic insurance tax is paid by domestic insurance companies, which are insurers headquartered in Ohio; the foreign insurance tax is paid by insurers headquartered in another state.

The bill establishes procedures for domestic insurers, foreign insurers, and fire insurers to be charged interest on late payments of taxes due, and to be paid interest on overpayments. The Superintendent of Insurance is required to design a form with which insurers may apply for refunds of overpayments. Such applications must be filed within three years of erroneous payment of the tax. The bill establishes the authority for the Superintendent of Insurance to assess companies for underpayment of the taxes (with interest) within three years of the date the taxes that were underpaid were due. The three-year limitation on assessments does not apply if the underpayment was due to the company failing to file a tax return or due to fraud. The bill also establishes the order in which tax credits may be taken under the domestic and foreign insurance taxes.

The provisions regarding payment of interest and regarding the order in which tax credits must be claimed may create a minimal gain or loss in revenue to the GRF. In addition, the amount of the advance payment made by foreign insurers by October 15 would increase slightly due to a provision that the payment is based on the prior year's tax before credits (current wording bases the payment on the prior year's tax). This would accelerate the payment of a portion of the foreign insurance tax somewhat, but only within a fiscal year; this provision should not change the total payments received in any fiscal year. There is a similar acceleration in the payment of a portion of the tax on fire insurance premiums paid by foreign insurers, which would affect the timing of receipts to the State Fire Marshall's Fund (Fund 546). As with the timing change described above, this acceleration takes place within a fiscal year and thus would not affect total amounts received in any fiscal year.

Restoration of Tax Exemption for Certain Churches

The bill authorizes a one-year retrospective property tax exemption for church property that qualified for exemption for 2003 but did not receive the exemption because a former owner did not file an application. Retrospective exemption has the effect of restoring the property to current tax-exempt status without need for the current owner to pay outstanding taxes from 2003. In order for this exemption to be considered, the previous owner of the property must file a timely application with the Tax Commissioner for the exemption under this section of the bill. LSC understands that this provision would affect two churches.

Tax Exemption for Qualifying Hospital Property

The bill authorizes the prior owner of municipally owned hospital property that has had tax exemption applications dismissed for tax years 2001 through 2004, notwithstanding the fact that the property qualified as tax exempt charitable property during those years, to file an application with the Tax Commissioner for abatement or remission of unpaid real and tangible personal property taxes for those years. LSC believes that this change is a response to an Ohio Supreme Court decision in *Cleveland Clinic v. Wilkins*, finding that under R.C. 5713.08 the Tax Commissioner may not consider an application for exemption of property unless the application has attached thereto a certificate executed by the county treasurer showing that all assessments, interest, and penalties sought to be exempted have been paid in full to the date upon which the application for exemption is filed or that the applicant has entered into a valid undertaking with the county treasurer pursuant to R.C. 323.31(A) to pay all of the delinquent assessments, penalties, and interest charged against the property. The Tax Commissioner is permitted under 5713.08(B) to remit taxes, interest, and penalties for up to three years on property otherwise qualifying for exemption, but there is no comparable provision that assessments do not need to be paid in full. The subject property had unpaid special assessments from 1997.

It is LSC's understanding that this property is taxable and will remain so until this issue is resolved. Tax exemption for qualifying hospital property would result in loss of tax revenue to school districts and other local governments. The loss of tax revenues to schools would in most cases be partially offset by increased state aid. The change provided in the bill may have wider applicability. LSC does not have an estimate of the aggregate amounts of such losses.

Columbus Crew Stadium Tax Exemption

The bill would provide an exemption from taxation for real and tangible personal property that are part of publicly owned athletic facilities meeting certain conditions, notably that the land on which such property is located was originally leased in 1998 from a political subdivision, including the state or an agency of the state, and provided that the school district in which the property is located consents to the tax exemption.

LSC understands this property to be the Columbus Crew Stadium, the owner of record of which is the State of Ohio OEC et al., according to the county auditor's website. State of Ohio OEC is the Ohio Expo Center, an entity of the state and owner of the state fairgrounds, located near the Crew Stadium. Because of the specificity with which the relevant portion of the bill is stated, no property other than the one intended is likely to qualify for the exemption. Under current law, real or personal property belonging to the state and used exclusively for a public purpose is tax exempt. However, the Columbus Crew Stadium property, despite being owned at least in part by a state entity, is not in this category. Real property taxes for tax year 2005 total $593,630.16 and an additional $1,353,792.25 in prior year taxes, penalties, and interest is also due. LSC presumes that personal property taxes are also due on the property. The property is located in the Columbus City School District, for which 2005 taxes from the Crew Stadium property are $410,564.12. Under the bill, the consent of the Columbus City School District would be required for the tax exemption to go into effect.

On the assumptions that (1) the Columbus City School District consents to the exemption, (2) in the absence of tax exemption all taxes owed would be paid, and (3) additional personal property taxes are owed, the granting of the exemption would result in losses to the Columbus City School District of more than $410,564.12 yearly, and in losses to other units of local government of more than $183,066.04 yearly. In addition, the bill characterizes the change to the Revised Code granting the tax exemption as "remedial in nature and applies to the tax years at issue in any application for exemption from taxation pending before the Tax Commissioner, the Board of Tax Appeals, and Court of Appeals, or the Supreme Court on the effective date of this section and to the property that is the subject of the application." This provision appears to extend the tax exemption to some or all of the taxes owed for prior years and perhaps also to penalties and interest owed. Extension of an exemption to amounts owed for prior year real property taxes and to any amounts owed for prior year personal property taxes would entail additional losses of tax revenues to local governments, on the assumption that these taxes would be paid in the absence of the exemption. Another possibility is that in order to secure the consent of the Columbus City School District to the tax exemption, the owners of the Crew Stadium property would commit to payments in lieu of taxes to the school district, in which case only other local governments would lose potential tax revenues.

Tax exemption for the Crew Stadium property would potentially increase state aid to Columbus schools. The market value of the real property is $26,200,000, according to the county auditor's website, implying a tax value of $9,170,000 and a potential increase in annual base cost funding of 2.3% of this amount. Base cost funding might also increase by 2.3% of any tangible personal property exempted from taxation. Other state aid to the school district might also increase. Any such payments would begin no sooner than FY 2008. An agreement for payments in lieu of taxes would be treated like tax revenues in determining state aid, so would preclude any increase in aid based on the tax exemption.

Community Reinvestment Areas

The bill authorizes the owner of a dwelling constructed in a Community Reinvestment Area to file an application for exemption from real property taxes after the year the construction first becomes subject to taxation, and provides that the exemption, if granted, will apply only to the tax year during which the application is filed and to any subsequent years remaining in the exemption period for the Community Reinvestment Area. According to a posting on the Department of Development's website, residential applications for tax exemption in a Community Reinvestment Area are to be filed at construction completion. LSC's understanding is that late applications currently are not granted, so this change could increase tax exemptions and decrease local government tax revenues. LSC has no estimate of the amount of any such loss of revenue. Units of local government may forgo tax revenue as a result of allowing late filing of such applications. Loss of tax revenues to schools generally would be only partially offset by increased state aid.

County Funding of Nonprofit Science Museums

The bill authorizes boards of county commissioners to maintain and operate facilities to encourage the study of and promote the sciences and natural history. The bill also allows boards of county commissioners to contribute to nonprofit corporations to maintain, operate, or develop such a facility, including by the levy of a property tax. This provision is permissive and has no state fiscal impact. However, by allowing new tax levies dedicated to nonprofit science museums, the provision potentially increases local revenues.

Cigarette and Other Tobacco Products Tax

Regional Arts and Cultural Districts Cigarette Tax

The bill authorizes qualifying regional arts and cultural districts to tax cigarettes up to an amount not exceeding fifteen mills per cigarette. Thus, the bill allows up to a maximum tax of 30¢ on a pack containing 20 cigarettes. To qualify, the district must be located in a county having a population of 1.2 million or more according to the 2000 Federal Census, and voter approval is required. The bill potentially increases revenues for Cuyahoga County (the only county that qualifies) if the county decides to exercise this option.

Uncertified Cigarette Manufacturers Authorized to Sell Cigarettes to Wholesalers for Sale Outside Ohio

The bill authorizes licensed cigarette manufacturers who are not certified by the Attorney General to sell cigarettes to licensed wholesalers for sale outside Ohio. The bill requires these manufacturers to provide to the Tax Commissioner documentation showing that the cigarettes are legal for sale in another state. This provision has no state or local fiscal impact.

Sales and Use Tax

Effective Date of County Sales and Use Tax Levies

The bill eliminates the requirement that resolutions levying or increasing a county sales and use tax levied for general fund purposes be adopted at least 120 days before the tax or tax increase goes into effect. This provision may accelerate the commencement of tax collections from resolutions levying or increasing county permissive sales and use taxes.

County Sales and Use Tax Collections Returned to Owners of an Impact Facility

The bill returns to a person that constructs an "impact facility" up to 75% of the county piggyback sales and use taxes collected on each retail sale for a term of up to ten years or until the person's investment in the impact facility has been realized, whichever occurs first. A county may enter into an agreement with any person that proposes to construct an "impact facility" before December 1, 2006. Construction of the proposed impact facility shall not have begun prior to the day the agreement is entered into.

An "impact facility" is a facility at which retail sales are made; at least 10% of the total square footage of the facility is dedicated to educational and exhibition activities; at least $50 million is invested in land, buildings, infrastructure, and equipment for the site and the facility; an annualized average of at least 150 new full-time equivalent positions are created at the facility; and more than 50% of the visitors to the facility live at least 100 miles from the facility.

While these changes may have fiscal consequences, LSC has no estimates of the amounts of these effects. LSC is unable to establish how many of these retail facilities may or may not be built as a result of this provision, or how many would be built in the normal course of economic activity in the state.

Manufacturing Exemption for Certain Personal Property Used to Provide Laundry and Dry Cleaning Services When Owned by the Provider of Those Services

Under current law, sales of tangible personal property that a purchaser buys and uses primarily in a manufacturing operation to produce property for sale is exempt from the sales and use tax. The bill extends the exemption to machinery and equipment, detergents, supplies, solvents, and other tangible personal property used to remove soil or dirt from towels, linens, articles of clothing, or other fabric items that are supplied by a taxpayer to a consumer as part of laundry and dry cleaning services. The exemption will apply if the items belong to the provider of the services. The bill also specifies that if a "manufacturer" uses the machinery in both a taxable and an exempt manner, the machine must be totally taxable or totally exempt from taxation based upon its "quantified primary use."

This provision reduces the sales and use tax base, reducing state revenues from the sales and use tax. In addition, this provision decreases local government revenues from permissive and transit authority taxes.

Trust Income Tax

Apportionment of Income

The bill changes the allocation of a nonresident trust's gain or loss from selling or exchanging an investment in certain closely held businesses. The gain or loss from the disposition of debt interest or equity interest will be apportioned on the basis of the average of apportionment factors in the three years preceding the trust's disposition of the investment. Under current law, such gains or losses would be entirely allocated to Ohio or elsewhere. The fiscal impact of this provision is indeterminate.

Trust Election for Exemption from Income Tax or from the CAT

The bill allows a trust created before 1972 to "elect" whether it, and any pass-through businesses it owns more than 5% of, will be subject to the commercial activity tax; if the election is made, the trust is exempted from the income tax. If the election is not made, the trust and its 5%-owned pass-through businesses are exempted from the CAT. Currently, trusts and all pass-through business entities are subject to the CAT if they have taxable gross receipts over $150,000 and are not otherwise excluded under one of ten exemptions; trusts also are subject to the income tax. Thus, this election allows a trust to choose between exempting the trust from the income tax, or exempting the trust and its 5%-owned pass-through business from the CAT. The election is for taxes levied on and after January 1, 2005. Assuming trusts affected by this provision will minimize their overall income tax and CAT tax liabilities, this provision potentially decreases revenues. However, the amount of the revenue loss is not known.

Commercial Activity Tax

The bill contains numerous provisions modifying the CAT law. Most of the changes are technical corrections and other clarifications that have no state or local fiscal impact. These include changes on the following topics:

- Minimum tax for late-year registrants
- Registration information
- Credit for unused franchise tax credits
- "Bright-Line Presence" Test
- Prior consolidation election approval by the Tax Commissioner
- Foreign entities and the consolidation election
- Deadline for electing CAT consolidation
- Tax payment after the winding up of a business
- Wording on the "$1 million" threshold

Details on these changes are available in the LSC bill analysis. The following CAT provisions in the bill have certain fiscal implications, most of them minimal.

Intercompany Tax Payment Reimbursements

Members of a group may elect to file the CAT individually or as members of a consolidated or combined group. Receipts of members of a consolidated group taxpayer, including sales to a member of the consolidated group for the use of the member in Ohio, are excluded from the definition of tax receipts. Receipts are not excluded if they are received from sales to persons outside the group. The bill excludes payments between companies to reimburse one company's payment of the commercial activity tax, either between members of a consolidated or combined group or between a group member and a nonmember if the reimbursement is required to maintain economic parity between owners. This provision might potentially decrease CAT revenues when compared to current law. LSC assumes that the revenue loss will be minimal.

Exclusion for Tax Collections on Behalf of Tax Authorities

The definition of "taxable gross receipts" includes numerous exemptions and exclusions.
The bill excludes from the CAT taxable gross receipts base any taxes a taxpayer is required by law to collect directly from a purchaser and remit to a local, state, or federal tax authority. Current law excludes only sales tax collections by vendors. Given the exclusion generally available for receipts collected on behalf of others in the CAT law, LSC assumes that this clarification does not create a revenue loss as it codifies the general intent of the CAT law.

Clarification on CAT deductions

The definition of "taxable gross receipts" includes certain deductions. The bill clarifies that certain deductions in computing taxable gross receipts under the CAT are deductible only to the extent the deductible amount would have been a taxable gross receipt. This clarification prevents a potential decrease in CAT revenues where nontaxable amounts might be used to reduce a taxpayer's total taxable receipt.

Replacement Payments Schedule to Local Governments and School Districts

Revenues from the CAT are earmarked for the GRF and for reimbursing school districts and other local governments for the reductions and phase-out of local taxes on most tangible personal property. To that end, revenues from the CAT will be distributed to the School District Tangible Property Tax Replacement Fund (SDRF) and to the Local Government Tangible Property Tax Replacement Fund (LGRF).

The bill adjusts the timing of payments from CAT revenues to local governments as reimbursement for the phase-out of business personal property taxes, to 1/7 of annual payment in May and 3/7 in August and October (so that payments are more closely contemporaneous to property tax receipts). Under current law, the payments were 1/3 in each of the months. This provision has no state or local fiscal impact. The bill also adjusts the timing of payments to school districts for fixed-sum levies (paid as reimbursement for the phase-out of business personal property taxes) by moving the November payment to October. This provision also has no state or local fiscal impact.

Levies Eligible for Replacement Payments

The bill expands eligibility for levies to qualify for reimbursement for the phase-out of business personal property taxes, so that levies approved on the ballot before September 2005 qualify even if the levy does not apply to a tax list until after 2006. If such levies exist, this provision potentially increases the amount that would be otherwise reimbursed to local governments from the replacement payments.

Tax Increment Financing

The bill makes several changes to tax increment financing:

(1) It prohibits political subdivisions having populations in excess of 25,000 from creating incentive district TIFs if the sum of the taxable value of real property in the subdivision for the preceding tax year and the taxable value of property in the subdivision that would have been taxable in the preceding year but for an existing incentive district TIF exceeds 25% of the taxable value of property in the subdivision for the preceding year. This is a technical correction of a generally unworkable test added by Am. Sub. H.B. 66, and so has no fiscal effect.

(2) It modifies the notice requirements for proposed incentive district TIFs. The additional details regarding the content of the required notices has no fiscal effect.

(3) It authorizes political subdivisions creating incentive district TIFs to compensate affected political subdivisions prior to the eleventh year of exemption if the affected subdivision objects to an exemption percentage in excess of 75%. This change may alter payments from municipalities to counties, from townships to counties, and from counties to townships. LSC has no estimate of the magnitude and direction of any such payments resulting from this change.

(4) It removes the authority of a county creating an incentive district TIF to enter into compensation agreements with affected municipal corporations. This change may preclude payments from counties to municipalities that would otherwise have been negotiated, but LSC has no estimate of the magnitude of any such payments.

(5) It specifies that for the levies currently exempt from incentive district TIFs—MRDD; senior citizen services and facilities; county hospitals; alcohol, drug addiction, and mental health services; library purposes; and children's services—political subdivisions creating incentive district TIFs after January 1, 2006, are required to make "compensation payments" to taxing authorities levying these levies passed at elections held on or after January 1, 2006. It also adds more levies that are exempt, subject to the same requirements, from incentive district TIFs, for

zoological park services, park districts and township park districts, joint recreational districts, public assistance, human or social services, public relief, public welfare, public health and hospitalization, support of general hospitals, and general health district programs. These changes will tend to sustain payments for support of the enumerated services, and reduce the amount of payments in lieu of taxes available to support improvements in the incentive district TIFs.

(6) It clarifies that a TIF exemption can commence no sooner than the tax year that begins after the year in which the ordinance or resolution creating the TIF takes effect. This change may delay the start of some tax exemptions.

(7) It authorizes a municipality, from an account in its municipal public improvement tax increment equivalent fund or its urban redevelopment tax increment equivalent fund, and a township, from an account in its township public improvement tax increment equivalent fund, to distribute money that is payable to the board of county commissioners under a TIF incentive district compensation agreement and to the county general fund as a result of reassessment of property in the incentive district.

(8) It authorizes a board of county commissioners, from an account in its redevelopment tax equivalent fund, to distribute money that is payable to a board of township trustees or to the legislative authority of a municipality under a TIF incentive district compensation agreement and to a township general fund as a result of reassessment of property in the incentive district.

(9) It specifies that the prohibition against using TIF funds for police and fire equipment applies only to incentive district TIFs created on or after the effective date of the amendment.

Department of Transportation

State Infrastructure Bank Law Revisions

The Ohio Department of Transportation's (ODOT) State Infrastructure Bank Program provides direct loan funding for highway and transit projects, as well as aviation, rail and other inter-modal transportation projects. Loan repayments are made to ODOT and then re-loaned to subsequent projects, in effect creating a revolving loan program.

The bill permits townships receiving distributions from the Gasoline Excise Tax Fund (Fund 060)[1] to use such money to pay debt service on State Infrastructure Bank (SIB) obligations. Am. Sub. H.B. 68 of the 126th General Assembly authorized counties and municipalities to do this. Allowing townships to use motor fuel tax revenues as debt service on SIB loans may free up existing township revenue sources that are used to pay the loans. Furthermore, with motor fuel tax being an eligible source of payment for SIB loans, as well as a consistent source of revenue, townships may receive larger loans in the future for road and bridge projects. However, the bill includes a provision that states that counties, municipalities, and townships may not use the revenue from Fund 060 to repay SIB loans if the (1) project began prior to March 31, 2003, and (2) the revenue from Fund 060 is from the three 2-cent motor fuel tax increases enacted in Am. Sub. H.B. 87 of the 125th General Assembly.

Dovetailing the aforementioned provision is another provision in the bill that states that despite the fact that counties, municipalities, and townships are allowed to use motor fuel tax revenues as an eligible source of payment for SIB loans, once the loan repayment made with such moneys is received the moneys are no longer considered moneys raised by state taxation. Thus, assuming current SIB loan repayments that are repaid with gas tax revenues (as in the current case of counties and municipalities) are re-loaned with the understanding that the use of the money has constitutional restrictions relative to the state motor fuel tax, the new provision may broaden the eligible use of such SIB money beyond covering the costs of construction, reconstruction, maintenance, and repair of public highways and bridges and other statutory highway purposes, and presumably allow for a more flexible use of the money. Currently, the types and/or number of additional projects that may be funded by the expanded use of SIB money is unknown.

Ohio Veterans' Home Agency

Increase in Appropriations for Operating

The bill increases GRF line items 430-100, Personal Services and 430-200, Maintenance, by $800,000 and $850,000 respectively, in each fiscal year.

Transfer Between Funds

The bill also allows the Director of OBM to transfer cash from SSR Fund 604, Veterans' Home Improvement Fund, to SSR Fund 4E2, Veterans' Home Operating Fund, to be used for operating costs relating to veterans' homes. Any amount transferred by the Director is appropriated to SSR line item 430-602, Veterans' Home Operating (Fund 4E2). In Am. Sub. H.B. 66 of the 126th General Assembly, line item 430-602, Veterans' Home Operating (Fund 604), was appropriated $770,096 in each fiscal year, while line item 430-604, Veterans' Home Improvement (Fund 4E2), was appropriated $8,322,731 in FY 2006 and $8,530,800 in FY 2007.

Quarterly Report on Fiscal Operations

The bill also requires the Ohio Veterans' Home Agency to submit a report on the status of the Agency's fiscal operations, within 30 days after each fiscal quarter, to the Governor, President of the Senate, Minority Leader of the Senate, Speaker of the House of Representatives, and Minority Leader of the House of Representatives. This reporting requirement could minimally increase costs for the Agency.

Department of Youth Services

Partnerships for Success Fund (Fund 5BH)

The bill transfers $1.5 million, in FY 2007, from the Department of Job and Family Services' Children's Trust Fund (Fund 198) to the Department of Youth Services' Partnerships for Success Fund (Fund 5BH) and changes the date by which the Office of Budget and Management must transfer to the Children's Trust Fund any cash that remains unspent in the Partnerships for Success Fund from January 1, 2007 to January 1, 2008.

The fund's moneys are used to support the Department's existing Partnerships for Success Project, the purpose of which is to: (1) provide subsidies to counties to build their capacity to effectively prevent and respond to child and adolescent problem behaviors, while promoting positive youth development, and (2) provide technical assistance and training tailored to the circumstances of each county being served. Presumably, as a result of the cash transfer, up to $1.5 million could be available in FY 2007 to disburse in the form of county subsidies.

Local Government Provisions

Subdivision Debt Limits

The bill excludes from the computation of a subdivision's debt limit, securities issued in an amount equal to replacement payments due the subdivision because of the phase-out of the business personal property tax. Exempting these securities from the calculation of a subdivision's debt limit would increase the subdivision's debt capacity. Although this would have no direct fiscal effect, increasing debt capacity may influence future decisions regarding the issuance of debt. Increasing the total amount of debt issued would subsequently increase the total amount of debt service payments.

Emergency Management Agency Funding

The bill permits counties to use general fund money to support the functions and operations of a countywide emergency management agency (EMA), including a countywide public safety communication system. Currently, EMAs are generally funded through grants, cost sharing agreements, and various fees. This new permissive authority would allow counties to have greater flexibility in allocating resources to pay EMA expenses.

County Alcohol and Drug Addiction Services Boards and Community Mental Health Boards

The bill provides counties with a population of 250,000 or more on October 10, 1989, an opportunity to adopt a resolution expressing its intent to establish a Board of Alcohol, Drug Addiction, and Mental Health Services. Combining the two boards could result in a savings by reducing duplication in board operations in the urban counties that currently have separate boards. The following seven counties have separate alcohol and drug addiction services boards and community mental health boards: Butler, Cuyahoga, Hamilton, Lorain, Lucas, Mahoning, and Stark.

County Family and Children First Councils

The bill requires that a family service coordination plan meeting is conducted for each child who receives service coordination under the service coordination mechanism. The meeting must take place within ten days of an emergency out-of-home placement and before a nonemergency out-of-home placement. Currently, a meeting is required whenever a multi-need child is placed out-of-home, regardless of whether or not a service coordination mechanism is used. It is unclear at this time what the fiscal impact of these changes will be.

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[1] The Gasoline Excise Tax Fund (Fund 060) receives a portion of the state motor fuel tax, which is then distributed to counties, municipalities, and townships for the planning, construction, and maintenance of public roads and highways.