

Tobacco Settlement Enforcement Fund (Fund T87)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Up to \$328,034 increase	Up to \$328,034 increase	- 0 -
Physician Loan Repayment Fund (Fund 4P4)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential minimal decrease	Potential minimal decrease	Potential minimal decrease
Cultural and Sports Facilities Building Fund (Fund 030)			
Revenues	Gain of \$400,000 for historic site repairs	- 0 -	- 0 -
Expenditures	Increase of up to \$400,000 for historic site repairs	- 0 -	- 0 -

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

* The expenditures listed for FYs 2007 and 2008 represent the appropriations made from those funds in the bill. Therefore, expenditures are listed as "up to \$X," where \$X equals the amount of the appropriation.

General Revenue Fund

- **Adjutant General** – Increases appropriations for three line items in FY 2007 in Am. Sub. H.B. 66, the main appropriations act of the 126th General Assembly, an additional total of \$1.0 million to cover increased utility costs for ADJ facilities.

TOBACCO RELATED PROVISIONS

Ohio's Public Health Priorities Trust Fund (Fund L87)

- **Department of Health** – The bill authorizes the Department of Health to spend up to approximately \$11.8 million in each fiscal year. The Department will use these dollars for various purposes including uncompensated care, emergency medical assistance, Pevnar vaccines, and minority health programs.
- **Commission on Minority Health** – The bill authorizes the Commission on Minority Health to spend up to approximately \$1.2 million in each fiscal year for minority health and academic partnership grants and for training and capacity building.
- **Department of Alcohol and Drug Addiction Services** – The bill authorizes the Department of Alcohol and Drug Addiction Services to spend up to \$3.5 million in each fiscal year to fund the Circle For Recovery programs and juvenile offender aftercare programs.
- **Department of Public Safety** – The bill appropriates \$610,560 in each of FYs 2007 and 2008 from the Ohio Public Health Priorities Trust Fund (Fund L87) to the Department of Public Safety for underage tobacco use enforcement.

Tobacco Use Prevention and Control Operating Expenses Fund (Fund 5M8)

- **Tobacco Use Prevention and Control Foundation** – The bill appropriates \$1.7 million in each fiscal year to cover the operating expenditures (payroll) for the Tobacco Use and Prevention Control Foundation.

Southern Ohio Agricultural and Community Development Trust Fund (Fund K87)

- **Southern Ohio Agricultural and Community Development Foundation** – The Southern Ohio Agricultural and Community Development Foundation funds its efforts to replace the production of tobacco with other agricultural products and mitigate the adverse economic impact of reduced tobacco production in the traditional tobacco-growing region through its endowment fund. This fund is a custodial account not subject to the legislative appropriations process. Money appropriated from the Southern Ohio Agricultural and Community Development Trust Fund (Fund K87) is transferred to the Southern Ohio Agricultural and Community Development Endowment Fund and supplemented with moneys already in the Endowment Fund to continue the core programs administered by the Foundation. The Office of Budget and Management estimates that the fund will receive \$13.2 million in FY 2007 and \$7.5 million in FY 2008. The moneys will fund a variety of programs that focus on educational assistance, agricultural diversity, and economic development. The economic development initiatives are slated for \$17 million for the biennium, which is an increase of \$9 million in spending over FYs 2005-2006.

Southern Ohio Agricultural and Community Development Operating Expenses Fund (Fund 5M9)

- **Southern Ohio Agricultural and Community Development Trust Fund** – The bill appropriates \$456,942 in FY 2007 and \$475,220 in FY 2008 to cover the operating expenses (payroll) for the Southern Ohio Agricultural and Community Development Foundation.

Education Facilities Trust Fund (Fund N87)

- **School Facilities Commission** – The bill makes a capital appropriation of \$648.5 million in the FY 2007-2008 biennium to the Ohio School Facilities Commission for continuing renovation and construction of Ohio's primary and secondary schools under the Classroom Facilities Assistance Program.

Biomedical Research and Technology Transfer Trust Fund (Fund M87)

- **Department of Development** – The bill authorizes the Department of Development to spend up to approximately \$27.5 million in FY 2007 and up to approximately \$21.4 million in FY 2008 to provide competitive grants called Ohio Biomedical Research and Technology Transfer Partnership Awards.

Education Technologies Trust Fund (Fund S87)

- **eTech Ohio** – The bill authorizes the eTech Ohio to spend up to approximately \$4.4 million in each fiscal year to help school districts purchase multimedia computers and other related hardware and services for students.

Law Enforcement Improvements Trust Fund (Fund J87)

- **Attorney General** – The bill appropriates \$620,000 in FY 2007 to permit the Attorney General to undertake various capital improvements projects at the Ohio Peace Officer Training Academy located in London, Ohio.

Tobacco Settlement Oversight, Administration, and Enforcement Fund (Fund U87)

- **Attorney General** – The bill appropriates \$673,797 in FY 2007 and \$723,797 in FY 2008 to pay the Attorney General’s costs in the oversight, administration, and enforcement of certain provisions of the Tobacco MSA.

Tobacco Settlement Enforcement Fund (Fund T87)

- **Department of Taxation** – The bill authorizes the Department of Taxation to spend up to \$328,034 in both FY 2007 and FY 2008 from the Tobacco Settlement Enforcement Fund (Fund T87) to pay the costs related to the enforcement of certain provisions of the Tobacco MSA.

NON-TOBACCO RELATED PROVISIONS

Physician Loan Repayment Fund (Fund 4P4)

- **Board of Regents and Department of Health** – The bill eliminates reimbursements to members of the Physician Loan Repayment Advisory Board for reasonable and necessary expenses. This could decrease expenditures though any decrease would be minimal.

Cultural and Sports Facilities Building Fund (Fund 030)

- **Ohio Historical Society – Cultural Facilities Commission** – The bill appropriates \$400,000 in FY 2007 to capital appropriation item CAP-745, Historic Sites and Museums, to provide additional capital funds for emergency repairs to Ohio Historical Society sites.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2007	FY 2008	FUTURE YEARS
School Districts			
Revenues	Gain of up to approximately \$4.4 million	Gain of up to approximately \$4.4 million	- 0 -
	Gain of \$648.5 million over the FY 2007 2008 biennium		- 0 -
Expenditures	Permissive increase of approximately \$191.3 million		
Public Hospitals, Clinics, etc.			
Revenues	Gain of up to approximately \$3.7 million	Gain of up to approximately \$3.7 million	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
Local Enforcement Authorities			
Revenues	Gain of up to approximately \$46,000	Gain of up to approximately \$46,000	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -

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

- Revenue to local school districts is distributed through the SchoolNet Plus program in the form of grants to help school districts purchase one computer for every five students. The source of such revenue is the Education Technologies Trust Fund (Fund S87). No local money is required in order to receive a grant. In FYs 2007 and 2008, school districts below the 50th percentile in property wealth will receive \$128 per pupil in the eighth grade and school districts above the 50th percentile will receive \$82 per pupil in the eighth grade. Total gains in revenue to school districts for this program are estimated to be \$4.35 million in FY 2007 and \$4.35 million in FY 2008.
- A school district wishing to receive classroom facilities assistance program money from the School Facilities Commission must first elect to finance a portion of the project with its own bond issue and tax levy. LSC staff estimate that the local portion of these projects will be

approximately 27-32% of the total cost of the projects. Using the FYs 2007-2008 capital appropriation of \$648.5 million in this bill, LSC staff estimate that in the FYs 2007-2008 biennium, school districts choosing to participate in the program will face an increase in expenditures of approximately \$191.3 million.

- At least 25% of Ohio's Public Health Priorities Trust Fund (Fund L87) appropriations must go towards minority health programs and 5% must go towards a nonentitlement program to provide emergency medical assistance, including medication, oxygen, or both, to low-income seniors whose health has been adversely affected by tobacco use. Of the appropriations made from Fund L87, \$3.7 million of the \$3.9 million appropriated in each fiscal year in line item 440-414, Uncompensated Care, will be distributed to hospitals, free clinics, etc., that provide uncompensated care to the public. The remaining funds in 440-414 will be used for the physician loan repayment program. Therefore, public hospitals, clinics, etc., stand to receive up to approximately \$3.7 million per fiscal year from Fund L87.
- The bill authorizes the Department of Public Safety to issue grants to regional authorities in order to help pay for enforcement activities related to increasing vendor compliance and decreasing underage tobacco use.

Detailed Fiscal Analysis

TOBACCO RELATED PROVISIONS

Overview

As part of the Tobacco Master Settlement Agreement (MSA), the state of Ohio was initially projected to receive approximately \$10.1 billion from fiscal year (FY) 2000 through 2025. Under the MSA, \$239.5 million is a result of the leadership role the Attorney General played in the tobacco litigation and settlement negotiations. A variety of factors will affect the exact amount received by the state in a given year, and all revenue projections should be viewed as estimated figures. Once received by the state, the MSA dollars are deposited into the Tobacco MSA Fund (Fund 087). The dollars collect interest while in Fund 087 and then are distributed to the various trust funds pursuant to the allocations established in Revised Code section 183.02 shortly after the end of the fiscal year in which the dollars are received. This bill does not change the allocations to each of the funds that are currently in the Revised Code. This bill, among other things, makes the appropriations from the various tobacco trust funds for FYs 2007 and 2008.

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

Fiscal Year	MSA Revenue	Investment Earnings	Total
2000	\$412.3 million	\$7.7 million	\$420.0 million
2001	\$315.8 million	\$8.4 million	\$324.2 million
2002	\$368.6 million	\$5.4 million	\$374.0 million
2003	\$365.4 million	\$3.6 million	\$369.0 million
2004	\$320.5 million	\$1.2 million	\$321.7 million
2005	\$321.1 million	\$1.3 million	\$322.4 million
2006*	\$291.1 million	\$1.0 million	\$292.1 million
2007*	\$294.0 million	\$1.5 million	\$295.5 million
Total thru 2007	\$2.689 billion	\$30.1 million	\$2.719 billion

* The numbers shown for FY 2006 and FY 2007 are estimates made by the Office of Budget and Management.

Distributions of Tobacco Revenue

The distribution of tobacco master settlement revenue for FYs 2001 through 2006 are detailed in Appendix A. There has been some redirecting of money from the Tobacco MSA Fund. The redirecting of tobacco money is detailed in Appendix B.

Ohio's Public Health Priorities Trust Fund

Money appropriated from Ohio's Public Health Priorities Trust Fund (Fund L87) funds programs in four agencies. The money in the fund is to be used for a variety of priority areas. Revised Code section 183.18 requires that at least 25% of the annual appropriations from this fund be used for minority health programs and 5% be used for a non entitlement program to provide emergency medical assistance, including medication, oxygen, or both, to low-income seniors whose health has been adversely affected by tobacco use. The other priority areas are enforcement of the underage tobacco use laws, alcohol and drug abuse prevention programs, and uncompensated care programs.

The money from Fund L87 is allocated to the departments of Health, Alcohol and Drug Addiction Services, Public Safety, and the Commission on Minority Health. Table 2 shows the distribution of Fund L87 by agency.

AGENCY	FY 2007	FY 2008	TOTAL
Health	\$11,816,050	\$11,816,050	\$23,632,100
Minority Health	\$1,190,000	\$1,190,000	\$2,380,000
Alcohol and Drug Addiction Services	\$3,500,000	\$3,500,000	\$7,000,000
Public Safety	\$610,560	\$610,560	\$1,221,120
TOTAL	\$17,116,610	\$17,116,610	\$34,233,220

Department of Health

Uncompensated Care

The Ohio Department of Health (ODH) is appropriated approximately \$3.9 million in line item 440-414, Uncompensated Care. Table 3 shows the historical and proposed spending for this line item, by program. The funds in this line item are used to make subsidy payments for a variety of uncompensated care programs. These programs include child and family health services clinics, dental clinics, federally qualified health centers (FQHCs), free clinics, pulmonary rehabilitation, hospitals, and infant mortality reduction. Uncompensated Care is not an entitlement program. Therefore, services are offered only to the extent that funding is available. Highlights of FY 2005 include: two new dental clinics were opened in Henry and Lorain counties and three existing clinics were expanded in Clark, Clinton, and Medina counties; approximately 10,000 people including 779 pregnant women and 2,694 children received health care services at free clinics; 4,400 uninsured pregnant women and children received medical, preventative, and/or outreach services; and eight medical professionals were placed in underserved areas around the state. According to OBM's Tobacco Blue Book, proposed levels will support the continuation of current activities.

Program	FY 2005 Actual	FY 2006 Appropriated	FY 2007 Proposed	FY 2008 Proposed
Child & Family Health Service Clinics	\$400,000	\$400,000	\$400,000	\$400,000
Dental Clinics	\$675,000	\$675,000	\$675,000	\$675,000
FQHCs	\$950,000	\$950,000	\$950,000	\$950,000
Free Clinics	\$800,000	\$800,000	\$800,000	\$800,000
Pulmonary Rehabilitation	\$294,138	\$294,138	\$294,138	\$294,138
Infant Mortality	\$205,862	\$205,862	\$205,862	\$205,862
Ohio Hospital Association	\$400,000	\$400,000	\$400,000	\$400,000
Loan Repayment	\$0	\$257,451**	\$130,050	\$130,050
TOTAL	\$3,725,000	\$3,982,451	\$3,855,050	\$3,855,050

* Appropriation detail was obtained from ODH's Public Health Priorities Trust Fund Budget Request for FYs 2007 and 2008, dated November 7, 2005.

** This amount includes \$127,400 that was carried over from FY 2005. If this amount were not included, the total appropriation for FY 2006 would be \$3,855,051.

Emergency Medical Assistance

In the bill, \$850,000 in each fiscal year is appropriated for the emergency medical assistance priority area in line item 440-412, Emergency Medications and Oxygen for Low-Income Seniors. This appropriation is used to provide assistance to low-income seniors (age 50 or older who live below the federal poverty level) whose health has been adversely affected by tobacco use. ODH distributes these funds to the Ohio Primary Care Association, which then allocates the money to FQHCs in Ohio. In FY 2005, this program provided services to 786 eligible patients and funded 8,211 prescriptions to treat smoking related illnesses.

Minority Health Programs

The Ohio Department of Health has separate line items that fund minority health programs totaling \$2,411,000 in each fiscal year. The line items are listed in Table 4.

ALI	ALI Name	FY 2005 Actual	FY 2006 Appropriated	FY 2007 Proposed	FY 2008 Proposed
440-404	Minority Health Care Data Development	\$339,362	\$350,000	\$350,000	\$350,000
440-409	Tuberculosis Prevention and Treatment	\$444,007	\$450,000	\$450,000	\$450,000
440-410	Hepatitis C Prevention and Intervention	\$337,654	\$425,000	\$425,000	\$425,000
440-411	Dental Care Programs for Minority & Low-Income Populations	\$324,859	\$420,000	\$420,000	\$420,000
440-420	Childhood Lead WIC	\$0	\$0	\$500,000	\$500,000

440-421	Infant Mortality Reduction Initiative	FY 2005 Actual	FY 2006 Appropriated	FY 2007 Proposed	FY 2008 Proposed
		\$266,000	\$266,000	\$266,000	\$266,000
ALI	TOTAL ALI Name	\$741,882	\$1,011,000	\$2,411,000	\$2,411,000

*Detail was obtained from ODH's Public Health Priorities Trust Fund Budget Request for actuals in FY 2005 and appropriations in FY 2006.

In addition to appropriations made to the Commission on Minority Health (MIH) (discussed below), appropriations are also made from Ohio's Public Health Priorities Trust Fund to the Department of Health for minority health programs. The following bullets briefly outline the proposed uses of the funds by line item, according to ODH's Ohio Public Health Priorities Trust Fund Budget Request, dated November 7, 2005.

- 440-404, Minority Health Care Data Development: Collect, analyze, and disseminate data on health disparities. The goal is to address health care data gaps for minority populations;
- 440-409, Tuberculosis Prevention and Treatment: Tuberculosis among minority populations in Ohio has not decreased at the same pace as in the general population. Activities are directed at decreasing the percentage of tuberculosis cases, as well as supporting activities proven to reduce the incidence of tuberculosis among specific populations;
- 440-410, Hepatitis C Prevention and Intervention: Perform testing, counseling, and referral for hepatitis C;
- 440-411, Dental Care Programs for Minority & Low-Income Populations: Provide comprehensive dental health care services to Ohioans who cannot afford and would not otherwise receive dental care;
- 440-420, Childhood Lead WIC: Provide additional screenings for lead poisoning for children in high-risk areas. This funding should provide screening for 16,500 children for lead poisoning at Women Infants and Children (WIC) clinics in high-risk areas.
- 440-421, infant Mortality Reduction Initiative: Provide community care coordination to minority or low-income pregnant women and infants. Community care coordinators work with a woman to apply for Medicaid, schedule appointments, and refer them to other resources among other things.

Prevnar Vaccines

The bill appropriates \$4,700,000 million in each fiscal year for Prevnar vaccines in appropriation item 440-432, Prevnar Vaccines. Pneumococcus causes serious infections in adults and children. "Prevnar vaccines protect against the seven most common strains of Pneumococcus that cause invasive disease, including bloodstream infections and meningitis."^[1] It is believed that Prevnar vaccines may help with recurrent ear infections. However, the vaccine has not been approved for this usage yet.

Commission on Minority Health

Community Minority Health and Academic Partnership Projects

The majority of Commission on Minority Health's (MIH) funding is in line item 149-402, Minority Health and Academic Partnership Grants, with appropriations of \$1,090,000 in each fiscal year. Of this amount, \$1,000,000 in each fiscal year is designated for subsidy payments for Community Health Grants – Asthma, Academic, Scientific and Community Partnership. The funding will be used by community-based organizations to provide health education, information, and awareness concerning asthma and other health issues and disparities of Ohio's children. According to MIH's Budget Request, in FYs 2007 and 2008, the focus will be on diabetes and cancer. The Academic, Scientific and Community Partnership Grantees are selected through a competitive bid process. Funding for grantees is proposed as follows: up to \$100,000 per agency per biennium for the asthma projects and up to \$200,000 per agency per biennium for the Academic, Scientific and Community Partnership projects. Each grantee will be required to submit an objective quantitative and qualitative progress evaluation report on a quarterly basis and at the end of the program year, among other things. (In each fiscal year, MIH will use \$90,000 for administration.) According to OBM's Blue Book, recommended funding levels will support the continuation of current activities.

Training and Capacity Building

In each fiscal year, \$100,000 is appropriated in line item 149-403, Training and Capacity Building. These moneys are to be used to provide planning grants for those cities interested in creating or building on existing minority health offices. Local Offices of Minority Health will provide a local presence for issues of minority health to assure local minority specific health data; update local needs assessment; develop locally relevant minority health activities for minority health month and expand MIH's program and fiscal monitoring capabilities for grantees. According to OBM's Blue Book, recommended funding levels will support the continuation of current activities.

Department of Alcohol and Drug Addiction Services

Circle For Recovery

The objective of Circle For Recovery programs is to prevent relapse of chemical dependency and criminal recidivism among African-American adult parolees. The funds are used to provide problem identification, counseling, job readiness and referral, personal development, and relapse prevention services. Six Circle For Recovery programs have been fully operational since the end of FY 2001. The Department of Alcohol and Drug Addiction Services (ODADAS) funds Circle For Recovery programs in Hamilton, Lorain, Lucas, Montgomery, Richland, and Trumbull counties. These programs have provided services to 325 parolees in the past two years. In FYs 2007 and 2008, Circle For Recovery will provide services to 325 parolees annually.

Alcohol and Drug Abuse Treatment and Prevention

The objective of the aftercare outpatient treatment and aftercare residential treatment programs is to prevent relapse of criminal and chemical dependency involvement among Department of Youth Services (DYS) parolees. Seven aftercare outpatient treatment programs have been fully operational since the end of FY 2001. These programs provide intensive outpatient services to 800 DYS parolees per year. The program locations and annual grant awards are listed in Table 5.

County	FY 2005	FY 2006
Athens/Hocking/Vinton	\$100,000	\$100,000
Cuyahoga	\$450,000	\$450,000
Hamilton	\$350,000	\$350,000
Lucas	\$169,686	\$169,686
Mahoning	\$130,000	\$130,000
Stark/Summit (2)	\$575,000	\$575,000
Total	\$1,774,686	\$1,774,686

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

The Department of Alcohol and Drug Addiction Services awarded \$1,096,527 in FYs 2005 and 2006 to Quest Recovery Services of Stark County to operate an aftercare residential alcohol and other drug treatment facility in Massillon, Ohio. The aftercare residential treatment facility has been fully operational since FY 2002. The parolees in the program have been identified by DYS as needing alcohol and other drug treatment services in a community-based residential setting. Services provided include individual and group alcohol and drug counseling, education and vocational opportunities (including GED classes and job training), family education and counseling, therapeutic interventions to criminal behavior, didactic and counseling activities designed to prepare youth for independent living, twelve-step meetings, referrals to appropriate medical/mental health, vocational, and education services. This facility has 24 beds. The average length of stay for each DYS parolee is expected to be six months. The facility serves an estimated 50 parolees per year.

Department of Public Safety

Under-Age Tobacco Use Enforcement

The Ohio Public Health Priorities Trust Fund (Fund L87) consists of: (1) amounts transferred pursuant to division (D) of section 183.02 from the Tobacco MSA Fund (Fund 087) to the Ohio Public Health Priorities Trust Fund, and (2) all investment earnings of the fund credited to the fund. Moneys credited to the fund and appropriated to line item 767-406, Under-Age Tobacco Use Enforcement, are used by the Department of Public Safety's Investigative Unit exclusively for the purpose of enforcing prohibitions relative to the illegal distribution of cigarettes or other tobacco products as specified in section 2927.02 of the Revised Code.

Currently, approximately 88% of the locations inspected are in compliance with Ohio's tobacco laws. This is an increase of 4% from FY 2005, when the compliance rate was 84%.

The bill appropriates \$610,560 in each of FYs 2007 and 2008 from Fund L87 to the Department of Public Safety's line item 767-406 for the purpose of increasing vendor compliance and decreasing underage tobacco use. Of that total amount appropriated in each fiscal year, 76.7%, or \$468,360, will be used to pay for enforcement activities, including grants to be distributed to various local governments. Table 6 immediately below shows the planned allocation of the FY 2007 and 2008 appropriations by district for underage tobacco use enforcement.

Regional Funding Allocation	Amount	Local Government Allocation	Total
Central Office	\$67,526	\$7,411	\$74,937
Akron	\$71,746	\$7,880	\$79,626
Cincinnati & Dayton	\$80,187	\$8,800	\$88,987
Cleveland	\$50,644	\$5,558	\$56,202
Columbus & Athens	\$97,069	\$10,653	\$107,722
Toledo	\$54,865	\$6,021	\$60,886
TOTALS	\$422,037	\$46,323	\$468,360

The remainder of the appropriated amount for each of FYs 2007 and 2008 – \$142,200 or 23.3% – will be used for education, primarily for advertisements and programs to promote public awareness. In 2004, Public Safety's Investigative Unit presented the HELP program to 3,090 permit holders and their employees throughout the state in 103 separate presentations. In addition, local sports clubs were used to promote awareness by placing advertisements in programs and by making announcements during sporting events.

Tobacco Use Prevention and Control Foundation

Operating Expenses

The bill appropriates \$1,659,091 in FY 2007 and \$1,717,159 in FY 2008 to the Tobacco Use Prevention and Control Foundation for payroll expenses. These funds are accounted for in the Tobacco Use Prevention and Control Operating Expenses Fund (Fund 5M8).

Southern Ohio Agricultural and Community Development Foundation

Operating Expenses

The bill appropriates \$456,942 in FY 2007 and \$475,220 in FY 2008 to the Southern Ohio Agricultural and Community Development Foundation (SOA) for payroll expenses. These funds are accounted for in the Southern Ohio Agricultural and Community Development Operating Expenses Fund (Fund 5M9). The Foundation currently has five employees. The five positions are executive director, executive secretary, administrative assistant, and two management analysts. The proposed appropriation level will enable SOA to maintain current staffing levels but will not allow for any new positions to be created.

SOA Programs

The mission of the Foundation is to create and develop opportunities for Ohio's tobacco farming areas, as well as rural communities; in order to mitigate the adverse economic impact of reduced tobacco production. The Foundation also helps replace production of tobacco with the production of other agricultural products. The Foundation is responsible for developing programs to help accomplish these goals. The Foundation will fund four projects in FYs 2007 and 2008. The programs are as follows.

- **Education Assistance Program** – Provides education and training assistance to tobacco growers making the transition from tobacco growing to the production of other agricultural products. Approximately \$2.5 million per year will be devoted to this program. Two million dollars per year was devoted to this program during FYs 2005-2006.
- **Agricultural Diversity Program** – Assists those voluntarily moving away from dependence on tobacco by expanding current agricultural enterprises or diversifying into alternative agricultural enterprises. Approximately \$5 million per year will be allocated to this program. Three million dollars per year was allocated to this program in FYs 2005-2006.
- **Economic Development** – Assists in strategic investments in communities that have been adversely affected by the reduction in the demand for tobacco by providing grant dollars for capital improvements, fixed asset management or land acquisition and technology infrastructure projects to private or public sector entities that create or retain jobs. Approximately \$17 million over the biennium will be committed to this program. Four million dollars per year was devoted to this program during FYs 2005-2006.
- **Agricultural Projects** – Projects include grain handling, livestock systems, genetics feeding systems, and forage improvements. The projects help tobacco farmers that have production livestock and provide them with fencing, corrals, chutes, and grain handling equipment. Approximately \$3 million per year will be dedicated to this program. Three million dollars per year was devoted to this program during FYs 2005-2006.

In addition to the Operating Expenses Fund (Fund 5M9), appropriations are made to the Foundation from the Southern Ohio Agricultural and Community Development Trust Fund (Fund K87). The bill appropriates \$13,150,375 in FY 2007 and \$7,513,251 in FY 2008 from Fund K87. Moneys appropriated from Fund K87 are transferred to the Southern Ohio Agricultural and Community Development Endowment Fund and supplemented with moneys already in the Endowment Fund to continue the core programs administered by the Foundation. The Endowment Fund is a custodial fund and is held in the custody of the Treasurer of State. The Foundation's Board of Trustees, which is made up of 12 members, determines its annual budget, which does not require legislative approval.

School Facilities Commission

The bill appropriates \$648.5 million in the FY 2007-2008 biennium to capital appropriation item CAP-780, Classroom Facilities Assistance Program, in the Education Facilities Trust Fund (Fund N87), for the continuing renovation and construction of Ohio's primary and secondary schools. The bill also amends Am. Sub. H.B. 66, the operating budget of the 126th General Assembly, to ensure that, after all transfers from the Tobacco MSA Fund (Fund 087) to various other funds of cash that otherwise would have been transferred to the Tobacco Use Prevention and Cessation Fund (Fund H87) in FY 2007 have been completed, the remaining balance is transferred to Fund N87. This additional cash transfer is included in the \$648.5 million appropriation. The SFC uses these dollars, along with bond and cash appropriations, to fund the state share of school facilities projects under the Classroom Facilities Assistance program (CFAP), the Accelerated Urban Initiative, the Exceptional Needs Programs (ENP), and the Vocational Facilities Assistance Program (VFAP).

In the FY 2007-2008 biennium, the \$648.5 million appropriation equals 32.3% of the expected \$2.01 billion in new appropriations for the CFAP, the Accelerated Urban Initiative, ENP, and VFAP programs. The SFC anticipates that most of the appropriation will be used to help continue state funding for the phased district projects that are currently being served or for new districts that will be served in FYs 2007 and 2008.

Overall, from FY 2001 through FY 2006, \$551.6 million has been appropriated to the Education Facilities Trust Fund. Of this amount, \$458.8 million (83.2%) has been encumbered, of which \$285.6 million (52.0% of the total appropriated amount) has been disbursed for approved school facilities projects as of October 1, 2005. These funds have provided on average about 23% of the state share in 47 school districts (29 CFAP, 5 Accelerated Urban, and 13 ENP). To date, no tobacco appropriations have been committed to VFAP projects, as it is a fairly new

initiative.

For CFAP projects through FY 2005, tobacco appropriations have supported \$234.0 million of the \$3.74 billion in state funding committed to 131 school district projects, while tobacco appropriations have supported \$76.2 million of the \$444.3 million committed to 31 districts participating in the ENP. Additionally, through that same period, tobacco appropriations have supported \$115.1 million of total state funding for the six large urban districts in the Accelerated Urban Initiative (Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo).

Department of Development

The bill appropriates \$27.5 million in FY 2007 and \$21.4 million in FY 2008 from the Biomedical Research and Technology Transfer (BRTT) Trust Fund (Fund M87) through appropriation item 195-435, Biomedical Research and Technology Transfer, to be used for competitive grants called Ohio Biomedical Research and Technology Transfer Partnership Awards. The fund was created in Am. Sub. S.B. 192 of the 123rd General Assembly to fund biomedical research and biotechnology projects that produce jobs and business opportunities and improve the health of Ohioans under the direction of the Board of Regents. The appropriations and administrative responsibilities of the fund were transferred from the Board of Regents to the Department of Development in H.B. 675 of the 124th General Assembly along with the creation of the Third Frontier Commission, which was charged with overseeing the use of the fund and approval of grant awards. The Commission is comprised of the Director of Development, the Governor's Science and Technology Advisor, and the Chancellor of the Board of Regents. The Department of Development also supports the Commission by providing project administrators, who are responsible for monitoring existing grant awards, and administrative support.

To date, 15 grants for biomedical research have been awarded from the BRTT Trust Fund for a total of \$106 million. Another two to five grants will be awarded in May 2006 for an additional \$22.6 million. Awards are made through a competitive process involving independent peer reviews, currently conducted via contract with the National Academies of Science. Generally, program guidelines dictate that BRTT grant awards involve clear commercialization pathways and goals in one of the following scientific areas: human genetics, structural biology, biomedical engineering, computational biology, environmental biology, or plant biology. Awards are generally larger in size, averaging more than \$7.0 million per grant. Recipients are required to commit matching funds equal in size of the grant award.

In the upcoming biennium, the Third Frontier Commission plans to continue to make focused investments in targeted areas of bioscience in which Ohio has clearly identified economic advantage. An updated assessment of these advantages is currently being conducted by the Batelle Institute and will be adopted by the Commission to focus investments during FYs 2007 and 2008. The major emphasis of bioscience programming will be on large-scale applied research and commercialization projects involving the state's leading universities and medical centers collaborating with private sector partners. The Commission anticipates awarding three to five grants per funding cycle with commitments of \$5 million to \$8 million per project. The appropriation made under this bill will also allow for the Department of Development's continued administration of the BRTT Trust Fund.

eTech Ohio Commission

The bill appropriates \$4.35 million in FYs 2007 and 2008 for the eTech Ohio Commission (eTech). The appropriations will be used to continue the SchoolNet Plus program for the eighth grade. SchoolNet Plus distributes grants to help school districts purchase one multimedia computer for every five students, as well as other related hardware and services. SchoolNet Plus completed the 1:5 ratio multimedia computer project for seventh grade students in FY 2005 and began serving eighth grade students in FY 2006. SchoolNet Plus will continue to serve the eighth grade in FYs 2007 and 2008. The total appropriation level for both fiscal years is approximately equal to the total amount estimated by eTech Ohio that is required to fully fund the eighth grade. Additional appropriations will likely be required to begin serving ninth grade students.

Under the SchoolNet Plus program, services are provided to school districts in accordance with each district's wealth rank, which places the districts into one of four wealth quartiles. Wealth ranking is based on a three-year average property valuation (with some income adjustments). Am. Sub. H.B. 66 of the 126th General Assembly allows eTech to award up to \$275 per pupil for the 50% of districts in the lowest two wealth quartiles and up to \$105 per pupil for the 50% of districts in the highest two wealth quartiles. However, given limited available funding, eTech decided to base the per pupil award amount on the cost of the least expensive computer as negotiated by the Commission for SchoolNet Plus products, currently \$640. Beginning in FY 2006, districts in the lowest two quartiles receive \$128 per student such that one computer can be purchased for every five students ($\$128 \times 5 = \640). Based on this system of funding, the cost of the program for the lowest wealth quartiles for the eighth grade is approximately \$7.5 million. In order to determine the per pupil amount award for districts in the highest wealth quartiles eTech allocated approximately the same amount (\$7.5 million) to these districts and then divided that amount by the total number of students in these districts. Therefore, since the districts in the highest two quartiles have more students, they receive \$82 per student.

Community schools, the School for the Deaf, and the School for the Blind are also eligible to receive funding through the SchoolNet Plus program. These schools, however, are not ranked by wealth because they do not have authority to raise taxes. Therefore, eTech Ohio sets aside a portion of the per-grade funding equal to the percentage of students who are served in these schools and allocates funds based on the per student amount provided to school districts in the lowest two wealth quartiles (currently \$128).

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

Attorney General

Law Enforcement Improvements Trust Fund (Fund J87)

Existing division (B) of section 183.02 and section 183.10 of the Revised Code, which are unchanged by the bill, control the revenues and expenditures of the Law Enforcement Improvements Trust Fund (Fund J87). The fund's revenues consist of: (1) amounts transferred pursuant to division (B) of section 183.02 of the Revised Code from the Tobacco MSA Fund (Fund 087), and (2) all investment earnings of the fund credited to the fund. Money credited to the fund is required to be used by the Office of the Attorney General to maintain, upgrade, and modernize the law enforcement training, law enforcement technology, and laboratory equipment of the Office of the Attorney General.

Under current law, unchanged by the bill, Fund J87 will not receive any additional amounts transferred from the Tobacco MSA Fund. Fund J87 will, however, continue to retain its investment earnings. Thus, any moneys appropriated from Fund J87 would be drawn from its existing available cash balance.

For FYs 2005 and 2006, a total of \$11.6 million was appropriated from Fund J87 to line item 055-635, Law Enforcement Technology, Training, and Facility Enhancements. According to the Office of the Attorney General's Tobacco Budget Revenue Request for the FY 2007-2008 biennium, these funds were used to: (1) develop the Ohio Law Enforcement Gateway (OHLEG) as a tool to enable public safety agencies across the state to share information, and (2) renovate the Ohio Peace Officer Training Academy (OPOTA) at London, Ohio, to restore the building to a useable condition and maintain it as a viable training facility for new and expanded training opportunities for peace officers across Ohio.

For FYs 2007 and 2008, the Attorney General requested, and the Executive recommended, amounts totaling \$620,000 and \$0 be appropriated from Fund J87 for FYs 2007 and 2008, respectively. According to the Office of the Attorney General's Tobacco Budget Revenue Request for the FY 2007-2008 biennium, these funds will be used on OPOTA capital improvements as follows.

- **Kitchen Equipment Upgrade** – \$275,000 to upgrade equipment in the academy's kitchen, much of which dates to 1974.
- **Gymnasium Floor Replacement** – \$130,000 to replace the existing floor in the academy gymnasium.
- **Certification and Training Track** – \$215,000 to construct a certification and training track.

Tobacco Settlement Oversight, Administration, and Enforcement (Fund U87)

The Tobacco Settlement Oversight, Administration, and Enforcement Fund (Fund U87) consists of: (1) amounts transferred pursuant to division (I) of section 183.02 of the Revised Code from the Tobacco MSA Fund (Fund 087), and (2) all investment earnings of the fund credited to the fund. Moneys deposited to the credit of Fund U87 are used by the Office of the Attorney General exclusively to pay costs incurred in the oversight, administration, and enforcement of certain provisions of the Tobacco MSA, such as limitations on advertising and marketing programs in Ohio related to the sale of tobacco products.

The Attorney General's Tobacco Enforcement Unit's primary responsibilities include: (1) the enforcement of the MSA between the Settling States and the participating tobacco manufacturers, and (2) the provision of all legal advice to three^[2] of the major recipients of Ohio tobacco settlement dollars. The Ohio Department of Taxation also has certain enforcement duties related to the Tobacco MSA, the costs of which are paid from moneys credited to the Tobacco Settlement Enforcement Fund (Fund T87).

The bill appropriates \$673,797 in FY 2007 and \$723,797 in FY 2008 from Fund U87 to pay the Attorney General's costs in the oversight, administration, and enforcement of certain provisions of the Tobacco MSA. The Attorney General does not anticipate increasing the staff of the Tobacco Enforcement Unit during the next biennium. However, the Attorney General does expect that the unit will be subject to challenges regarding the enforcement of the escrow statutes, which could increase litigation costs and necessitate the need to contract with outside counsel.

Department of Taxation

The bill appropriates \$328,034 in FYs 2007 and 2008 from the Tobacco Settlement Enforcement Fund (Fund T87) to the Department of Taxation. The funds will be used to pay costs related to the enforcement of MSA provisions concerning cigarette manufacturers.

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

Tobacco Use Prevention and Control Foundation, Southern Ohio Agricultural and Community Development Foundation, and Biomedical Research and Technology Transfer Trust Fund

The bill provides that not more than 5% of the "total disbursements, encumbrances, and obligations" (instead of "total expenditures" as

current law requires) of the following foundations or funds in a fiscal year may be used for their administrative expenses in the same fiscal year: (1) Tobacco Use Prevention and Control (TUPAC) Foundation, (2) Southern Ohio Agricultural and Community Development Foundation, and (3) Biomedical Research and Technology Transfer Trust Fund. The bill eliminates the 5% expenditure limitation regarding the Third Frontier Commission's use of the Biomedical Research and Technology Transfer Trust Fund to pay the Commission's administrative expenses.

NON-TOBACCO RELATED PROVISIONS

Board of Regents and Department of Health

The bill makes changes to the eligibility requirements for the Physician Loan Repayment Program. The Program is administered by the Department of Health, while the Ohio Board of Regents serves as the fiscal manager. The bill also eliminates reimbursements to the 11 members of the Physician Loan Repayment Advisory Board for reasonable and necessary expenses. This provision could potentially decrease expenditures from SSR Fund 4P4, Physician Loan Repayment, in the Board of Regents, though any decrease would be minimal.

Department of Health

The bill makes changes to the requirements for participating in the Dentist Loan Repayment Program by specifying (1) that the individual is not receiving certain assistance in student loan repayment (instead of has never received such assistance), and (2) if practicing dentistry, has been in practice for less than three years (instead of less than three years in this state). The bill also reduces the number of members of the Dentist Loan Repayment Advisory Board needed for a quorum and that are required to compel the chairperson to call a special meeting of the Board. It appears that the provision could expand eligibility; however, it does not impact funding and will not have a fiscal effect on the Department of Health.

Ohio Historical Society – Cultural Facilities Commission

The bill appropriates \$400,000 in FY 2007 to capital appropriation item CAP-745, Historic Sites and Museums, to provide additional capital funds for emergency repairs to Ohio Historical Society sites. The appropriation item, which is under the Cultural Facilities Commission (AFC), will allow the Ohio Historical Society to continue repairs to various sites, as current funding for the repairs is expected to be depleted by the end of FY 2006.

Adjutant General

The bill increases Am. Sub. H.B. 66 of the 126th General Assembly appropriations in FY 2007 for three line items by a total of \$1.0 million to cover higher than anticipated operation costs caused by an increase in utility rates. The \$1.0 million in GRF funding is divided among the following three line items: 745-404, Air National Guard, increase of \$141,955 to \$2,081,717; 745-409, Central Administration, increase of \$222,336 to \$4,171,926; and 745-499, Army National Guard, increase of \$635,709 to \$4,721,931.

*LSC fiscal staff: Wendy Risner, Budget Analyst
Jennifer Henry, Budget Analyst
Maria Seaman, Sr. Budget Analyst
Sara Anderson, Sr. Budget Analyst
Ann Braam, Budget Analyst
Jamie Duskocil, Sr. Budget Analyst
Ed Millane, Budget Analyst
Jason Phillips, Budget Analyst
Ruhaiza Ridzwan, Economist
Romie Romito, Budget Analyst
Kerry Sullivan, Budget Analyst*

SB0321SR/arc

[1] <http://www.keepkidshealthy.com/welcome/immunizations/pneumococcus.html>

[2] (a) the Tobacco Use Prevention and Control Foundation, (b) the Third Frontier Commission, and (c) the Southern Ohio Agricultural Development and Community Foundation.