

# Fiscal Note & Local Impact Statement

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

Ohio Legislative Service Commission  
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BILL: **H.B. 699** DATE: **December 5, 2006**

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

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

CONTENTS: **To make capital and other appropriations and to provide authorization and conditions for the operation of state programs**

## State Fiscal Highlights – Capital Appropriations

STATE FUND – Appropriations/Expenditures	FY 2007-2008 Biennium
Wildlife Fund (Fund 015)	\$4,000,000
Public Schools Building Fund (Fund 021)	\$158,632,362
Highway Safety Fund (Fund 036)	\$1,500,000
State Capital Improvements Revolving Loan Fund (Fund 040)	\$25,300,000
Waterways Safety Fund (Fund 086)	\$12,140,000
Army National Guard Service Contract Fund (Fund 342)	\$877,275
Special Administrative Fund (Fund 4A9)	\$2,000,000
State Fire Marshal Fund (Fund 546)	\$4,120,000
Veterans' Home Improvement Fund (Fund 604)	\$2,700,000
Job Ready Site Development Fund (Fund 012)	\$30,000,000
Administrative Building Fund (Fund 026)	\$73,811,131
Adult Correctional Building Fund (Fund 027)	\$36,175,010
Juvenile Correctional Building Fund (Fund 028)	\$18,241,831
Cultural and Sports Facilities Building Fund (Fund 030)	\$56,996,000
Ohio Parks and Natural Resources Fund (Fund 031)	\$16,457,400
School Building Program Assistance Fund (Fund 032)	\$556,000,000
Mental Health Facilities Improvement Fund (Fund 033)	\$44,507,373
Higher Education Improvement Fund (Fund 034)	\$577,571,534
Parks and Recreation Improvement Fund (Fund 035)	\$39,874,300
State Capital Improvement Fund (Fund 038)	\$120,000,000
<b>TOTAL</b>	<b>\$1,780,904,216</b>

## Summary of Capital Appropriations

- The bill appropriates \$1,780,904,216 for capital projects for the FY 2007-2008 biennium. This amount is 16.6% greater than the \$1,526,955,118 appropriated in Am. Sub. H.B. 16 of the 126th General Assembly, the capital bill for the FY 2005-2006 biennium.
- Capital projects may be funded either from current cash revenues or from future revenues through the sale of bonds. Current cash revenue will fund projects through the Wildlife Fund (Fund 015), the Public School Building Fund (Fund 021), the Highway Safety Fund (Fund 036), the State Capital Improvements Revolving Loan Fund (Fund 040), the Waterways Safety Fund (Fund 086), the Army National Guard Service Contract Fund (Fund 342), the Special Administrative Fund (Fund 4A9), the State Fire Marshal Fund (Fund 546), and the Veterans' Home Improvement Fund (Fund 604). Approximately 11.9% of the capital projects are funded through current cash revenues. The rest of the projects are funded through the sale of bonds issued by the Ohio Building Authority, the Ohio Public Facilities Commission, or the Treasurer of State. The bonds are to be repaid in 5 years, 15 years, or 20 years, depending on the issuance.
- Of the total amount appropriated for capital projects, \$211,269,637 is appropriated from the cash funds listed above. This compares to the \$56,004,956 appropriated from cash funds in Am. Sub. H.B. 16, the previous capital budget.
- The bulk of the funding—\$1,569,634,579—is appropriated for capital projects from debt-supported funds. This amount is 6.7% greater than the \$1,470,950,162 appropriated from various debt-supported funds in Am. Sub. H.B. 16.
- The total amount of debt authorized by this bill is \$1,498,000,000, which is 6.8% greater than the \$1,402,000,000 of debt issued in the previous capital budget.

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## *Fiscal Effects of Other Provisions*

### *Development*

#### *State Fiscal Highlights*

STATE FUND	FY 2007	FY 2008	FUTURE YEARS
<b>General Revenue Fund</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential minimal increase in Cultural Facilities Commission administrative costs	Potential minimal increase in Cultural Facilities Commission administrative costs	Potential minimal increase in Cultural Facilities Commission administrative costs
<b>Cultural and Sports Facilities Building Fund (Fund 030) – Cultural Facilities Commission</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	\$1.3 million increase for 2007-2008 biennium—tennis facilities	\$1.3 million increase for 2007-2008 biennium—tennis facilities	Potential increase if other tennis facilities are funded
<b>Third Frontier Research and Development Taxable Bond Fund (New) – Department of Development</b>			
Revenues	Potential gain in bond proceeds	Potential gain in bond proceeds	Potential gain in bond proceeds
Expenditures	Potential increase for eligible Third Frontier research and development awards	Potential increase for eligible Third Frontier research and development awards	Potential increase for eligible Third Frontier research and development awards

Note: The state fiscal year is July 1 through June 30. For example, FY 2007 is July 1, 2006 – June 30, 2007.

#### **Cultural Facilities Commission**

- **Executive Director's Authority.** The bill authorizes the Cultural Facilities Commission to delegate certain authority to its executive director when cultural, historical, or sports projects receive a state appropriation of \$50,000 or less. Because most of these projects (over three quarters of the projects in this capital bill) receive appropriations of over \$50,000, this is unlikely to create additional administrative costs that are anything more than minimal.
- **Tennis Facilities Eligible for Funding.** The bill adds professional tennis facilities to the definition of sports facilities for the Commission's financing purposes. The Mason ATP Tennis Center (Cultural Facilities Commission capital line item CAP-927) was added to this bill under the new definition and is funded at \$1.3 million for the biennium. In the future, this could result in further increases in expenditures from the Cultural and Sports Facilities Building Fund if tennis facilities that previously did not meet the definition are now eligible for funding.
- **Reappropriations Transfer.** This bill decreases the reappropriated capital line item CAP-898, Packard Music Hall Renovation Project, by \$400,000 in order to release those funds for a transfer into new capital appropriation line items.

#### **Department of Development**

- **New Third Frontier Research and Development Taxable Bond Fund.** The bill creates the Third Frontier Research and Development Taxable Bond Fund in the state treasury. The fund shall consist of the net proceeds of federally taxable obligations. Investment earnings of the fund shall be credited to the fund. Moneys in the fund shall be used to pay out awards to Third Frontier research and development projects and for associated administrative expenses.

#### **Job and Family Services**

- **TANF Initiative Earmarks.** The bill earmarks a total of \$122 million in FY 2007 for TANF initiatives that were previously authorized by executive orders, and directs the Department of Job and Family Services to support these initiatives with Title IV-A funds within the existing appropriation. There is no fiscal impact to these earmarks because they continue an on-going activity through the end of FY 2007, and there is no change in the appropriation level or in the levels of revenues or expenditures for TANF Block Grant (Fund 3V6).

### *Detailed Fiscal Analysis*

#### **Cultural Facilities Commission**

##### ***Delegation of Authority to Executive Director***

This bill allows the Cultural Facilities Commission to delegate a number of duties associated with approving aspects of cultural, historical, or sports facilities projects when the state appropriation for those projects is \$50,000 or less. These include approving construction services providers and general building services providers, as well as determining the regional need for a project, and determining the adequacy of local

financial and development plans and contribution agreements for sports projects. The executive director is explicitly denied the authority to disapprove a provider of construction or general building services, and must make any determinations regarding regional need or local plan and contribution adequacy in the affirmative. The Commission's GRF operating expenses line item (371-321) may experience a minimal increase due to additional administrative costs associated with making the determinations allowed under the bill, but since the bill permits these duties to be transferred from the Commission itself to the executive director, it is unlikely that any significant cost increase will be incurred as a result.

***Tennis Facilities Eligible for Funding***

The bill amends the definition of sports facilities to include tennis facilities with a primary purpose of providing a site or venue for the presentation of professional tennis tournaments. The inclusion of these facilities as qualifying sports facilities could potentially increase expenditures from the Cultural and Sports Facilities Fund (Fund 030) if these facilities were not previously eligible for funding from that source. This bill includes a new capital line item (CAP-927) in Fund 030 for the Mason.

***Reappropriations Transfer***

This bill decreases the reappropriated capital line item CAP-898, Packard Music Hall Renovation Project, by \$400,000 in order to release those funds for a transfer into new capital appropriation line items.

**Department of Development**

***Third Frontier Research and Development Taxable Bond Fund***

The bill creates in the state treasury the Third Frontier Research and Development Taxable Bond Fund, to consist of the net proceeds of and investment earnings on federally taxable obligations issued by the Ohio Public Facilities Commission. Moneys in this fund are to be used as competitive awards for funding research and development projects in the form of grants, loans, subsidies, or other means prescribed in section 184.11 of the Revised Code, as determined by the Third Frontier Commission, and for the administrative costs associated with these projects. This fund will exist alongside the Third Frontier Research and Development Fund, and the use of its moneys is subject to the same requirements. The bill does not specify the amount of federally taxable obligation proceeds that are to be placed in the fund initially.

**Job and Family Services**

***Earmarks for TANF Initiatives***

The bill earmarks a total of \$122 million in FY 2007 for TANF initiatives previously authorized by executive orders and supported by the existing appropriation of Title IV-A funds in line item 600-689, TANF Block Grant (Fund 3V6), made in Am. Sub. H.B. 66 of the 126th General Assembly. There is no fiscal impact of the earmarks because they continue an on-going activity through the end of FY 2007, and there is no change in the appropriation level or in the levels of revenues or expenditures for Fund 3V6. The specific earmarks of the FY 2007 appropriation include up to \$11 million for the Strengthening Families Initiative, up to \$30 million for the TANF Educational Awards Program, up to \$5 million for adoption promotion, up to \$15 million in additional funds for child care subsidies, up to \$5 million for early learning quality and availability, up to \$2.5 million for independent living initiatives, up to \$45 million for the Home Energy Assistance Program for the 2006-2007 winter heating season, up to \$1.5 million for food boxes for TANF eligible families, and up to \$7 million to enhance county operated work and support programs targeting the two-parent Ohio Works First caseload.

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***Education***

***State Fiscal Highlights***

<b>STATE FUND</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FUTURE YEARS</b>
<b>General Revenue Fund</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase of up to \$100.0 million from transfer to School Facilities Commission's Fund 021	Potential increase due to addition of autistic preschool children in Autism Scholarship Program	Potential increase due to addition of autistic preschool children in Autism Scholarship Program
	Increase of \$1.75 million related to additional Board of Regents Access Challenge appropriation	Potential increase due to additional war orphans scholarships	Potential increase due to additional war orphans scholarships
<b>Public School Building Fund (Fund 021) – School Facilities Commission</b>			
Revenues	Potential gain of up to \$160.0 million from GRF and Department of Education Fund	- 0 -	- 0 -

	5BJ transfers		
Expenditures	- 0 -	- 0 -	- 0 -
<b>Half-Mill Equalization Fund (Fund 5BJ) – Department of Education</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase of up to \$60.0 million related to transfer to Fund 021	- 0 -	- 0 -
<b>General Fund of Central State University</b>			
Revenues	Gain of \$1.75 million	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2007 is July 1, 2006 – June 30, 2007.

### Department of Education

- **Autism Scholarship Program.** The addition of autistic preschool children in the Autism Scholarship Program could increase state education aid. In FY 2007, base cost funding would have increased by \$5,451 to \$5,587 and state special education weighted funding would have increased by approximately \$12,790 for each preschool student awarded a scholarship under the program. The actual cost in future years will depend on the base cost formula amount and other parameters to be established by the General Assembly.

### Board of Regents

- **Access Challenge.** The bill increases the appropriations for GRF appropriation item 235-418, Access Challenge, by \$1,750,000 in FY 2007 and increases the earmark for the Central State University of that item by the same amount.
- **War Orphans Scholarship.** The bill increases the maximum age to apply for a war orphans scholarship from 21 years as under current law to 25 years. The Board of Regents may incur higher expenditures if more scholarships are awarded as a result of this eligibility change.

### School Facilities Commission

- **Transfer to the Public School Building Fund (Fund 021).** The bill authorizes the Director of Budget and Management to transfer up to \$100,000,000 of the FY 2007 GRF surplus and up to \$60,000,000 from the Half-Mill Equalization Fund (Fund 5BJ) of the Department of Education to the Public School Building Fund (Fund 021) of the School Facilities Commission.

## *Local Fiscal Highlights*

### School Districts

- **Autism Scholarship Program.** The addition of autistic preschool children in the Autism Scholarship Program could lead to the reduction of preschool special education unit funding for some districts. Also, some districts may need to reallocate local revenues to cover the difference between state funding credited for the scholarship student and the actual amount of the scholarship deduction. Other districts may be credited with more state funding than the scholarship deduction.

## *Detailed Fiscal Analysis*

### Adjutant General

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#### ***Life Insurance Premium Reimbursement***

Am. Sub. H.B. 66 of the 126th General Assembly provides reimbursement for monthly life insurance premiums paid by Ohio National Guard members who are on active duty. The bill clarifies that an active member will be eligible for this reimbursement only if the Adjutant General determines that the member is ineligible for such reimbursement under federal law.

### Department of Education

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#### ***Autism Scholarship Program***

The bill codifies the pilot project special education scholarship program, renames it the Autism Scholarship Program, and increases the number of students eligible for the scholarships by including preschool children. This program provides scholarships to autistic students whose parent chooses to enroll the student in an approved special education program other than the one offered by the student's school district. The scholarships are the lesser of the total fees charged by the alternative provider or the maximum amount set in statute, which is \$20,000.

Based upon data provided by the Department of Education for 2005, approximately 3.1% of special education students in grades kindergarten through twelfth are autistic. Applying this percentage to the number of preschool children with disabilities in 2005 results in approximately 700 preschool children potentially eligible for the scholarships under the bill. Only a fraction of the children eligible, however, will choose to receive a scholarship. Approximately 6.0% of eligible students received a scholarship in FY 2006. If this same percentage holds for

preschool children, the bill will result in approximately 42 scholarships being awarded to preschool children.

Scholarship students are counted in their resident district's average daily membership (ADM) for purposes of the state funding formula. The amount of the scholarship is then deducted from the resident district's state aid determined by the formula. In FY 2007, the base cost per pupil, including base funding supplements and the cost-of-doing-business factor adjustment, ranged from \$5,451 to \$5,587. An autistic student also generates additional special education weighted funding. The additional weight is 4.7342, which was phased in at 90% in FY 2007. Therefore, in FY 2007, an autistic student generated in the funding formula \$5,519 on average in base cost funding and an additional \$25,579 in special education weighted funding.

The state funds a portion of special education weighted costs based on each district's state share percentage of base cost funding. For some districts with relatively high wealth, the state aid generated by the student will be less than the scholarship amount and the district will need to reallocate local revenues to cover the difference between the scholarship and the amount of state aid generated by the student. For other districts with relatively low wealth, the amount of state aid (including both base cost and weighted funding) generated by the student will be equal to or greater than the amount of the scholarship. In FY 2007, the maximum scholarship amount of \$20,000 requires the reallocation of local funds for districts with state share percentages of approximately 57% or lower. Districts with state share percentages higher than 57% are able to cover the cost of the maximum scholarship with state aid. The actual scholarship amount will often be less than \$20,000, however, so even districts with state share percentages lower than 57% may not actually need to reallocate funds. In FY 2006, about 458 full-time equivalent (FTE) scholarships were awarded under this program to students from 168 different districts. Statewide \$5.5 million was transferred for the scholarships for an average scholarship amount of about \$15,260. Of course, the district does not incur the cost of serving the scholarship student.

The state may experience an increase in costs because of the addition of the preschool students. Preschool students are not currently included in the ADM used for state funding purposes. Each preschool scholarship student will increase state base cost funding by \$5,451 to \$5,587 and state special education funding by approximately half of the weight cost for an autistic student, or \$12,790. The state currently does provide some funding for preschool special education through unit funding. In FY 2007, \$80.0 million is earmarked for this funding. If preschool students obtain scholarships there could be fewer preschool units being provided by school districts. However, since the current appropriation for preschool units does not cover all the units currently in existence the state will likely not be able to recoup money from current unit funding unless the earmark is decreased.

#### ***Reimbursements for Tax Losses Due to Deregulation***

S.B. 3 and S.B. 287 of the 123rd General Assembly reduced assessment rates on tangible personal property of electric and gas utilities as part of the deregulation of these industries. The reduction in these assessment rates decreased the taxable property value of school districts by approximately \$4.4 billion in TY 2001, resulting in a loss of local tax revenue from fixed-rate levies of approximately \$186.2 million. Part of this revenue loss is made up by increases in state education aid. State education aid is computed for each district after subtracting the district's local share. This local share is a percentage of the district's taxable property value. Since the district's taxable property value is lower as a result of the state's deregulation policy, its local share is also lower, resulting in its state education aid being higher. This increase in state aid is called the state education aid offset and is calculated by the Department of Education each fiscal year. In FY 2007, the state education aid offset totals approximately \$79.8 million statewide.

S.B. 3 and S.B. 287 provide for direct reimbursements to school districts for their losses in tax revenue that are not made up through the state education aid offset. These direct reimbursements were paid, in two equal payments (February and August), to all school districts through TY 2006. After TY 2006, the statutes provide that only certain districts will continue to receive direct reimbursement payments. These districts are those whose tax revenue loss from fixed-rate levies, inflated by the Consumer Price Index from FY 2002 to the current fiscal year, is greater than the difference in their state education aid in the current year and their state education aid in FY 2002. The payment that will be made in February 2007 is the first payment for which a school district's eligibility needs to be established.

The statutes define state education aid as "the sum of state aid amounts computed under Chapter 3317. of the Revised Code." The bill clarifies and modifies the term state education aid by specifically listing each payment and adjustment that is to be included. In FY 2007, this clarification includes transitional aid and the alternative calculation of transportation aid that are not in R.C. 3317. because they are temporary in nature and are, therefore, in uncodified law. Transitional aid and pupil transportation funding are part of the school district state education aid calculations. This clarification technically lowers the number of school districts that will be eligible for direct reimbursement. The bill also includes in the calculation of state education aid a number of adjustments that are codified, but are not found in R.C. 3317. These include the deduction for community school students, which has increased from \$138.9 million in FY 2002 to a projected \$496.2 million in FY 2007, an increase of \$357.3 million. Largely because of this increase in the community school deduction, including these adjustments in the calculation of state education aid results in more districts being eligible for direct reimbursements in FY 2007 and later years than if the adjustments are not included.

#### ***Board of Regents***

##### ***The Ohio State University Feed Mill Replacement Project***

The bill continues to authorize The Ohio State University to locally administer a contract that combines the design and construction elements into a single contract for the ongoing feed mill replacement project funded under appropriation item CAP-492, OARDC Feed Mill.

##### ***War Orphans Scholarship Eligibility***

The bill increases the maximum age to apply for a war orphans scholarship from 21 years as under current law to 25 years. More scholarships may be awarded as a result. Funded by GRF appropriation item 235-504, War Orphans Scholarship, the war orphans scholarship program provides scholarships to children of deceased or severely disabled Ohio veterans of wartime military services in the U.S. armed forces. Scholarship benefits cover all of the instructional and general fees charged in a state-assisted two-year or four-year institution of higher education. When a scholarship recipient attends a private college or a career college, the scholarship amount equals the average amount of scholarships received by those attending state-assisted institutions of higher education during the previous year.

***Central State University***

The bill increases the appropriations for GRF appropriation item 235-418, Access Challenge, by \$1,750,000 in FY 2007 and increases the Central State University earmark of that item by the same amount.

**School Facilities Commission**

***Transfer to the Public School Building Fund (Fund 021)***

The bill authorizes the Director of Budget and Management to transfer up to \$100,000,000 in cash from the FY 2007 GRF surplus and up to \$60,000,000 in cash from the Half-Mill Equalization Fund (Fund 5BJ) of the Department of Education to the Public School Building Fund (Fund 021) of the School Facilities Commission (SFC). These transferred funds will be used to continue state support for ongoing school facilities projects.

The bill prohibits the SFC from approving agreements or labor contracts for state-assisted school facilities projects that require the payment of the prevailing wage. Since 1997 school facilities projects have been exempted from the prevailing wage requirements. All state-assisted school facilities projects need to be approved by the SFC. The SFC's current bidding and contract forms do not provide for the payment of the prevailing wage.

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***General Government***

***State Fiscal Highlights***

<b>STATE FUND</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FUTURE YEARS</b>
<b>General Revenue Fund</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Up to \$111,669 increase related to cash transfer to Department of Agriculture Fund 382	Minimal increase in OBM and LSC administrative costs, plus travel expenses relative to Turnpike oversight	Minimal increase in OBM and LSC administrative costs, plus travel expenses relative to Turnpike oversight
	Increase of up to \$6,832,753 due to transfers to Secretary of State Fund 3AA, Fund 3AH, Fund 3AR, Fund 3AS, and Fund 3AT		
	Increase of up to \$634,000 for the Department of Agriculture to purchase emergency preparedness supplies and equipment		
	Increase of \$206,000 for additional Ethics Commission database improvements and extra investigation costs		
	Minimal increase in OBM and LSC administrative costs, plus travel expenses relative to Turnpike oversight		
<b>Cooperative Contracts Fund (Fund 382) – Department of Agriculture</b>			
Revenues	Up to \$111,669 gain in cash transfer from GRF	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
<b>Real Estate Appraiser Operating Fund (Fund 6A4) – Department of Commerce</b>			

Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Minimal increase in administrative and travel expenses	Minimal increase in administrative and travel expenses	Minimal increase in administrative and travel expenses
<b>Canal Lands (Fund 430) – Department of Natural Resources</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase in administrative, travel, and consulting costs	Potential increase in administrative, travel, and consulting costs	Potential increase in administrative, travel, and consulting costs
<b>Federal Election Reform Fund (Fund 3AA) and other funds - Secretary of State</b>			
Revenues	Gain of up to \$6,832,753 transferred from the GRF and in investment and interest earnings to other specified funds	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
<b>Ohio Turnpike Commission Funds</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Minimal increase in administrative and travel expenses	Minimal increase in administrative and travel expenses	Minimal increase in administrative and travel expenses

Note: The state fiscal year is July 1 through June 30. For example, FY 2007 is July 1, 2006 – June 30, 2007.

### Department of Administrative Services

- **Residence Advisory Commission—Heritage Garden.** The bill adds the care of the Ohio Heritage Garden to the oversight responsibilities of the Governor's Residence Advisory Committee. This 11-member board serves without pay, and oversees the maintenance of the Governor's mansion in Bexley. Additional maintenance costs for the Heritage Garden, if any, would likely be covered through additional capital appropriations for the Governor's residence.
- **Fall-back Rights.** The bill maintains current provisions that permit certain employees in unclassified service of the Bureau of Worker's Compensation and departments of Mental Health, Mental Retardation and Developmental Disabilities, and Youth Services to exercise their right to resume a previously held position in the classified service. However, the bill provides that those employees may only exercise their right to resume a prior classified position if their employer demotes them to a lower pay range or revokes their appointment; and forfeit their right to resume a prior classified position if they are removed due to misconduct or they transfer to another agency. These changes would appear not to have a fiscal impact on the Department of Administrative Services, which administers the state's civil service system.

### Department of Agriculture

- **Cooperative Contracts Fund (Fund 382).** This bill authorizes the Director of the Office of Budget and Management (OBM) to transfer \$111,668.76 in cash from the GRF to the Cooperative Contracts Fund (Fund 382). This transfer will correct wire transfers from the U.S. Department of Agriculture to the Ohio Department of Agriculture that were mistakenly deposited in the GRF.
- **Security/Emergency Preparedness Supplies.** This bill makes a GRF appropriation of \$634,000 in FY 2007 for the Department of Agriculture to purchase security and emergency preparedness supplies and equipment. To do so, the Department of Agriculture must submit a plan to the Controlling Board for its approval.

### Department of Commerce

- **Real Estate Appraisal Licensing Requirements.** The bill enables the Real Estate Appraiser Board to establish, by rule, the requirements for experience, education, and testing for real estate appraisers. Previously, these specifications were contained in the Revised Code. As a result, there may be some negligible increase in rule-making costs.

### Ethics Commission

- **Financial Disclosure Database And Investigation Costs.** The bill increases GRF appropriation item 146-321, Operating Expenses, by \$206,000 in FY 2007 to complete agency work on its new financial disclosure database, and also provide more money for the increased investigation workload.

### Department of Natural Resources

- **Economic Impact Of The Conveyance Of Canal Lands.** The bill requires the Department of Natural Resources to consider the local government needs and economic development potential when proposing the conveyance of canal lands. The Department may experience an increase in administrative, travel, and consulting costs to carry out these responsibilities. Currently, it is unknown if the current staff of the Division of Water has the resources and expertise to conduct such studies. If not, the Department may experience an increase in costs to

contract out the services to an engineering and consulting firm.

### Secretary of State

- **GRF Transfer to Specified Election-Related Funds.** The bill requires a transfer of up to \$6,832,753 in cash on January 1, 2007 or as soon as possible thereafter from the General Revenue Fund (GRF) to the Federal Election Reform Fund (Fund 3AA), the Election Reform/Health and Human Services Fund (Fund 3AH), the 2004 HAVA Voting Machines Fund (Fund 3AR), the 2005 HAVA Voting Machines Fund (Fund 3AS), and the Voter/Poll Worker Education Fund (Fund 3AT). Additionally, all investment earnings and interest earnings from the first and second quarter of FY 2007 will be credited to Funds 3AS and 3AH. These changes are needed to comply with federal requirements that the interest and investment earnings accrue to the designated state-controlled federal funds for the purposes of those funds. These amounts have been mistakenly accruing to the GRF.

### Ohio Turnpike Commission

- **New Oversight Responsibilities of the Ohio Turnpike Commission.** The bill makes several changes to the oversight of the Turnpike Commission. Most notably these changes allow Commission meetings to be held at various locations; adds new members to the Commission; requires the Commission to appear before legislative committees to present its annual budget; and requires the Executive and the legislature to review budget-related materials, proposed toll increases, bond issuances, and other changes to the Commission's responsibilities. Any costs incurred in carrying out these duties are likely to be minimal for all parties involved and may range from a few hundred dollars to a few thousand dollars at most each fiscal year. Any expenses for executive and legislative staff will likely be paid from the GRF. Any costs to the Turnpike Commission will affect its internal funds that are largely supported by toll revenues.

## *Detailed Fiscal Analysis*

### Department of Administrative Services

#### *Residence Advisory Commission—Heritage Garden*

The bill adds the care of the Ohio Heritage Garden to the oversight responsibilities of the Governor's Residence Advisory Committee. This 11-member board serves without pay, and oversees the maintenance of the Governor's mansion in Bexley. The provision would not add new oversight costs, but depending on any decisions made by the Commission, may result in additional maintenance costs for the Heritage Garden. These costs would most likely be covered through capital appropriations for the Governor's residence.

#### *Fall-Back Rights for Specified Employees*

The bill maintains current provisions that permit certain employees in unclassified service of the Bureau of Workers' Compensation and departments of Mental Health, Mental Retardation and Developmental Disabilities, and Youth Services to exercise their right to resume a previously held position in the classified service. However, the bill provides that those employees may only exercise their right to resume a prior classified position if their employer demotes them to a lower pay range or revokes their appointment; and forfeit their right to resume a prior classified position if they are removed due to misconduct or they transfer to another agency. These changes appear to have no fiscal impact on the Department of Administrative Services, as well as the agencies covered by the new provision.

### Department of Agriculture

#### *Cooperative Contracts Fund (Fund 382)*

This bill amends Section 203.24 of Am. Sub. H.B. 66, the main operating appropriations act of the 126th General Assembly, to authorize the Director of OBM to transfer \$111,668.76 in cash from the GRF to the Cooperative Contracts Fund (Fund 382). This transfer will correct wire transfers from the U.S. Department of Agriculture to the Ohio Department of Agriculture that were mistakenly deposited in the GRF. The Cooperative Contracts Fund receives revenues from federal agencies for grants and contracted services provided by the Ohio Department of Agriculture. These programs have been combined and are operated through one fund as a matter of convenience and to aid cash flow where revenue is received intermittently.

#### *Security/Emergency Preparedness Supplies*

This bill amends Section 203.24 of Am. Sub. H.B. 66, the main operating appropriations act of the 126th General Assembly, by making an FY 2007 GRF appropriation for \$634,000 for the Department of Agriculture to purchase security and emergency preparedness supplies and equipment. The Department of Agriculture must submit a plan for these purchases to the Controlling Board for its approval.

### Department of Commerce

#### *Real Estate Appraisal Licensing Requirements*

Existing law contains specific requirements for licensure as a real estate appraiser. This bill deletes some of the specifications from the Revised Code and instead enables the Real Estate Appraiser Board to establish, by rule, the requirements for experience, education, and testing for real estate appraisers. Any rule the Board adopts cannot exceed the requirements specified in federal law or regulations. As a result, there may be some negligible increase in rule-making costs.



## Ethics Commission

### *Financial Disclosure Database and Investigation Costs*

The bill increases GRF appropriation item 146-321, Operating Expenses, by \$206,000 in FY 2007. Earmarking requires that \$56,000 of this increase be used to complete the Financial Disclosure Database, and \$150,000 be used for investigative services.

## Department of Natural Resources

### *Economic Impact of the Conveyance of Canal Lands*

The bill requires the Department of Natural Resources to consider the local government needs and economic development potential when proposing the conveyance of canal lands. The Department may experience an increase in administrative, travel, and consulting costs to carry out these responsibilities. Currently, it is unknown if the current staff of the Division of Water has the resources and expertise to conduct such studies. If not, the Department may experience an increase in costs to contract out the services to an engineering and consulting firm.

## Secretary of State

### *Cash Transfer from GRF to Specified Election-Related Funds*

Under the bill, the Director of OBM is required to transfer up to \$6,832,753 on January 1, 2007 or as soon as possible thereafter, from the General Revenue Fund (GRF) to the Federal Election Reform Fund (Fund 3AA), the Election Reform/Health and Human Services Fund (Fund 3AH), the 2004 HAVA Voting Machines Fund (Fund 3AR), the 2005 HAVA Voting Machines Fund (Fund 3AS), and the Voter/Poll Worker Education Fund (Fund 3AT). Additionally, all investment earnings and interest earnings from the first and second quarter of FY 2007 will be credited to the 2005 HAVA Voting Machines Fund (Fund 3AS) and the Voter/Poll Worker Education Fund (Fund 3AH), in accordance with the terms of the grant under which the money is received. The changes are needed to comply with the requirements of the federal grants for which the funds were received. Until now, interest and investment earnings have been accruing to the GRF.

## Ohio Turnpike Commission

### *Oversight Provisions*

The bill makes several changes to oversight of the Ohio Turnpike Commission. Overall, many of these provisions will likely result in a minimal fiscal impact to the Turnpike Commission and any executive and legislative agencies with associated responsibilities. Each provision with a minimal impact is likely to result in costs ranging from a few hundred dollars to a few thousand dollars, at most. Since the Turnpike Commission is not appropriated money from any state funds there are no specific funds that may be referenced as experiencing any increase in expenditures. Any costs to executive and legislative agencies, such as the Office of Budget and Management (OBM), Legislative Service Commission, and the House and Senate will likely be borne by the GRF. The bill does the following:

- Allows the chairperson of the Turnpike Oversight Committee to determine the location of Oversight Committee meetings, rather than requiring at least three of the required quarterly meetings to be held at sites located along a turnpike project as determined by the Oversight Committee chairperson. Depending on where the meetings are located, travel costs could increase or decrease for certain members of the Oversight Committee.
- Renames the Turnpike Oversight Committee as the Turnpike Legislative Review Committee. This provision will have no fiscal impact.
- Requires the Turnpike Commission, upon request of the appropriate chairpersons, to appear at least one time before the House and Senate transportation committees during the time the General Assembly is considering the biennial transportation budget and provide testimony concerning the Turnpike budget. The Turnpike Commission may incur minimal travel and administrative expenses associated with this provision.
- Revises the current requirement for the Turnpike Commission to submit its annual proposed budget for executive and legislative review by requiring submission 30 to 60 days before adoption of the budget; also requires the Office of Budget and Management to review the proposed budget of the Turnpike Commission and permits OBM to make recommendations to the Commission for its consideration. This provision may require more dedication from executive and legislative staff to review and provide information related to the Turnpike Commission's annual budget. Such costs are not expected to exceed minimal.
- Requires the Turnpike Commission to notify the Governor and legislative leaders prior to increasing or temporarily decreasing tolls and also prior to acting to expand the sphere of responsibility of the Commission beyond the Ohio Turnpike. This provision may result in potential travel and administrative costs to hold hearings and meetings related to these actions. Any costs will likely be minimal at most.
- Requires the Turnpike Commission to submit to OBM, for the Director's review and approval, specified information regarding any proposed sale of obligations. The Director of OBM and associated staff may incur added costs to dedicate time and resources to perform this added review. Again, such costs are expected to be minimal at most.

- Expands the membership of the Ohio Turnpike Commission to include the Director of Budget and Management and the Director of Development as ex officio, voting members. These added members will bring the total number of members to nine. Any costs associated with this provision will likely be minimal and specific to travel costs.

## *Health and Human Services*

### *State Fiscal Highlights*

STATE FUND	FY 2007	FY 2008	FUTURE YEARS
<b>General Revenue Fund</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential transfer of up to \$17.5 million as needed to the Health Emergency Fund (Fund 5EC) within the Department of Health for antiviral and vaccine purchases	Potential transfer of up to \$17.5 million as needed to the Health Emergency Fund (Fund 5EC) within the Department of Health for antiviral and vaccine purchases	- 0 -
<b>Ohio Community Service Council Programs Fund (Fund 3R7) – Department of Aging - Federal</b>			
Revenues	Potential loss through transfer to Fund 624 in the Department of Aging of approximately \$113,000	- 0 -	- 0 -
Expenditures	Potential decrease through transfer to Fund 624 in the Department of Aging of approximately \$113,000	- 0 -	- 0 -
<b>Health Emergency Fund (Fund 5EC) – Department of Health - New</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase of up to \$17.5 million as needed from the GRF for antiviral and vaccine purchases	Potential increase of up to \$17.5 million as needed from the GRF for antiviral and vaccine purchases	- 0 -
<b>OCSC Community Support Fund (Fund 624) – Department of Aging</b>			
Revenues	Potential gain through transfer from Fund 3R7 in the Department of Aging of approximately \$113,000	- 0 -	- 0 -
Expenditures	Potential increase through transfer from Fund 3R7 in the Department of Aging of approximately \$113,000	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2007 is July 1, 2006 – June 30, 2007.

#### *Department of Aging*

- **Ohio Community Service Council Deposit.** The bill allows the Director of the Ohio Community Service Council, within the Department of Aging, to certify to the Director of the Office of Budget and Management (OBM) the amount of cash posted to the Ohio Community Service Council Programs Fund (Fund 3R7) that should have been deposited to the OCSC Community Support Fund (Fund 624). Subsequently, the bill allows the Director of OBM to transfer cash up to the amount certified from the Ohio Community Service Council Programs Fund (Fund 3R7) to the OCSC Community Support Fund (Fund 624). According to OBM, the amount that should have been deposited into Fund 624 was approximately \$113,000. As a result, Fund 624 may realize a gain in revenues of \$113,000 in FY 2007. The transferred funds are appropriated.

#### *Department of Health*

- **Health Emergency Fund.** The bill creates the Health Emergency Fund (Fund 5EC) in the Department of Health (ODH). The fund may be used by ODH to purchase vaccines and antiviral drugs to stockpile for pandemic flu. The Director of OBM may transfer up to \$17.5 million in cash from the General Revenue Fund (GRF) as needed to pay for antivirals and vaccines received. As a result, there could be a \$17.5 million transfer as needed from the GRF to Fund 5EC for the purchase of antivirals and vaccines. The transferred funds are appropriated.

#### *Department of Job and Family Services and Office of Budget and Management*

- **Medicaid Agency Transition Transfer.** The bill permits the Director of OBM to transfer \$1 million in appropriation from GRF appropriation 600-321, Support Services, in the Department of Job and Family Services to newly created GRF appropriation item 042-416, Medicaid Agency Transition, in the Office of Budget and Management.

**Departments of Mental Health and Mental Retardation and Developmental Disabilities**

- **Fall-Back Rights.** The bill allows unclassified employees to exercise the right to return to classified service if they are demoted to lower pay ranges than their current pay ranges or have unclassified service appointment revoked. The bill also states that employees who transfer to other agencies lose the privilege to exercise the fall-back rights. The number of employees, within either the departments of Mental Health or Mental Retardation and Developmental Disabilities, who will exercise the right to return to classified service at lower pay ranges is likely to be minimal, if any, according to a spokesperson at the Office of Budget and Management. Thus this provision is likely to result in a minimal decrease in personnel costs.

***Detailed Fiscal Analysis***

**Department of Aging**

***Ohio Community Service Council Deposit***

The bill allows the Director of the Ohio Community Service Council, within the Department of Aging, to certify to the Director of the Office of Budget and Management the amount of cash posted to the Ohio Community Service Council Programs Fund (Fund 3R7) that should have been deposited to the OCSC Community Support Fund (Fund 624). Subsequently, the bill allows the Director of OBM to transfer cash up to the amount certified from the Ohio Community Service Council Programs Fund (Fund 3R7) to the OCSC Community Support Fund (Fund 624). The amount transferred is appropriated. According to OBM, the amount that should have been deposited into Fund 624 was approximately \$113,000. As a result, Fund 624 may realize a gain in revenues of \$113,000 in FY 2007.

**Departments of Alcohol and Drug Addiction Services and Mental Health**

***Mental Health Services and Crisis Intervention Services***

The bill eliminates the prohibition against a board of alcohol, drug addiction, and mental health services (ADAMHS) board, and an entity under contract with an ADAMHS board, from discriminating in the provision of services under its authority, employment, or contract on the basis of the inability to pay.

The bill also requires that each ADAMHS board's community mental health plan cover crisis intervention services for individuals in an emergency situation and expressly includes crisis intervention services in the list of community health services for which counties can receive assistance from the Department.

According to a spokesperson at the Department of Mental Health, these provisions have no fiscal effect on the state or local ADAMHS boards or the Department of Mental Health because crisis intervention services are already part of each board's community mental health plan. The bill expressly adds crisis intervention services to the list of services for which county boards can seek assistance from the Department of Mental Health.

**Department of Health**

***Health Emergency Fund***

The bill creates the Health Emergency Fund (Fund 5EC) in the Department of Health (ODH). The fund may be used by ODH to purchase vaccines and antiviral drugs to stockpile for pandemic flu. The Director OBM, in consultation with the Director of ODH, shall determine the appropriation amount needed. The Director of OBM may transfer up to \$17.5 million in cash from the GRF as needed to pay for antivirals and vaccines received. It is expected that the first shipment of antivirals will be received in April of 2007. As a result, there could be a \$17.5 million transfer as needed in each fiscal year from the GRF to Fund 5EC for the purchase of antivirals and vaccines.

**Departments of Job and Family Services and Mental Retardation and Developmental Disabilities**

***ICF/MR Pilot Conversion Program***

Am. Sub. H.B. 66 of the 126th General Assembly required the Department of Job and Family Services to submit an application to the Centers for Medicare and Medicaid Services (CMS) for a waiver to serve individuals in ICF/MRs that volunteered to participate in the ICF/MR Conversion Pilot Program. Based on preliminary review, CMS replied the new waiver would be denied as currently proposed. The bill delays the deadline for the Department of Job and Family Services to seek federal approval for the ICF/MR Conversion Pilot Program from January 1, 2007 to June 30, 2007. There is no fiscal effect due to the deadline change.

**Departments of Job and Family Services and Office of Budget and Management**

***Medicaid Agency Transition Transfer***

The bill permits the Director of OBM to transfer \$1 million in appropriation from GRF appropriation 600-321, Support Services, in the Department of Job and Family Services to newly created GRF appropriation item 042-416, Medicaid Agency Transition, in the Office of Budget and Management. Once the transfer has been made, the Director of OBM may retain staff of the Medicaid Administrative Study Council, hire staff, enter into contracts and take other steps necessary to complete the transition tasks identified in the Medicaid Administrative Study Council report or other steps deemed necessary to create a new Department of Medicaid. Any contracts, entered into are exempt from the authority and supervision of the Department of Administrative Services and Office of Information Technology.

**Departments of Mental Health and Mental Retardation and Developmental Disabilities**

**Fall-Back Rights**

Under current law, an unclassified employee retains the right to resume a position and status held in the classified service immediately prior to appointment in the unclassified services.

The bill allows an unclassified employee to exercise the right to resume a position and status in the classified service only if (1) the employee is demoted to a lower pay range than his or her current pay range or (2) the employee's appointment to unclassified service is revoked. Employees forfeit the right to resume a position in the classified service if (1) he or she is removed from the position in the unclassified service due to reasons that include incompetence, inefficiency, dishonesty, drunkenness, immoral conduct, insubordination, or neglect of duty or (2) transfers to a different agency.

Both the Department of Mental Health and the Department of Mental Retardation and Developmental Disabilities could experience a minimal reduction in personnel costs if unclassified employees opted to exercise their rights to return to classified service. According to OBM, there are only a small number of unclassified employees in the Department of Mental Health and the Department of Mental Retardation and Developmental Disabilities who would likely exercise the right to return to classified service. Actual savings cannot be determined because the number of employees who will exercise the right to return to classified service and the amount by which their pay might decrease are unknown.

**Judiciary**

**State Fiscal Highlights**

STATE FUND	FY 2007	FY 2008	FUTURE YEARS
<b>General Revenue Fund (GRF)</b>			
Revenues	Potential minimal loss in lobbyist registration fees	Potential minimal loss in lobbyist registration fees	Potential minimal loss in lobbyist registration fees
Expenditures	Potential increase of up to \$3.0 million for Controlling Board's Emergency Purposes/Contingencies line item	- 0 -	- 0 -
<b>Joint Legislative Ethics Committee Fund (Fund 4G7)</b>			
Revenues	Potential minimal gain in registration fees	Potential minimal gain in registration fees	Potential minimal gain in registration fees
Expenditures	Potential increase of up to \$100,000 based on appropriated amount	Potential increase, up to available revenues	Potential increase, up to available revenues

Note: The state fiscal year is July 1 through June 30. For example, FY 2007 is July 1, 2006 – June 30, 2007.

**Controlling Board**

- **Emergency Purposes Appropriation Increase.** The bill increases the amount of the Controlling Board's FY 2007 Emergency Purposes/Contingencies appropriation (GRF line item 911-401) by \$3.0 million, from \$5.0 million to \$8.0 million.

**Joint Legislative Ethics Committee**

- **Lobbyist Registration Fees—Joint Legislative Ethics Committee Fund (Fund 4G7).** Current law specifies that all moneys collected by the Joint Legislative Ethics Committee (JLEC) from registration fees paid by lobbyists and their employers be deposited into the GRF. The bill restores prior law by directing all money collected from registration fees and late filing fees be deposited in the Joint Legislative Ethics Committee Fund (Fund 4G7) rather than the GRF as current law requires. As of this writing, the amount of money that may be redirected from the GRF to Fund 4G7 will likely be no more than minimal annually.

## *Local Fiscal Highlights*

### *Morrow County Court of Common Pleas*

- ***Clarifying Jurisdiction Over Probate Division.*** Am. S.B. 128 of the 126th General Assembly added one additional judge for the Morrow County Court of Common Pleas to be elected in 2006, term to begin January 1, 2007. The bill clarifies what might appropriately be termed an oversight in that previously enacted legislation by providing that the judges of the Morrow County Court of Common Pleas also have jurisdiction over the probate division of the Court. Since the new judge has not yet taken the bench, this provision will not have an effect on Morrow County revenues and expenditures.

## *Detailed Fiscal Analysis*

### *Controlling Board*

#### *Emergency Purposes/Contingency Appropriation Increase*

The bill increases the amount of the Controlling Board's FY 2007 Emergency Purposes/Contingencies appropriation (GRF line item 911-401) by \$3.0 million, from \$5.0 million to \$8.0 million.

### *Department of Rehabilitation and Correction*

#### *State Correctional Facilities*

The bill eliminates the requirement that the Director of Rehabilitation and Correction obtain the Governor's approval to change the purpose for which a state correctional facility is used, and requires the Director to contract for the private operation of at least two state correctional facilities. It does not appear that these provisions would introduce any significant additional costs to the Department of Rehabilitation and Correction. The Department currently contracts for the private operation of two prisons, thus this provision simply codifies current practice.

### *Department of Public Safety*

#### *Federal Justice Program Funds*

The bill: (1) eliminates the Federal Program Purposes Fund (Fund 3AY) and creates a Federal Justice Programs Fund for each federal fiscal year, and (2) requires the directors of Public Safety and Budget and Management to take certain actions in order to comply with the investment earnings retention and distribution requirements of certain federal grant awards. Arguably, these provisions are relatively simple one-time changes to the state's accounting system that carry no readily discernible ongoing fiscal effects other than to ensure that the handling of certain federal grant awards complies with federal law.

### *Joint Legislative Ethics Committee*

#### *Joint Legislative Ethics Committee Fund (Fund 4G7)*

Current law specifies that all moneys collected by the Joint Legislative Ethics Committee (JLEC) from registration fees paid by lobbyists and their employers be deposited into the GRF. Prior law directed all such moneys be deposited into the Joint Legislative Ethics Committee Fund (Fund 4G7). The bill restores that prior law by directing all money collected from registration fees and late filing fees be deposited in Fund 4G7 rather than the GRF as current law requires. As of this writing, the amount of money that may be redirected from the GRF to Fund 4G7 will likely be no more than minimal annually.

Current law, unchanged by the bill, directs that money credited to the fund and any interest earnings from the fund be used solely for operation of JLEC and the Office of the Legislative Inspector General and for the purchase of data storage and computerization facilities. The bill also appropriates \$100,000 from Fund 4G7 to line item 028-601, presumably to be used for one or more of the above-noted purposes.

### *Morrow County Court of Common Pleas*

#### *Probate Division Jurisdiction*

Am. S.B. 128 of the 126th General Assembly added one additional judge for the Morrow County Court of Common Pleas to be elected in 2006, term to begin January 1, 2007. The bill clarifies what might appropriately be termed an oversight in that previously enacted legislation by providing that the judges of the Morrow County Court of Common Pleas also have jurisdiction over the probate division of the Court. As that new judge has yet to take the bench, this provision of the bill seems unlikely to carry any discernible fiscal effects for Morrow County. Since the new judge has not yet taken the bench, this provision will not have an effect on Morrow County revenues and expenditures.

## State Fiscal Highlights

STATE FUND	FY 2007	FY 2008	FUTURE YEARS
<b>General Revenue Fund (GRF)</b>			
Revenues	Potential gain up to \$2,100,000	- 0 -	- 0 -
Expenditures	Potential increase up to \$2,100,000	- 0 -	- 0 -
<b>Public Utilities Fund (Fund 5F6)</b>			
Revenues	Potential gain up to \$2,100,000	- 0 -	- 0 -
Expenditures	Potential increase up to \$2,100,000	- 0 -	- 0 -
<b>Commercial Vehicle Information Fund (Fund 3V3)</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase of \$500,000	- 0 -	- 0 -
<b>Civil Forfeitures Fund (Fund 4U8)</b>			
Revenues	Gain of \$150,000	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
<b>Hazardous Materials Registration Fund (Fund 4S6)</b>			
Revenues	Gain of \$350,000	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -

### House of Representatives

- **Expanded Definition of Caucus.** The bill expands the definition of "caucus" to include "members of a committee of the House of Representatives who are members of the same political party" in section 101.15 of the Revised Code. This change may reduce payments of civil forfeitures (\$500 per violation), court costs, and attorney's fees related to violations of this section, so that this provision may reduce expenditures from the GRF minimally.

### Public Utilities Commission

- **Transfer from GRF to Fund 5F6.** The bill permits the Director of Budget and Management to transfer up to \$2.1 million from the GRF to Fund 5F6 in FY 2007 subject to certain conditions. Specifically, the transfer is permitted if the Chairman of the Public Utilities Commission notifies the Director that a delay in implementing the federal Unified Carrier Registration Program has left insufficient funds in Fund 5F6 to support the FY 2007 appropriation to item 870-625, Motor Transportation Regulation. If the transfer is made, the bill also permits reimbursement of the transfer from Fund 5F6 to the GRF if and when federal funds become available.
- **Transfer from Fund 3V3 to Fund 4U8.** The bill requires the Director of Budget and Management to transfer \$150,000 from Fund 3V3 to Fund 4U8, and to transfer \$350,000 from Fund 3V3 to Fund 4S6. All three funds are in the budget of the Public Utilities Commission of Ohio. The transfers constitute reimbursement of transfers made to Fund 3V3 in FY 2002.

### Department of Taxation

- **Enforcement of Certain Statutory Liens.** The provision extending the limit on enforcing certain statutory liens could increase administrative expenses slightly.

### Tax Provisions

- **Conforming Ohio tax law to federal tax law.** Conforming Ohio tax law to federal tax law will reduce revenues from the individual income tax in FY 2007. Receipts from the individual income tax are distributed to the GRF and various local government funds. The local government funds freeze for FYs 2006 and 2007 would result in the GRF experiencing the full revenue loss in FY 2007. In subsequent years, the revenue loss would be shared by the GRF and the local government funds according to the Revised Code distribution of income tax receipts.

## Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2006	FY 2007	FUTURE YEARS
<b>Counties, municipalities, townships, and libraries (LGF, LGRAE, and LLGSF)</b>			
Revenues	- 0 -	- 0 -	Potential loss due to conforming Ohio tax law to federal tax law
Expenditures	- 0 -	- 0 -	- 0 -
<b>Counties, Municipalities, Townships, and School Districts (from multiple provisions; see below)</b>			
Revenues	Potential minimal loss	Potential gain or loss	Potential gain or loss

Expenditures	Potential minimal decrease	Potential increase or decrease	Potential increase or decrease
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## Counties

- **Definition of Caucus.** The bill expands the definition of "caucus" to include "members of a committee of the House of Representatives who are members of the same political party" in section 101.15 of the Revised Code. Violations of this section may be tried in a county court of common pleas, so that this provision may reduce caseload in courts of common pleas. This may reduce court expenditures related to caseload, and reduce associated fees.

## Tax Provisions—Effects on Various Political Subdivisions

- **Conforming Ohio Tax Law to Federal Tax Law.** This will reduce revenues from the individual income tax in FY 2007. Receipts from the individual income tax are distributed to various local government funds. The local government funds freeze for FYs 2006 and 2007 would result in no revenue loss to the local government funds in FYs 2006 and 2007. In subsequent years, the state revenue loss would be shared by the GRF, the Local Government Fund, the Local Government Revenue Assistance Fund, and the Library and Local Government Support Fund according to the Revised Code distribution of income tax receipts.
- **Removing Current Prohibitions—Exemptions for Property in Joint Economic Development Districts.** Granting additional tax exemptions may reduce tax revenues.
- **Oil and Gas Reserves—Real Property Tax Value.** The bill specifies the method for determining the true value, for real property tax purposes, of oil and gas reserves. Based on estimates done by the Department of Taxation, the effect of these changes would have been a reduction in tax revenues in 2006 of about \$2 million, from approximately \$5.5 million to around \$3.5 million.
- **Property Tax Exemption—Remediated Property.** The bill permits an owner of property remediated to the satisfaction of the Director of Environmental Protection to decline the property tax exemption to which that owner is entitled. That property tax exemption would be based on the increase in the value of the real property, and would last ten years. The direct effect of declining the exemption would be an increase in real property taxes owed to units of local government. However, if by declining this exemption, the owner remained eligible for another, more attractive exemption, the net effect could be a reduction in real property taxes owed.

## *Detailed Fiscal Analysis*

### Air Quality Development Authority

#### *FutureGen Initiative*

The bill expands the purpose of the appropriation items GRF 898-401, FutureGen Assistance and Fund (5DR) 898-606, FutureGen Initiative. These appropriation items were created in H.B. 440 of the 126th General Assembly to make grants for the drilling of a test well to assist the state's efforts to secure the United States Department of Energy's FutureGen Initiative Program. The bill expands the purpose to include assisting the state's efforts to support the development and operation of the FutureGen Project. The expansion of purpose has no direct fiscal effect on state or local governments.

### House of Representatives

#### *Expanded Definition of Caucus*

The bill expands the definition of "caucus" to include "members of a committee of the House of Representatives who are members of the same political party" in section 101.15 of the Revised Code. This effectively exempts meetings of committee members who are in the majority party caucus from statutory requirements to maintain minutes of such meetings, to make them publicly available, and to provide public notice at least 24 hours in advance of meetings. Violations of this section may result in civil forfeitures of \$500, and payment of court costs and attorney's fees, so that this provision may reduce expenditures from the GRF minimally.

This provision may also reduce caseload in county courts of common pleas related to violations of section 101.15 of the Revised Code. This may result in a reduction in expenditures by county courts related to caseload, and reduce associated fee revenue.

### Lottery Commission

#### *Lottery Sales Agent License Fee*

The bill eliminates the \$25 application fee for a lottery sales agent license. Instead, the bill requires the Director of the State Lottery Commission to determine the amount of the application fee, establishes a new lottery sales agent license renewal fee, and authorizes the assessment of an administrative fee to update an original license application or renewal application, all with the Controlling Board's approval. The bill also eliminates the option for a sales agent to file a fidelity bond and authorizes an applicant for a lottery sales agent license to obtain a surety bond or, with the Director's approval, to deposit a specified amount into a dedicated account for the benefit of the state lottery. These changes to the lottery sales agent licensing procedures have no fiscal impact on the GRF. Assuming that the application and reapplication fees do not exceed the actual cost of administration and processing the licensing procedures, the bill has no net fiscal impact on the Lottery.

## Ohio Building Authority

### ***OBA—Building Operating Payments***

The bill broadens the use of appropriation item 100-448, OBA-Building Operating Payments, to include any payments "pursuant to Chapter 152. of the Revised Code." Currently, only payments "pursuant to leases and agreements under Chapter 152. of the Revised Code" are allowed.

In addition, the bill authorizes OBA to manage, allocate space in, and have general custodial care and supervision of capital facilities it does not own if the facilities contain at least 200,000 square feet of space. The bill also allows the OBA to control or manage any state capital facilities including those for which OBA is not authorized to issue obligations.

Furthermore, the bill removes the requirement that, upon repayment of obligations issued by OBA for the acquisition of a capital facility of the Bureau of Workers' Compensation, ownership of the facility be transferred to the Bureau.

There is no direct fiscal effect of these provisions on state or local governments.

## Public Utilities Commission

### ***Fund Transfer—Motor Transportation Regulation Program***

The Motor Transportation Regulation Program within the PUCO regulates the commercial trucking industry in Ohio funded partially by fees paid by the industry and partially by a federal grant from the Federal Motor Carrier Safety Administration. In order to streamline the permitting process for interstate commercial trucking businesses, Ohio has participated in the Single State Registration Program (originally known as the Base State Registration Program) since 1991. The federal participation in the program is being reorganized and the program being renamed the Unified Carrier Registration Program. Uncertainty over the requirements that will ultimately be imposed at the federal level has led some commercial truckers to delay submitting their fees to PUCO. This has reduced the revenue normally available to Fund 5F6, to the point that matching funds may not be available for drawing down the federal grant moneys for the program.

The bill permits the Director of Budget and Management to transfer up to \$2.1 million in FY 2007 from the GRF to Fund 5F6 to make up the shortfall in revenue received to date from the industry and to ensure that matching funds are available to draw down the federal grant. The transfer is permitted if the Chairman of the PUCO notifies the Director that the cash available in Fund 5F6 is insufficient to support the FY 2007 appropriation to line item 870-625, Motor Transportation Regulation. If any such transfer is made, the bill also permits reimbursement of the GRF if and when funds become available in Fund 5F6. The bill also makes changes to language in section 4919.76 of the Revised Code regarding the requirement that PUCO adopt rules governing the Motor Carrier Registration program. The changes simply make the language in this section more flexible in its references to the federal entity with which PUCO is to coordinate in issuing its rules.

### ***Fund Transfer—Reimbursement for Previous Transfer in FY 2002***

The bill also requires the Director of Budget and Management to transfer \$150,000 from Fund 3V3 to Fund 4U8, and to transfer \$350,000 from Fund 3V3 to Fund 4S6. All three funds are in the budget of the Public Utilities Commission of Ohio. The transfers constitute reimbursement of transfers made to Fund 3V3 in FY 2002.

## Ohio Department of Taxation

### ***Enforcement of Certain Tax Liens***

The bill extends the time limit from 12 years to 15 years to enforce certain statutory liens. The 15-year limitation period applies to liens and notices of continuation of liens filed before, on, or after the effective date of this bill. These provisions may increase state and local governments' administrative expenses slightly.

## Tax Provisions

### ***Changes to the Commercial Activity Tax for Nonqualifying Dealers in Intangibles Members of a Consolidated Group***

The bill changes the definition of taxable gross receipts for certain dealers in intangibles<sup>[1]</sup> (DIT) under the commercial activity tax (CAT). The bill modifies the existing CAT exemption for gross receipts received from transactions between members of a consolidated single taxpayer group<sup>[2]</sup> or from an entity exempted from the CAT. Under current CAT law, a consolidated taxpayer group may exclude receipts received from a DIT that is subject to the DIT tax, but only if the dealer is part of a commonly owned company group that also includes an insurance company or a financial institution (a "qualifying" dealer). The consolidated group must pay the CAT on gross receipts received from a nonqualifying dealer even if the nonqualifying dealer is a member of the group. The bill allows a consolidated taxpayer group to exclude gross receipts received from any dealer that is both subject to the DIT tax and a group member, whether the dealer is a "qualifying" or "nonqualifying" dealer. However, the exclusion will not apply if the receipts are received by one group member transferring property to a nonqualifying dealer (and also a group member) and the nonqualifying dealer then delivers the same property to an entity that is not a member of the same group.



This provision reduces revenues from the CAT, although the extent of the revenue loss is indeterminate. Revenues from the CAT are distributed to the School District Tangible Property Tax Replacement Fund and to the Local Government Tangible Property Tax Replacement Fund through FY 2011. (After FY 2011, the GRF will also receive distributions from the CAT.) Thus, the bill reduces revenues to these funds.

### ***Extension of Time Period for Counties Entering into Agreements with an Impact Facility***

The bill extends from December 1, 2006 to June 1, 2007 the time by which a board of county commissioners may enter into an agreement with a business that proposes to construct an impact facility<sup>[3]</sup> in the county. Under current law, up to 75% of the county permissive local sales and use taxes collected on retail sales made by the impact facility are returned to it. This provision has no fiscal effect.

### ***Incorporation of Federal Tax Law Changes to the Ohio Revised Code***

The bill incorporates changes in federal tax laws that have occurred since March 30, 2006, into the tax title of the Revised Code. The bill also authorizes taxpayers whose taxable year ends in 2006 and before the effective date of the bill to elect to apply the federal tax law provisions that applied before the incorporated changes begin to apply. Changes to the federal law primarily include modification of the pension laws and changes to certain provisions related to charitable contributions to organizations exempt from the federal income tax. These federal law changes decrease the federal adjusted gross income (FAGI), which is the starting point in the computation of Ohio adjusted gross income (OAGI). A reduction in OAGI decreases both the tax liability and tax revenues from the individual income tax. The state revenue loss may be between \$2.0 million and \$4.0 million per year from FY 2007 through FY 2010. The state revenue loss may be at least \$20 million per year starting in FY 2011, according to the Department of Taxation. Revenue from the individual income tax is distributed to the GRF and to several local government funds.

For FY 2007, the GRF is assumed to bear the full loss in revenue due to the temporary stabilization ("freeze") of distributions to the local government funds (the Local Government Fund (LGF), the Local Government Revenue Assistance Fund (LGRAF), and the Library and Local Government Support Fund (LLGSF)). In later years, the GRF is assumed to bear 89.5% of the revenue loss, the LGF 4.2%, the LGRAF 0.6%, and the LLGSF 5.7%. Revenue loss to the local government funds may be between \$0.2 million and \$0.4 million per year until FY 2010. Starting in FY 2011, revenue loss to the local government funds may be at least \$2.0 million per year.

Federal H.R. 4, the "Pension Protection Act of 2006" is the primary driver of the Ohio revenue loss. H.R. 4 allows tax-free distributions from Individual Retirement Accounts to certain charities from individuals age 70 1/2 or older, and allows tax-free distributions from certain retirement plans for premiums for health and long-term care insurances. These provisions will create an immediate Ohio revenue loss under the income tax, starting this fiscal year. H.R. 4 also makes permanent pensions and IRA provisions included in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) that were set to expire in federal fiscal year (FFY) 2010.<sup>[4]</sup> The permanency of the EGTRRA-related tax provisions will create an additional Ohio revenue loss starting in FY 2011.

### ***Joint Economic Development Districts: Prohibition on Tax Exemptions Repealed***

The bill removes prohibitions in current law on granting certain tax exemptions for property in joint economic development districts. The direct effects of granting additional tax exemptions may result in loss of tax revenues.

### ***Property Tax: True Value of Oil and Gas Reserves***

The bill specifies how the true value of producing oil and gas real property is to be determined. The effect of implementing these provisions will depend on how the valuations that would be calculated using these procedures compares with the values calculated under the current method. Based on estimates done by the Department of Taxation, the effect of these changes would have been a reduction in tax revenues in 2006 of roughly \$2 million, from about \$5.5 million to around \$3.5 million. Statewide, about two-thirds of real property taxes are paid to school districts and about one-third to other units of local government.

### ***Remediated Property Tax Exemptions***

The bill permits an owner of property who is entitled to a property tax exemption to decline that exemption. This provision applies to property on which remediation has commenced or been completed to the satisfaction of the Director of Environmental Protection. The property tax exemption would be based on the increase in the value of the real property, and would last ten years. The direct effect of declining the exemption would be an increase in real property taxes owed to units of local government. However, if by declining this exemption, the owner remained eligible for and received another more attractive exemption, the net effect could be a reduction in real property taxes owed. Such a more attractive exemption might, for example, extend for more than ten years, or might apply to some portion of the value of the real property prior to remediation.

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[1] Dealers in intangibles are firms that are engaged in lending money, buying and selling notes and mortgages, and buying and selling bonds, stocks, or other securities.

[2] Under the CAT law, a consolidated taxpayer is a group of commonly owned or controlled companies that report the tax as a single taxpayer.

[3] 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.

[4] EGTRRA generally increased salary deferral limitations for 401(k), 403(b), and 457 retirement plans, increased the limits on contributions to individual retirement accounts (IRA), and increased the phase-out amounts for both deductible and nondeductible IRAs and Roth IRAs.