Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL:	**H.B. 562**	DATE:	**May 19, 2008**
STATUS:	**As Introduced**	SPONSOR:	**Rep. Hottinger**

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**

This bill makes capital appropriations for the FY 2009-FY 2010 biennium and adjusts various operating appropriations for the FY 2008-FY 2009 biennium. It also makes a variety of statutory changes affecting the operation of state programs. The attached *Analysis of the Capital Budget for the FY 2009-FY 2010 Biennium* provides summary reports and detailed information on capital appropriations. This fiscal note focuses on the fiscal effects of noncapital appropriation-related provisions. Due to its complexity, the fiscal note is divided into the following five sections based on functions of state agencies that are affected by the bill:

Section 1: General Government
Section 2: Health and Human Services
Section 3: Education
Section 4: Judiciary
Section 5: Taxation and Public Utilities

Section 1: General Government

State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
General Revenue Fund – Various State Agencies			
Revenues	Gain of $50 million from authorized transfers from non-GRF funds		- 0 -
Expenditures	- 0 -	Decrease of $17.4 million in payroll expenses from various state agencies	- 0 -
General Revenue Fund – Department of Transportation			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Decrease of $1.7 million from earmark modifications	- 0 -	- 0 -
General Revenue Fund and Other Various Funds			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential payroll savings in the hundreds of thousands of dollars annually for ceasing Medicare Part B premium reimbursements to state employees	
General Revenue Fund – Capitol Square Review and Advisory Board			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Increase of $144,612	- 0 -
General Revenue Fund – Ohio Historical Society			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Decrease of $144,612	- 0 -
Various non-GRF State Funds – Various State Agencies			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase in transfers-out of $50 million from authorized transfers to GRF		- 0 -
Dependent Care Spending Account Fund (Fund 8090) – Employee Benefits Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Transfer-out of $100,081 to correct mistaken deposit	- 0 -	- 0 -
Accrued Leave Fund (Fund 8060) – Employee Benefits Fund			
Revenues	Transfer-in of $100,081 to correct mistaken deposit	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
Public Audit Expense – Intrastate Fund (Fund 1090) – Auditor of State			
Revenues	Potential gain in penalty assessment collections	Potential gain in penalty assessment collections	Potential gain in penalty assessment collections
Expenditures	Potential decrease in collection costs	Potential decrease in collection costs	Potential decrease in collection costs

Undivided Liquor Permit Fund (Fund 7066) – Department of Commerce			
Revenues	- 0 -	Potential gain from various liquor permits	Potential gain from various liquor permits
Expenditures	- 0 -	Potential increase in transfers-out to GRF, ODADAS Fund 4750, and local governments	Potential increase in transfers-out to GRF, ODADAS Fund 4750, and local governments
Real Estate Operating Fund (Fund 5490) – Department of Commerce			
Revenues	- 0 -	Potential gain	Potential gain
Expenditures	- 0 -	- 0 -	- 0 -
Federal Flood Pass-Through Fund (Fund 3B40) – Department of Natural Resources			
Revenues	- 0 -	Potential gain from federal flood assistance funds	- 0 -
Expenditures	- 0 -	Potential increase for flood assistance	- 0 -
Highway Operating Fund (Fund 7002) – Department of Transportation			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase of $200,000 – earmark for West Creek Project (Cleveland)	- 0 -	- 0 -
Motorist Service Sign Fund (Fund 5Z20) – Department of Transportation			
Revenues	- 0 -	Potential gain from program fees	Potential gain from program fees
Expenditures	- 0 -	Increase, up to $11.2 million	Potential increase
Transit Capital Fund (Fund 5E70) – Department of Transportation			
Revenues	- 0 -	Loss of $5 million	- 0 -
Expenditures	- 0 -	Decrease of $5 million	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2009 is July 1, 2008 – June 30, 2009.

Transfers and other budget adjustments

- ***Additional transfers to the GRF of non-GRF funds.*** The bill increases from $70 million to $120 million the amount that the Director of Budget and Management may transfer from non-GRF funds not constitutionally restricted to the GRF over the FY 2008-FY 2009 biennium.

- ***Suspension of pay raise for exempt employees.*** The bill permits the Governor, by executive order, to suspend the 3.5% pay increases for exempt employees scheduled to take effect July 1, 2008. According to the Office of Budget and Management (OBM) estimates, this will save approximately $17.4 million in payroll expenses from the GRF in FY 2009, with expected payroll savings in various other funds as well.

- ***Ohio Department of Transportation (ODOT) GRF earmark modifications.*** The bill eliminates an FY 2008 GRF earmark of $1.5 million for air travel and support and economic development of statewide airports. The bill also changes the funding source for an FY 2008 earmark of $200,000 for the Cleveland Metropolitan Park District West Creek Project from the GRF to the Highway Operating Fund (Fund 7002).

Department of Administrative Services

- ***Medicare Part B premium reimbursements.*** The bill eliminates the requirement that a state agency pay the monthly enrollee premium under Part B of Medicare for state employees and elected state officials who are employed by or serve in the agency, are paid directly by warrant of the Director of Budget and Management, and are 65 years of age or older. Eliminating this requirement may lead to future state agency payroll savings, possibly in the hundreds of thousands of dollars.

- ***Accrued Leave Fund deposit.*** The bill authorizes the Director of Budget and Management to transfer a Department of Natural Resources payment of $100,081 that was mistakenly deposited in the Dependent Care Spending Account Fund (Fund 8090) to its correct destination, the Accrued Leave Fund (Fund 8060).

Auditor of State

- ***Collectable audit costs.*** The bill clarifies that recoverable costs that may be certified to the Office of Budget and Management include (1) amounts owed to independent public accountants, (2) fees payable for using the Uniform Accounting Network and other local government services provided by the Auditor of State, and (3) outstanding penalties over a year old for delinquent financial reports. This could reduce the Auditor's collection costs and increase penalty revenue to the Public Audit Expense – Intrastate Fund (Fund 1090).

Capitol Square Review and Advisory Board and Ohio Historical Society

- ***Statehouse tour staff.*** The Capitol Square Review and Advisory Board (CSRAB) will receive $12,297 in GRF funds from the Ohio Historical Society (OHS) to cover the costs of conducting Statehouse tours and education programs for the last month of FY 2008. Additionally, CSRAB will assume these costs full-time from OHS in FY 2009, and receives an appropriation increase of $144,612 in FY 2009 for GRF line item 874100, Personal Services, for this purpose. OHS appropriations are decreased by a corresponding amount.

Department of Commerce

- ***Voluntary hold/resigned status for real estate licenses.*** The bill permits a person licensed under the Real Estate Brokers Law to place his or her license on voluntary hold or resigned status. If the person opts to reactivate his or her license, there may be a gain in revenue to the Real Estate Operating Fund (Fund 5490).

- ***Liquor permits.*** The bill creates or modifies a number of liquor permits. As a result, there may be additional liquor permits issued by the Division of Liquor Control. Liquor permit fees are deposited into the Undivided Liquor Permit Fund (Fund 7066) and distributed to the GRF, the Ohio Department of Alcohol and Drug Addiction Services' Statewide Treatment and Prevention Fund (Fund 4750) for treatment and prevention programming, and the local governments where the liquor permits are issued.

Department of Natural Resources

- ***Federal Flood Pass-Through Fund (Fund 3B40).*** The bill directs the Department of Natural Resources (DNR) to seek all available federal funds to assist the city of Findlay with flood assistance and mitigation measures. Any federal funding would be deposited in the Federal Flood Pass-Through Fund (Fund 3B40).

Department of Transportation

- ***Business logo sign program.*** The bill requires the Department of Transportation (ODOT) to establish a fee schedule for participation in the business logo sign program and creates the Motorist Service Sign Fund (Fund 5Z20) to collect any money in excess of what is needed to pay the costs of the program and assure a reasonable profit for the contractor operating the program. The bill appropriates $11.2 million for the program in FY 2009.

- ***Transit Capital Program.*** The bill specifies that up to $5 million in each fiscal year from the Highway Operating Fund (Fund 7002) is to be used by ODOT to fund the Transit Capital Program in conjunction with funding in ODOT's budget under the Ohio Public Transportation Grant Program. Originally, these funds were to have been transferred to the Transit Capital Fund (Fund 5E70) for this purpose.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
Counties, Municipalities, and Townships – Public Obligations for Conservation and Revitalization			
Revenues	Potential gain in bond proceeds	Potential gain in bond proceeds	Potential gain in bond proceeds
Expenditures	Potential increase in debt service costs	Potential increase in debt service costs	Potential increase in debt service costs
	Potential minimal increase in election costs	Potential minimal increase in election costs	Potential minimal increase in election costs
Municipalities and Townships – New Permit Types			
Revenues	Potential gain in permit fees	Potential gain in permit fees	Potential gain in permit fees
Expenditures	- 0 -	- 0 -	- 0 -
Sewer Districts – Revision of Sewer Districts Law			
Revenues	Potential gain in bond proceeds	Potential gain in bond proceeds	Potential gain in bond proceeds
	Potential loss in sewer charges	Potential loss in sewer charges	Potential loss in sewer charges
Expenditures	Potential increase in debt service costs	Potential increase in debt service costs	Potential increase in debt service costs
Cuyahoga County – Delinquent Tax and Assessment Collection (DTAC) Fund			
Revenues	Potential minimal gain or loss in loan interest to DTAC funds	Potential minimal gain or loss in loan interest	Potential minimal gain or loss in loan interest
Expenditures	Potential increase in DTAC fund expenditures	Potential increase in DTAC fund expenditures	Potential increase in DTAC fund expenditures

Soil and Water Conservancy District Assessments – Muskingum Watershed			
Revenues	Potential gain for second half of FY 2008	Potential gain	Potential gain
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.

Counties, municipalities, and townships

- ***Authority to issue conservation and revitalization bonds.*** The bill authorizes counties, municipal corporations, and townships to issue public obligations to provide, or assist in providing, grants, loans, loan guarantees, or contributions for conservation and revitalization purposes. Any new debt service costs would depend on the interest rate and maturity of bonds issued under this expanded authority. If these issues were submitted for voter approval, counties would also incur ballot-advertising costs.

Municipalities and townships

- ***New or modified liquor permits.*** Municipalities and townships receive a portion of liquor permit fee revenue. The issuance of additional permits would result in a minimal gain in liquor permit revenue for the local government where the permit holders are located.

Sewer districts

- ***Revision of Sewer District Law.*** The bill revises the Sewer District Law to permit counties to issue revenue bonds, the proceeds from which sewer districts could use for sanitary facilities, drainage systems, and prevention or replacements facilities. The bill also allows counties to offer discounted sewer rates to property owners that undertake measures to divert storm water from combined sewers. Counties could incur new debt service costs and losses in sewer charge income as a result.

Cuyahoga County

- ***Use of DTAC Funds – Cuyahoga County.*** The bill permanently authorizes counties with a population exceeding 1.2 million (Cuyahoga County) to authorize the use of up to $3 million each year in Delinquent Tax and Assessment Collection Fund money to prevent residential mortgage foreclosures and assist municipalities in the nuisance abatement of deteriorated residential buildings in foreclosure.

Soil and water conservancy districts

- ***Assessments.*** The bill repeals the H.B. 24 prohibition on specified soil and water conservancy districts from collecting assessments that would be applied to property owners beginning January 1, 2008. Effectively, this prohibition applies to the Muskingum Watershed Conservancy District. Lifting the prohibition would mean that the conservancy district would be able to collect an assessment in the second half of local FY 2008 and thereafter.

Detailed Fiscal Analysis

Transfers and other adjustments

Additional transfers to the GRF from non-GRF funds

The FY 2008-FY 2009 budget authorizes the Director of the Office of Budget and Management (OBM) to make up to $70 million in cash transfers over the biennium from any non-GRF funds that are not constitutionally restricted to the GRF. The bill increases the authorized transfer amount to $120 million over the biennium.

Executive order suspension of pay raise for exempt employees

The bill permits the Governor, by executive order, to suspend the 3.5% pay increases scheduled for exempt employees beginning July 1, 2008 until the first day of the pay period that includes July 1, 2009. According to OBM estimates, suspending exempt employee pay raises will save approximately $17.4 million in payroll expenses from the GRF in FY 2009, with payroll savings in various other funds as well.

Earmark adjustments – Department of Transportation

The bill eliminates an FY 2008 appropriation of $1.5 million for air travel and support and economic development of statewide airports. The bill also changes the funding source for an FY 2008 earmark of $200,000 for the Cleveland Metropolitan Park District West Creek Project from the GRF to the Highway Operating Fund (Fund 7002).

Department of Administrative Services

Urban areas community improvements appropriation

The bill reallocates a GRF appropriation of $450,000 previously made to the Gateway Social Services project in H.B. 496, the reappropriations bill, to the Pro Football Hall of Fame ($200,000), the Children's Network of Stark County ($100,000), the Community Treatment and Correction Center, Inc. ($75,000), and Trillium Family Solutions ($75,000).

State agency Medicare Part B premium reimbursements

The bill eliminates a requirement that state agencies reimburse employees and elected officials for premiums paid for Medicare Part B coverage. Medicare Part B covers the cost of doctors' services and other healthcare costs that are not associated with hospital care or prescriptions. Primarily, only those individuals that are over 65 are eligible for Medicare coverage. The current monthly premium rate for Medicare Part B is $96.40. To date in FY 2008, the state has paid $303,000 in such reimbursements. The amount of future payroll savings would depend on the number of employees qualifying for Medicare Part B coverage who would no longer be reimbursed for those premiums.

Employee Benefits Fund

The bill authorizes the Director of Budget and Management to transfer a Department of Natural Resources payment of $100,081 that was mistakenly deposited in the Dependent Care Spending Account Fund (Fund 8090) to its correct destination, the Accrued Leave Fund (Fund 8060).

Information Technology – NextGen Network

The bill requires that any unencumbered FY 2008 appropriation in line item 106607, IT Services Delivery, attributable to the NextGen Network be reappropriated for the same purpose in FY 2009.

Appointment of Chief Information Officer

The bill clarifies the organization and authority of the Office of Information Technology in the Department of Administrative Services (DAS). The bill states that the Director of Administrative Services, as opposed to the Governor, will appoint the State Chief Information Officer, and that the State Chief Information Officer is to supervise, not direct, the Office of Information Technology. The bill also delineates DAS's role in managing state telecommunications and information technology, and specifically exempts the Adjutant General, the Bureau of Workers' Compensation, and the Industrial Commission from Office of Information Technology (OIT) oversight. The overall fiscal effect of these changes is unclear, but would seem to limit OIT's oversight responsibilities.

Department of Administrative Services (DAS) and Department of Development (ODOD)

Energy conservation analysis contracts

A provision of H.B. 119, the main operating budget for FY 2008-FY 2009, allows DAS to contract with the Office of Energy Efficiency (OEE) in ODOD for a report containing an analysis and recommendations for energy conservation measures in state-owned buildings. The bill reverts to the previous approach, allowing DAS to contract instead with an energy services company or other qualified firm experienced in the design and implementation of energy conservation measures. Since DAS has not yet contracted with OEE under the authority conferred in the budget, and since DAS would continue to pay for these contracts through GRF appropriation item 130321, State Agency Support Services, there is no net fiscal effect from this change.

Auditor of State

Cost recovery for audits and delinquent financial report penalties

The bill clarifies the costs that the Auditor of State may certify to the Office of Budget and Management for collection by including amounts that public offices owe for (1) services provided by independent public accountants, (2) using the Uniform Accounting Network and other local government services that the Auditor of State provides, and (3) outstanding penalties over a year old for delinquent financial reports. This provision could reduce the Auditor of

State's collection costs and possibly increase penalty amounts collected. These amounts would be deposited in the Public Audit Expense – Intrastate Fund (Fund 1090).

Office of Budget and Management

Tobacco securitization transfers to the GRF

The bill removes a requirement that OBM obtain Controlling Board approval before making transfers to the GRF related to tobacco securitization funds.

Capitol Square Review and Advisory Board and Ohio Historical Society

Statehouse tour and education staff

Until recently, the Ohio Historical Society (OHS) provided staff and resources for conducting tours of the Statehouse. Because of cost constraints at OHS, the Capitol Square Review and Advisory Board (CSRAB) took over this function in late FY 2008. To compensate CSRAB for the cost of conducting Statehouse tours and education programs for June, the last month of FY 2008, the bill requires a GRF transfer of $12,297 from OHS to CSRAB's Statehouse Gift Shop/Events Fund (Fund 4S70). For FY 2009, the bill reduces GRF appropriation item 360502, Site and Museum Operations, which currently covers OHS's costs for these activities by $144,612 and increases CSRAB's GRF appropriation item 874100, Personal Services, by the same amount.

Department of Commerce

Voluntary hold/resigned status for real estate licenses

The bill allows a person licensed under the Real Estate Brokers Law to apply to the Superintendent of Real Estate and Professional Licensing to have that person's license placed on voluntary hold or resigned status. Voluntary hold or resigned status could be assigned to a license if the person applied before the license is due for renewal. Voluntary hold status allows the license to be reactivated within 12 months if certain conditions are met. Resigned status is reserved for persons not reactivating a license after the 12 month voluntary hold period or choosing to voluntarily resign after the license has been suspended. In either case, a resigned license may not be reactivated.

Though there probably would not be any fee for placing a license on voluntary hold status, there is likely to be a reactivation fee in addition to any renewal fees that would apply. The reactivation fee would likely be in the range of $20 to $25 based on the reactivation fees charged by the Division of Real Estate and Professional Licensing for licenses placed on inactive status. These fees would be deposited into the Real Estate Operating Fund (Fund 5490). There may be a gain in revenue to the Real Estate Operating Fund from additional reactivation fees received if licensees who have opted to place their licenses on voluntary hold status subsequently choose to reactivate those licenses.

D-5l liquor permit – center for the preservation of wild animals

The bill also creates the D-5l permit for a retail food establishment or food service operation located in or affiliated with a center for the preservation of wild animals. There are no quota restrictions on the number of D-5l permits. The fee for the D-5l permit is also $2,344. Additionally, the bill allows a permit authorizing Sunday liquor sales (a D-6 permit) to be issued if the center already has a D-5m permit, irrespective of whether or not Sunday liquor sales have been authorized in that area. The fee for a D-6 permit under this circumstance is $500. This permit appears to apply primarily to The Wilds conservation center in southeast Ohio.

Liquor permit fees are deposited into the Undivided Liquor Permit Fund (Fund 7066) and distributed to the GRF (45%), the Ohio Department of Alcohol and Drug Addiction Services' Statewide Treatment and Prevention Fund (Fund 4750) for treatment and prevention programming (20%), and the local governments where the liquor permits are issued (35%). All of these would gain their proportionate share of revenue if there were additional liquor permits issued. All permanent liquor permits, in addition to the stated fee, carry a $100 processing fee that covers the Division of Liquor Control's expenses in fingerprinting and making background checks for permanent license applications. This fee is deposited into the Liquor Control Fund (Fund 7043).

Direct shipping liquor permit requirements

The bill increases from 150,000 to 250,000 gallons the maximum annual amount of wine that a wine manufacturer can produce and still qualify for a B-2a or S direct shipment permit and clarifies the amount of wine that a family household can purchase in one year. This provision may enable additional manufacturers to qualify for direct shipping permits due to the higher threshold on annual wine production. If additional permits were granted, there would be a gain in revenue to the Undivided Liquor Permit Fund, which is distributed as noted above.

Current law requires B-2a permit holders to collect and pay all applicable taxes relating to the delivery of wine to a retailer, and S permit holders to collect and pay all applicable taxes relating to the delivery of wine to a personal consumer, including specified taxes on wine and state sales and use taxes. The bill retains the requirement that B-2a and S permit holders collect and pay the state sales and use tax, but requires that they pay only the tax on wine that is levied by a county to pay for a sports facility and the two cents per gallon tax on wine that is levied to encourage Ohio grape industries and not the general state tax on wine. As a result, there may be a minimal loss in revenue from the wine excise tax to the GRF. There may also be a loss in revenue to the Ohio Grape Industries Fund (Fund 4960) from the smaller amount of the grape industries tax that would be collected from B-2a and S permit holders (three cents currently versus two cents under the bill).

Environmental Protection Agency

Goss site tire removal

The bill requires at least 65% of the money collected from the levy of a 50 cent per tire fee on the sale of tires, which is scheduled to sunset on June 30, 2011, to be used for clean-up and removal activities at the Goss tire site in Muskingum County or other tire sites in the state rather than the Kirby tire site in Wyandot County, as in current law. As the Environmental

Protection Agency (EPA) has completed the Kirby tire clean up and has begun working on the Goss site using this funding source, the provision has no new fiscal effect.

Department of Natural Resources

Van Buren State Park

The bill redirects a $250,000 earmark in appropriation item C725E2, Local Parks Projects, in the Parks and Recreation Improvement Fund (Fund 7035), for Van Buren State Park. The original earmark was for land acquisition; the revised earmark directs the funds to be used for campground electrification and restroom facility improvements. The amount of the earmark remains unchanged.

Findlay flood assistance

The bill requires DNR to seek all available federal funds to assist the city of Findlay with rebuilding infrastructure or constructing preventative infrastructure for flood mitigation and preparation. Any such federal funding that DNR secures would be deposited in the Federal Flood Pass-Through Fund (Fund 3B40), which is used to pay for flood control projects or for defraying the expenses of county governments for flood control and drainage improvements.

Department of Development and Department of Transportation

Diesel Emissions Reduction Grant Program

The bill clarifies existing budget language regarding the Diesel Emissions Reduction Grant (DERG) program to further delineate the program's funding structure. The bill establishes the DERG program within the Highway Operating Fund (Fund 7002) in the Department of Transportation (ODOT), which will provide a conduit for federal funds from the Congestion Mitigation and Air Quality (CMAQ) program to the Department of Development (ODOD) in order to administer grants. Under the bill, ODOD will use its own Diesel Emissions Reduction Grant Fund (Fund 3BD0) to receive these federal funds passed through ODOT and issue grants to eligible private entities. In order to do so, the bill establishes a new ODOD line item 195697, Diesel Emissions Reduction Grants, and appropriates $9,817,105 in FY 2008 and $10,057,814 in FY 2009 for this purpose. Originally, these funds were to have been allocated by a transfer in each fiscal year from the Highway Operating Fund to ODOD.

Transit Capital Program

The bill specifies that up to $5 million in each fiscal year from the Highway Operating Fund (Fund 7002) is to be used by ODOT to fund the Transit Capital Program in conjunction with funding in ODOT's budget under the Ohio Public Transportation Grant Program. Originally, these funds were to have been transferred to the Transit Capital Fund (Fund 5E70) for this purpose.

Department of Transportation (ODOT)

Business Logo Sign Program

This bill requires ODOT to establish a fee for participation in the existing Business Logo Sign program. Money collected from participating businesses in excess of those needed to pay the costs of the program and assure a reasonable profit for the contractor operating the sign program is to be retained by or remitted to ODOT and deposited into the newly created Motorist Service Sign Fund (Fund 5Z20). ODOT currently contracts with Ohio Logos, Inc. to administer the sign program. Rates for businesses are $750 to $800 per year per direction. ODOT is required to use Fund 5Z20 for transportation purposes, including transportation infrastructure. The bill appropriates $11.2 million in FY 2009 in appropriation item 774-610, Motorist Service Signs, for the program.

Portable signal preemption devices pilot program funding

The FY 2008-FY 2009 transportation budget requires ODOT to expend at least $400,000 in FY 2008 for a pilot program involving the installation and operation of a system of portable signal preemption devices in the township having the largest geographic area. The bill changes the recipient to the township having the largest population, which is Colerain Township in Hamilton County.

Turnpike Commission noise mitigation pilot program

Under the FY 2008-FY 2009 transportation budget, the Turnpike Commission is required to perform a study of noise impact mitigation methods that could be used as an alternative to traditional sound barriers on the Turnpike. After completing the study, the Commission is required to commence a pilot program by June 30, 2008 using one or more of these alternatives. The Commission is also required to submit a report containing the results of the pilot program and the projected costs of further implementation to the Turnpike Legislative Review Committee by December 30, 2008. To pay for these activities, the budget created the Community Resolution Fund, a custodial fund (that is, a fund that is not in the state treasury and from which money may be drawn without an appropriation), which was slated to receive $250,000 in each fiscal year from the Highway Operating Fund (Fund 7002).

Instead, the bill abolishes the Community Resolution Fund and requires ODOT to enter into an agreement on a reimbursement basis with the Turnpike Commission. Under the agreement, up to $250,000 is to be paid from the Highway Operating Fund (Fund 7002) in each fiscal year to the Turnpike Commission to fund the study and pilot program. This bill also moves back the dates when the Turnpike Commission is required to commence and complete the pilot program by approximately six months. There is no net fiscal effect resulting from these modifications since the transportation budget requires any remaining cash balance in the Community Resolution Fund to be credited back to the Highway Operating Fund (Fund 7002) after the pilot program is completed.

Construction bid guarantees

The bill permits bid guarantees for construction projects to be in the form of wire transfers, not just certified checks, cashiers' checks, or bid bonds, as under current law. The bill also requires all bid guarantees to be credited to the ODOT Letting Fund, which the bill creates as a custodial fund. The bid guarantee is returned to losing bidders once a construction contract is awarded. Forfeited bid guarantees are transferred to the Highway Operating Fund (Fund 7002). There is no fiscal effect resulting from this provision since bid guarantees are currently deposited in a letting fund outside of the state treasury, albeit without statutory authorization. This provision merely provides the statutory authority desired for the letting fund.

Bureau of Workers' Compensation (BWC)

Micro Insurance Reserve Analysis System

Am. Sub. H.B. 100, the FY 2008-FY 2009 budget act for BWC, requires the agency to implement a new system for establishing premium rates. The current Micro Insurance Reserve Analysis System (MIRA) calculates the funds needed to be held in reserve by BWC to cover its expected liabilities. Premium rates are set according to the necessary reserve amounts. Am. Sub. H.B. 100 stipulates that the new reserve system (MIRA II) must be more transparent and accurate than the current system.

The bill changes the implementation date of the new system from June 30, 2008 to July 1, 2008. The effect of the date change is to ensure a smoother transition between the two systems, as MIRA publishes reserve amounts on the last day of the month. If the June 30 date were to stand, BWC would be required to report its reserves for the end of FY 2008 using the new system, which is intended to be in place starting with FY 2009. This could cause problems in generating and reporting reserve data. The date change would allow the reserving process to begin using the new system in FY 2009. There is not expected to be any cost associated with the change in implementation date.

Soil and water conservancy districts

Assessment levies for certain conservancy districts

H.B. 24 prohibited the board of directors of a conservancy district that includes all or parts of more than 16 counties, effectively the Muskingum Watershed Conservancy District, from levying or collecting an assessment for such a district, and also prohibited county treasurers from collecting such an assessment on land that would otherwise be subject to such an assessment beginning January 1, 2008. The bill repeals this prohibition, permitting the resumption of assessments. Based on an LSC estimate for H.B. 24, the Muskingum Watershed Conservancy District would have foregone up to $10.5 million annually in assessment revenue under the prohibition. Under the bill, the District would be able to collect assessments as early as the second half of calendar year 2008.

Counties, municipalities, and townships

Public obligations for conservation and revitalization

This provision authorizes counties, municipal corporations, and townships to issue public obligations to provide grants, loans, loan guarantees, or contributions for conservation and revitalization purposes. If a political subdivision were to issue such bonds, the cost would depend on the interest rate that will be paid on the bonds and the number of years over which they are paid off. Assuming a maturity period of 15 years and an interest rate of 4%, the cost of paying off the bonds over 15 years is about nine cents per year for each dollar borrowed. If the issuance were submitted for voter approval, there could also be some minimal increase in elections costs, as well as some ballot advertising expenses.

Delinquent Tax and Assessment Collection Fund – foreclosure prevention and nuisance abatement

The bill makes permanent a provision in current temporary law authorizing a county with a population exceeding 1.2 million to use up to $3 million each year in its Delinquent Tax and Assessment Collection (DTAC) Fund to offer loans to borrowers in default on their home mortgages to prevent foreclosure. It would also allow municipalities, upon application to the county, to use these funds for nuisance abatement of foreclosed residential property. By definition, this provision would apply to Cuyahoga County, the only county meeting the population requirement.

New or modified liquor permits

Municipalities and townships receive a portion of liquor permit fee revenue. The issuance of additional liquor permits would result in a minimal gain in liquor permit revenue for the local government where the liquor permits are issued.

Applicability of zoning laws to certain types of waste facilities

The bill clarifies current law to specify that solid waste facilities, transfer stations, and construction and demolition debris facilities are subject to zoning requirements adopted by boards of county commissioners, boards of township trustees, and boards of zoning appeals. The fiscal impact of this provision is uncertain, but would likely mean that such facilities not zoned currently may be in the future.

Revision of the Sewer District Law

The bill allows counties to issue revenue bonds to sewer districts for sanitary facilities, drainage facilities, and prevention or replacement facilities. If a county were to issue such bonds, the cost would depend on the interest rate that will be paid on the bonds and the number of years over which they are paid off. The bill also authorizes counties to adopt rules that would require property owners to prevent storm water from entering a combined sewer and causing an overflow, and permits counties to provide rate reductions and credits to property owners that implement such measures. If a county opted to do this, the county could lose some sewer charge revenues from that sewer district.

Section 2: Health and Human Services

State Fiscal Highlights

STATE FUND	FY 2009	FY 2010	FUTURE YEARS
Department of Job and Family Services			
General Revenue Fund			
Revenues	Potential loss of FFP due to ICF/MR conversion		
Expenditures	Increase of $10 million due to the Children's Buy-in Program	- 0 -	- 0 -
	Decrease due to third-party liability information for child support		
	Potential cost savings due to ICF/MR conversion		
Money Follows the Person Enhanced Reimbursement Fund (Fund 5AJ0) – New			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase of $4.4 million	- 0 -	- 0 -
Interagency Reimbursement Fund (Fund 3G5)			
Revenues	Potential gain in FFP due to ICF/MR conversion		
Expenditures	Potential increase due to ICF/MR conversion		
Child Support Fund (Fund 397)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Decrease due to third-party liability information for child support		
Child Support Collections (Fund 4A8)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase of $5,248,417	- 0 -	- 0 -
Department of Mental Retardation and Developmental Disabilities			
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential decrease due to tax equity payments		
	Potential increase due to ICF/MR conversion		
Medicaid Waiver Fund (Fund 3G6)			
Revenues	Potential gain in FFP due to ICF/MR conversion		
Expenditures	Potential increase due to ICF/MR conversion		
Medicaid Administration and Oversight (Fund 5S2)			
Revenues	Loss of $500,000 per year due to Medicaid case management service fee		
Expenditures	- 0 -	- 0 -	- 0 -
Various Funds			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Cost savings due to the Gallipolis Developmental Center Pilot Program	- 0 -	- 0 -
Department of Health			
Public Health Priority Trust Fund (Fund L087)			
Revenues	Transfer-in of $950,000 from Fund 1060	- 0 -	- 0 -
Expenditures	Increase of $950,000	- 0 -	- 0 -

STATE FUND	FY 2009	FY 2010	FUTURE YEARS
Ohio Dental Loan Repayment Fund (Fund 5Z7) – New			
Revenues	Gain of at least $140,000	Potential gain due to Dentist Loan Repayment Program	
Expenditures	Increase of at least $140,000	Potential increase due to Dentist Loan Repayment Program	
Federal Public Health Programs Fund (Fund 392)			
Revenues	Potential gain due to Dentist Loan Repayment Program		
Expenditures	Potential increase due to Dentist Loan Repayment Program		
Attorney General			
General Reimbursement Fund (Fund 1060)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Transfer-out of $950,000 to Fund L087	- 0 -	- 0 -
Respiratory Care Board			
Operating Expenses Fund (Fund 4K9)			
Revenues	Potential loss due to license and registration renewal		
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2009 is July 1, 2008 – June 30, 2009.

Department of Job and Family Services

- ***Children's Buy-In program*.** The bill lowers the minimum countable income that an individual may have to qualify for the Children's Buy-In program from 300% to 250% of the federal poverty guidelines (FPG). The Office of Budget and Management estimates that including children from 250% to 300% FPG will cost (net of any cost sharing assumed by the Department of Job and Family Services) $10 million in FY 2009 assuming a July 1, 2008 start date.

- ***Money Follows the Person*.** The bill creates the Money Follows the Person Enhanced Reimbursement Fund (Fund 5AJ0) and line item 600-631, Money Follows the Person. The fund will receive the enhanced portion of the federal reimbursement for the Money Follows the Person demonstration project. The enhanced federal allotment for FY 2009 is $4.4 million based on enrollment estimates made by the Ohio Department of Job and Family Services (ODJFS). The bill appropriates $4.4 million to the new line item in FY 2009.

- ***Use of Third Party Information for the Title IV-D Child Support Program*.** The bill permits information received by ODJFS for the purpose of establishing third-party liability under the Medicaid program to also be used for purposes directly connected to the Department's child support enforcement program. This change is expected to save approximately $680,000 in FY 2009 between GRF appropriation item 600-416, Computer Projects, and appropriation item 600-626, Child Support (Fund 397).

- ***Child Support Collections/TANF MOE*.** The bill increases appropriation authority in Fund 4A8, line item 600-658, Child Support Collections, by $5,248,417 in FY 2009, and changes the allowable use of the funds that remain in that appropriation item, once Temporary Assistance for Needy Families maintenance of effort has been met, to "public assistance" instead of "child support" activities. ODJFS plans to use the remaining funds to cover the anticipated $7 million shortfall for the Disability Financial Assistance program in FY 2009.

Department of Mental Retardation and Developmental Disabilities

- ***Conversion of ICF/MR beds*.** The bill specifies that if any ICF/MR (intermediate care facility for the mentally retarded) converts some or all of the beds in the facility from providing ICF/MR services to providing home and community-based services the Director of Mental Retardation and Developmental Disabilities must certify, on a quarterly basis, to the Director of Budget and Management, the estimated amount to be transferred from ODJFS to the Department of Mental Retardation and Developmental Disabilities (ODMR/DD) for the provision of waiver services. The Director of Budget and Management may then adjust appropriations in specific line items accordingly to account for the transfer. These provisions may result in cost savings ranging from $2.7 million to $10.2 million as a result of these provisions. (Forty percent of these cost savings are state share.)

- ***Medicaid case management service fee*.** Eliminates the fee ODMR/DD charges county boards of MR/DD on the total value of all Medicaid paid claims for Medicaid case management services and home and community-based services. The elimination of this fee is expected to result in a revenue loss of $500,000 annually for ODMR/DD.

- ***Gallipolis Developmental Center Pilot Program*.** The bill revises the law governing the Gallipolis Developmental Center Pilot Program. ODMR/DD is expecting to experience cost-savings as a result of operating an eight-bed ICF/MR instead of providing home and community-based services to ten individuals under the Individual Options Medicaid waiver program.

- ***Tax equity payments*.** The bill revises the way in which tax equity payments to county boards of MR/DD are calculated. In the event of GRF budget reductions in FY 2009, this provision authorizes ODMR/DD to calculate FY 2009 payments in proportion to those made in FY 2008. If there are GRF budget reductions for FY 2009, ODMR/DD will experience a decrease in expenditures due to a reduction in the tax equity payments made to county boards of MR/DD.

Department of Health (and Attorney General)

- ***Pneumococcal Vaccines for Children*.** The bill transfers $950,000 from the General Reimbursement Fund (Fund 1060) to the Public Health Priority Trust Fund (Fund L087) in FY 2009 and appropriates this amount to line item 440-423, Pneumococcal Vaccines for Children.

Department of Health (and Board of Regents)

- ***Dentist Loan Repayment Program*.** The bill requires the Department of Health (ODH) to exclusively oversee the implementation and administration of the Dentist Loan Repayment Program, rather than participate in a joint effort between ODH and the Board of Regents (BOR). Currently, appropriations are in BOR. The bill cancels existing appropriations against BOR's line item 235-624, Ohio Dental Loan Repayment (Fund 5ZY), and re-establishes them against ODH's new line item 440-624, Ohio Dental Loan Repayment. These amounts are appropriated. The bill also appropriates at least $140,000 in FY 2009 in line item 440-624, Ohio Dental Loan Repayment (SSR Fund 5Z7). Additionally, the bill transfers the amount of cash remaining from BOR's Fund 3T0, National Health Services Corps – Ohio Loan Repayment, to ODH's Fund 392, Federal Public Health Programs. Any outstanding encumbrances for the program for FY 2008 in Fund 3T0 are cancelled and re-established in Fund 392. Appropriations will likely be established in ODH in future years by the appropriate main operating act.

- ***Physician Loan Repayment program*.** The bill cancels outstanding encumbrances of the Physician Loan Repayment program in BOR's line item 235-604, Physician Loan Repayment, and re-establishes them against ODH's new line item 440-628, Ohio Physician Loan Repayment. The bill also appropriates $476,870 in FY 2009 in line item 440-628, Ohio Physician Loan Repayment, and eliminates an appropriation in the same amount in BOR's line item 235-604, Physician Loan Repayment. Appropriations will likely be established in ODH in future years by the appropriate main operating act.

Respiratory Care Board

- ***Home medical equipment service providers license and registration renewal*.** The bill authorizes the Board to waive all or part of the fee for an initial license or certificate, if the license or certificate is issued in the last six months of the biennial licensing or registration period. Waiving the fee could result in a decrease in revenue to the Board if this is not currently done. The Board's fee revenue is deposited in the Operating Expenses Fund (Fund 4K90).

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
County Boards of Mental Retardation and Developmental Disabilities			
Revenues	Potential loss due to tax equity payments		
Expenditures	Cost savings due to Medicaid case management service fee		

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

County Boards of Mental Retardation and Developmental Disabilities

- ***Medicaid case management service fee*.** The bill eliminates the fee the Department of Mental Retardation and Developmental Disabilities (ODMR/DD) charges to county boards of MR/DD on the total value of all Medicaid paid claims for Medicaid case management services and home and community-based services. County boards will experience a cost savings due to no longer being required to pay this fee.

- ***Tax equity payments*.** The bill revises the way in which tax equity payments to county boards of MR/DD are calculated. In addition, in the event of GRF budget reductions in FY 2009, this provision authorizes ODMR/DD to calculate FY 2009 payments in proportion to those made in FY 2008. In FYs 2008 and 2009, $14.0 million is appropriated for this purpose. If there are GRF budget reductions for FY 2009, the county boards will experience a loss of revenue. The magnitude of such a loss will depend on the amount of a reduction.

Detailed Fiscal Analysis

Department of Job and Family Services

Children's Buy-In program

The bill requires that the Children's Buy-In program be operated as part of Medicaid, the Children's Health Insurance Program (CHIP), or both if the U.S. Secretary of Health and Human Services approves federal matching funds for the program and operating the program under Medicaid, CHIP, or both. However, the bill requires the Director of Job and Family Services to implement the program regardless of whether the amendment, waiver request, or both are denied. In addition, the bill permits the Director of Job and Family Services to adopt rules limiting the number of individuals who may participate in the program at one time.

The bill lowers the minimum countable income that an individual may have to qualify for the Children's Buy-In program from 300% to 250% of the federal poverty guidelines (FPG). The bill also requires, rather than permits, the Director of Job and Family Services to adopt rules establishing copayment requirements with the result that individuals participating in the program must be, rather than may be, charged copayments.

The bill also provides for the monthly premiums charged under the Children's Buy-In program to be credited to the Medicaid Revenue and Collections Fund and permits money credited to the fund to be used for the Children's Buy-In program as well as Medicaid services and contracts.

The Office of Budget and Management estimates that including children from 250% to 300% FPG will cost (net of any cost sharing assumed by ODJFS) $10 million in FY 2009 assuming a July 1, 2008 start date.

Nursing facilities' uncompensated capital costs and FY 2009 Medicaid rates

The bill revises certain laws governing per diem payments for nursing facilities' uncompensated capital costs and caps the expenditures for the uncompensated capital costs at $4.2 million rather than $7 million.

In addition, the bill provides that the ceiling applicable to the FY 2009 Medicaid rates for certain nursing facilities with uncompensated capital costs is to be not more than 102.75%, and not less than 100%, of the sum of the FY 2008 rate and another amount reflecting uncompensated capital costs.

The bill also requires the Director of Budget and Management to increase for FY 2009 the state share of appropriations in GRF line item 600-525, Health Care/Medicaid, by the amount of the unencumbered balance for FY 2008 of GRF line item 600-529, Capital Compensation Program, with a corresponding increase in the federal share.

H.B. 119 of the 127th General Assembly (the FY 2008-FY 2009 biennium budget) appropriated $7 million in FY 2008 for line item 600-529, Capital Compensation Program. As of May 13, 2008, ODJFS has disbursed approximately $1.5 million of the $7 million.

This provision may increase the Medicaid costs for nursing facilities. However, according to a spokesperson from the Office of Budget and Management, the increase in the costs will likely be offset by the amount of the unencumbered balance for FY 2008 of GRF line item 600-529, Capital Compensation Program, with the corresponding federal share.

Children's hospitals

The bill requires the Director of Budget and Management to increase for FY 2009 the state share of appropriations in GRF line item 600-525, Health Care/Medicaid, by the amount of the unencumbered balance for FY 2008 of the $6 million that is to be used for payments to children's hospitals, with a corresponding increase in the federal share. The bill also requires ODJFS to expend, not later than June 30, 2009, the entire amount of the reappropriated amount, the corresponding increase in the federal share, and the $6 million plus federal match earmarked for FY 2009 to pay children's hospitals for the supplemental payment.

H.B. 119 earmarked up to $6 million (state share) in GRF line item 600-525, Health Care/Medicaid, in FY 2008 and FY 2009 plus the corresponding federal match, if available, to be used by ODJFS to pay for the Supplemental Payment Program for Children's Hospitals. However, the rules that ODJFS has proposed for the supplemental payment for children's hospitals may result in the FY 2008 earmark being disbursed in FY 2009. The bill will ensure that the earmarks will be spent and not lapsed.

Money Follows the Person Enhanced Reimbursement Fund

The bill creates the Money Follows the Person Enhanced Reimbursement Fund (5AJ0) into which the Director of Budget and Management is to transfer the enhanced portion of the federal grant the state receives under the Money Follows the Person demonstration project. The enhanced federal allotment for FY 2009 is $4.4 million based on enrollment estimates made by ODJFS. The bill also creates line item 600-631, Money Follows the Person, and appropriates $4.4 million in FY 2009.

Ohio is one of 17 states that were awarded federal funding for the Money Follows the Person demonstration projects. The total grant amount is $100 million over a five-year period. The federal government will allocate a portion of the grant each year based upon the projected enrollment numbers estimated by ODJFS. ODJFS cannot enroll more than their annual projected estimates.

The grant will be realized by the state as federal reimbursement on expenditures for transitioning eligible Medicaid members out of institutional settings and into home or community-based care. More specifically, for qualified and demonstrative services the federal government will reimburse the state at an enhanced federal match rate of nearly 80% for Medicaid members for their first 12 months in home or community-based care, while other supplemental services will be reimbursed at the regular Medicaid federal match (the regular federal match for most services is 62.14% in federal fiscal year 2009). After the 12-month period ODJFS will draw down the regular federal match for each transitioned Medicaid member.

Use of third-party information for the Title IV-D Child Support Program

The bill permits information received by ODJFS for the purpose of establishing third-party liability under the Medicaid program to also be used for purposes directly connected to the Department's child support enforcement program. Currently, ODJFS has two contracts with Health Management Systems to provide this information, one for Medicaid and one for child support. The bill will allow both programs to utilize the same information, making it necessary to maintain only one contract through the Medicaid program. This change is expected to save approximately $680,000 in FY 2009 between GRF appropriation item 600-416, Computer Projects, and appropriation item 600-626, Child Support (Fund 397).

Child Support Collections/TANF MOE

The bill increases appropriation authority in Fund 4A8, line item 600-658, Child Support Collections, by $5,248,417 in FY 2009, and changes the allowable use of child support collections that have been assigned to ODJFS. Once Temporary Assistance for Needy Families maintenance of effort has been met, the bill allows the remaining funds to be used for public assistance activities instead of child support activities. ODJFS plans to use the remaining fund to cover the anticipated $7 million shortfall for the Disability Financial Assistance (DFA) program in FY 2009. DFA provides financial assistance to persons who are unemployable due to a physical or mental impairment, and who are not eligible for public assistance programs that are supported in whole or in part by federal funds. The expected shortfall in the DFA program is due primarily to caseloads rising above projections. ODJFS projected that monthly caseloads would be between 15,000 and 16,000 in FY 2008. The current DFA program enrollment is nearing 17,000 and the Department expects that caseloads will continue to increase to almost 18,000 by the end of FY 2009.

Ohio Works First time limit reports

The bill changes the date by which ODJFS must prepare a report on time limits for participation in the Ohio Works First program from the first day of every January and July to the last day of those months. Apparently, ODJFS does not receive the information necessary to complete the reports from the federal government until the middle of those months. This change will have no fiscal effect, as the reports will continue to be completed within the same fiscal years and in the same manner as they are now.

Department of Mental Retardation and Developmental Disabilities

Conversion of ICF/MR beds

The bill includes several provisions related to the conversion of beds in an intermediate care facility for the mentally retarded (ICF/MR) to home and community-based services. Specifically, the bill stipulates that if any ICF/MR converts some or all of the beds in the facility from providing ICF/MR services to providing home and community-based services the Director of Mental Retardation and Developmental Disabilities must certify, on a quarterly basis, to the Director of Budget and Management, the estimated amount to be transferred from ODJFS to the Department of Mental Retardation and Developmental Disabilities (ODMR/DD) for the provision of waiver services. The Director of Budget and Management may then adjust appropriations in specific line items accordingly to account for the transfer. The bill limits the conversion to 100 beds. These provisions may result in some cost savings in GRF appropriation item 600-525, Health Care/Medicaid. However, the extent of the savings, if any, will depend on the amount that an individual's waiver costs are estimated to be less than the daily rate for care in an ICF/MR. According to FY 2007 data obtained from the Decision Support System, the average annual cost of providing ICF/MR services is approximately $83,500 in a private facility and approximately $111,300 in a public facility. The average annual cost of services provided on an Individual Options waiver is approximately $56,200 and the average annual cost of services provided on a Level 1 waiver is approximately $9,800. Based on these cost estimates, and assuming that the maximum of 100 beds are converted, there could be cost savings ranging from $2.7 million to $10.2 million as a result of these provisions. (Forty percent of these cost savings are state share.)

The bill also deletes references to the ICF/MR conversion pilot program, which is no longer being pursued by ODJFS and ODMR/DD. Am. Sub. H.B. 66 of the 126th General Assembly required that the Director of Job and Family Services apply for a federal Medicaid waiver authorizing an ICF/MR conversion pilot program under which ICFs/MR could volunteer to convert from providing ICF/MR services to providing home and community-based services and established the ICF/MR Advisory Council to develop the specifics of the pilot program, such as eligibility criteria and services provided. However, the federal waiver was not obtained and the pilot program was not developed or implemented. Therefore, any potential costs to develop and implement this program and any anticipated savings directly related to this pilot program will not be realized.

Medicaid case management service fee

Currently, ODMR/DD charges county boards of MR/DD an annual fee of 1.5% of the total value of all Medicaid paid claims for Medicaid case management services and home and community-based care services. These fees are deposited into Fund 5S2, Medicaid Administration and Oversight. The bill eliminates this fee, which is expected to result in a revenue loss of $500,000 annually for ODMR/DD. County boards will experience a cost savings due to no longer being required to pay this fee.

Gallipolis Developmental Center Pilot Program

The bill revises the law governing the Gallipolis Developmental Center Pilot Program. It provides that the Gallipolis Developmental Center is to operate an ICF/MR with eight beds at a site separate from the grounds of the developmental center instead of providing home and community-based services under the Individual Options Medicaid waiver program to not more than ten individuals at one time. The program is to be established during calendar year 2009, but its operation is not restricted to calendar year 2009. The bill eliminates a requirement that all expenses the Center incurs in participating in the pilot program be paid from the Medicaid payments the Center receives for providing services under the pilot program. The bill requires that the report on the pilot program include recommendations regarding its continuation and whether other developmental centers should be permitted to establish and operate ICFs/MR at sites separate from the grounds of developmental centers. ODMR/DD is expecting to experience cost savings as a result of the changes to the pilot program.

Tax equity payments

The bill revises the way in which tax equity payments to county boards of MR/DD are calculated. For FY 2009, if ODMR/DD determines that sufficient funds are available, the Department must use GRF appropriation item 322-503, Tax Equity, to pay each county board of MR/DD an amount that is equal to the amount received for FY 2008. If ODMR/DD determines that there are not sufficient funds available in the appropriation item for this purpose, ODMR/DD must pay each county board an amount that is proportionate to the amount the board received for FY 2008. Proportionality is determined by dividing the total tax equity payments distributed to county boards for FY 2008 by the tax equity payment a county board received for FY 2008. According to the Office of Budget and Management, a recent review of the formula used to calculate the tax equity subsidy revealed the usage of incorrect information for one component beginning with the FY 2005 payment. This provision requires that the payment for FY 2009 be based on the corrected FY 2008 calculation. In addition, in the event of GRF budget reductions in FY 2009, this provision authorizes ODMR/DD to calculate FY 2009 payments in proportion to those made in FY 2008. In FYs 2008 and 2009, $14.0 million is appropriated for this purpose. If there are GRF budget reductions for FY 2009, the county boards will experience a loss of revenue. The magnitude of such a loss will depend on the amount of a reduction.

Department of Health (and Attorney General)

Pneumococcal Vaccines for Children

The bill transfers $950,000 from the General Reimbursement Fund (Fund 1060) to the Public Health Priority Trust Fund (Fund L087) in FY 2009 and appropriates this amount to line item 440-423, Pneumococcal Vaccines for Children.

Department of Health (and Board of Regents)

Dentist Loan Repayment Program

The bill requires the Department of Health (ODH) to exclusively oversee the implementation and administration of the Dentist Loan Repayment Program, rather than participate in a joint effort between ODH and the Board of Regents (BOR). Currently, appropriations are in BOR. The bill cancels existing appropriations against BOR's line item 235-624, Ohio Dental Loan Repayment (Fund 5ZY), and re-establishes them against ODH's new line item 440-624, Ohio Dental Loan Repayment. These amounts are appropriated. The bill also appropriates at least $140,000 in FY 2009 in line item 440-624, Ohio Dental Loan Repayment (SSR Fund 5Z7). Additionally, the bill transfers the amount of cash remaining from BOR's Fund 3T0, National Health Services Corps – Ohio Loan Repayment, to ODH's Fund 392, Federal Public Health Programs. Any outstanding encumbrances for the program for FY 2008 in Fund 3T0 are cancelled and re-established in Fund 392. Appropriations will likely be established in ODH in future years by the appropriate main operating act.

Physician Loan Repayment Program

The bill requires ODH to exclusively oversee the implementation and administration of the Physician Loan Repayment Program, rather than participate in a joint effort between ODH and BOR. The bill also increases physicians' loan repayment amounts from not more than $20,000 in each of the four years of repayment, to $25,000 in each of the first two years and $35,000 in each of the last two years. The bill adds more primary care specialties to the list of those that qualify for participation in the program.

Currently, appropriations for the program are in BOR. The bill cancels outstanding encumbrances of the program in BOR line item 235-604, Physician Loan Repayment (Fund 4P4), and re-establishes them against ODH's new line item 440-628, Ohio Physician Loan Repayment (Fund 4P4). The bill also increases appropriations to line item 440-628, Ohio Physician Loan Repayment, by $476,870 in FY 2009 and eliminates an appropriation in the same amount for BOR's line item 235-604, Physician Loan Repayment. Appropriations will likely be established in ODH in future years by the appropriate main operating act.

Respiratory Care Board

Home medical equipment service providers license and registration renewal

The bill requires the Ohio Respiratory Care Board to issue and renew licenses and certificates of registration to providers of home medical equipment services according to biennial periods based on even-numbered years. Currently, these licenses and registrations are renewed biennially according to time of application/renewal. Thus, renewal could be required in an odd or even-numbered year depending upon initial registration or licensure. This provision could have an effect on revenues initially (during the first year of the biennial registration period that this change takes place); however, it is expected that this effect will be revenue neutral over the course of the biennial registration period.

The bill authorizes the Board to waive all or part of the fee for an initial license or certificate, if the license or certificate is issued in the last six months of the biennial licensing or registration period. The bill also authorizes the Board to waive all or part of the continuing education requirements for the first renewal of a license that was issued in the last six months of the biennial licensing period. Waiving the fee could result in a decrease in revenue to the Board if this is not currently done.

Section 3: Education

State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Increase of approximately $1.1 million annually for Ohio College Opportunity Grants for nursing diploma students	
	Increase of $483,426	Increase of $483,426	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2009 is July 1, 2008 – June 30, 2009.

Board of Regents

- ***Ohio College Opportunity Grants (OCOG) and nursing diploma programs.*** The bill extends eligibility for OCOG to include students of nursing diploma programs. The cost of state financial aid for these additional students may be approximately $1.1 million per year.

- ***Appropriation adjustments.*** The bill increases GRF appropriation item 235-552, Capital Component, by $483,426 in FY 2008 and FY 2009. The bill also transfers $700,000 from capital appropriation item C315F5, Wood County Center for Agriculture, under The Ohio State University, to capital appropriation item C24036, Wood County Environmental Health Project, under Bowling Green University.

School Facilities Commission

- ***Construction of new facilities for the state schools for the blind and deaf.*** The bill earmarks $37,080,000 from Fund 7032, capital appropriation item C23002, School Building Program Assistance, for use in the construction of new and the renovation of old buildings on the current campuses of the State School for the Blind and the School for the Deaf.

Local Fiscal Highlights

School districts

- ***Fees for jointly operated educational programs.*** The bill permits school districts to charge fees or tuition to its resident students who participate in a jointly operated educational program.

- ***Reimbursements for property tax losses.*** The bill makes some changes to the way reimbursements for property tax losses due to the phase-out of the business tangible personal property tax and due to utility deregulation are calculated. These changes may affect the payments received by certain districts depending on the specific circumstances of each district.

Detailed Fiscal Analysis

Board of Regents

Ohio College Opportunity Grants and nursing diploma programs

The bill extends eligibility for the Ohio College Opportunity Grant (OCOG) to include students of nursing diploma programs approved by the Board of Nursing. In FY 2007 there were five nursing diploma programs statewide, with about 855 enrolled students. Full-time students of these programs would be eligible to receive a maximum award of almost $4,000, however, the average award for students of career colleges is about $2,800. The Board of Regents indicates that approximately 45% of career college students receive state financial aid. If 45% of nursing diploma students (385 students) receive an average award, the cost of the additional eligible students may be approximately $1.1 million (385 x $2,800) per year.

Appropriation adjustments

The bill increases GRF appropriation item 235-552, Capital Component, by $483,426 in FY 2008 and FY 2009. These funds are distributed to state institutions of higher education as an incentive to use capital funds efficiently. Each institution is allocated a formula-determined amount of funds for debt service on bonds issued to pay for the institution's capital projects. The allocated amount is based on campus size, enrollment, and other indicators of capital needs. If an institution requires a lesser amount of funds for debt service than what is allocated to it, the institution receives a payment through this appropriation.

The bill transfers $700,000 from capital appropriation item C315F5, Wood County Center for Agriculture, under The Ohio State University, to capital appropriation item C24036, Wood County Environmental Health Project, under Bowling Green University.

The bill transfers responsibility for the Dental Loan Repayment Program and the Physician Loan Repayment Program to the Department of Health exclusively. Please see the Health and Human Services section of this fiscal note for an analysis of the fiscal impact of these provisions.

School Facilities Commission (SFC)

Construction of new schools for the blind and deaf

The bill earmarks $37,080,000 from Fund 7032, capital appropriation item C23002, School Building Program Assistance, for use in the construction of new and the renovation of old buildings on the current campuses of the schools for the blind and the deaf. SFC is required to administer the projects according to a memorandum of understanding signed by the three parties. In addition, the bill states that these parties agree, in the memorandum, that the earmarked amount will be sufficient to complete the construction and renovation of both projects and that no additional appropriations will be needed.

Segmenting school facilities projects

The bill permits certain districts with a formula average daily membership (ADM) of at least 9,800 students to divide their project into segments when they become eligible for the Classroom Facilities Assistance Program (CFAP). Currently, only the six urban districts (Akron, Cincinnati, Cleveland, Columbus, Dayton, Toledo) participating in SFC's Accelerated Urban Initiative are allowed to divide their CFAP projects into segments. According to data from the Department of Education (ODE), 17 school districts have ADMs of 9,800 or more in FY 2008; 9 of the 17 districts would be able to segment because they have not yet been served in CFAP. Segmenting generally allows SFC and a district to more easily manage a large project and permits more funding flexibility for the district by allowing them to obtain funding for a smaller portion of the project rather than having to obtain all of the funding for a district-wide fix at once.

Adjustments in reported tax value for certain school districts

The bill requires ODE to recompute and adjust state education aid for FY 2007 and FY 2008 for certain districts with certified taxable values for both those years including an error of at least $10 million in assessed value of tax-exempt public utility property. If state aid is owed as a result of the recomputations, the bill requires ODE to make payments from FY 2008 appropriations. In addition, the bill requires ODE to recompute an eligible school district's adjusted valuation per pupil for purposes of ranking the district on the equity list, which is used to determine the local share of an eligible school district's SFC project. As a result of the recalculation and subsequent payments and rankings adjustment, eligible districts could benefit from additional state aid for operations and facility project costs. At this time, one school district, Westfall Local School District in Pickaway County, appears to be eligible for this recalculation.

Reimbursement from proceeds of tobacco settlement

The bill requires the Executive Director of SFC to report to the Director of Budget and Management, prior to January 1, 2009, the amount of funds expended between September 1, 2007, and June 30, 2008, from the Education Facilities Trust Fund (Fund N087) and from the Public School Building Fund (Fund 7021) that were eligible to be financed from the proceeds of the tobacco settlement bonds that were deposited into the School Building Program Assistance Fund (Fund 7032). The bill then authorizes the Director of Budget and Management to transfer the reported amount from Fund 7032 to funds N087 and 7021 and appropriates any amounts transferred. These funds are all used to support SFC programs.

Department of Education

Seniors to Sophomores

The bill requires that the new Seniors to Sophomores Program permit nonpublic school students to participate. The program aims to enable high school seniors to take college courses and earn both a year of high school and a year of college credit at the same time. Currently, public school districts and community schools may apply for planning grants to assist them in beginning to offer the program during the 2008-2009 school year. Applicants for these grants are to show how the program will become fiscally self-sustaining in future years by using current state funding paid to schools and higher education institutions as well as contributions from partnering organizations. The bill does not specify how the participation of nonpublic school students is to be funded.

Repayment of Title IV-A Head Start start-up grants

A provision in H.B. 119 postpones the obligation to repay Head Start start-up grants from FY 2004 and FY 2005 for grantees that became providers under the Early Learning Initiative (ELI). ELI is the program that replaced state-funded Head Start. The bill clarifies that repayment obligations incurred prior to FY 2008 are not cancelled. This clarification may result in an increase in repayments. These funds would be deposited into the GRF.

Educational service center payments

The bill allows an educational service center (ESC) to receive per pupil state funds in FY 2009 for services provided to a city or exempted village school district, if that ESC assumes the obligation to provide services to the district from another ESC that (1) ceased to operate because all of the local school districts constituting its territory severed from the ESC, and (2) entered into the original agreement by January 1, 1997. Under existing temporary law, an ESC cannot receive per pupil state funds for services to city or exempted village school districts unless the ESC entered into an agreement for those services by January 1, 1997. Under the bill, funding for services provided may shift from one ESC to another, but total payments made by the state are determined by an earmark and therefore, will not change.

Community schools

The bill permits a community school to be located in more than one facility and to assign students of the same grade level to different facilities under certain restrictive conditions. This provision may result in an increase in community school enrollment. If community school enrollment increases, state funding is shifted from community school students' resident school districts to the community school. Also, the school districts are no longer responsible for educating the students.

For funding purposes, a student's full-time equivalency (FTE) enrollment at a community school is determined by the portion of school's regular annual schedule attended by the student. For FY 2008 funding only, the bill requires the Superintendent of Public Instruction to waive hours or days that community schools were closed for public calamities when calculating the FTE enrollment of the school's students so long as the school was actually open for instruction with students in attendance for at least 920 hours. Continuing law requires that community schools offer a minimum of 920 hours of instruction during the school year. This provision allows the community school to receive full state funding without having to make up the hours or days it was closed.

Calamity days

Continuing law generally requires that school districts provide 182 days of instruction during each school year,[1] except that districts are permitted to close schools for up to five days per year for public calamities without making up these days. If districts close schools for more than five days in a school year, they must make up that lost instructional time. If they do not make up the time, districts forfeit state aid for the next school year. The bill waives the requirement to make up a day a school was closed due to flooding from a burst water pipe during the 2007-2008 school year if a district meets certain restrictive conditions. Under the bill, a district that meets these criteria will save the cost of making up the day. If, on the other hand, the district is not able to make up the day, even without the bill's passage, the bill prevents the district from losing state aid in FY 2009.

Fees for jointly operated educational programs

The bill permits a school district that has entered into an agreement with one or more other districts for joint or cooperative operation of an educational program to charge fees or tuition to its resident students who participate in the program. This may allow school districts to increase revenues. The amount of the increase will depend on the fees or tuition charged and the number of participating students.

School district property transfers

The bill requires the written consent of 75% of the affected property owners when a school district proposes, on its own initiative, to transfer five acres or more of its territory to another school district. To the extent this provision prevents transfers of territory, the resulting transfers of local revenues as well as of the responsibility for educating certain students will also be prevented.

Tangible personal property tax reimbursement calculations

Under current law, the state education offset, which represents the increase in state aid due to the phase-out of the business tangible personal property tax, is calculated at the beginning of each fiscal year using projected data. The bill requires that the state education offset be recalculated at the end of each fiscal year and then again in December of the following fiscal year using actual data. Theoretically, the calculations should not be very different. However, due to the supplements and the guarantees in the formula there will be some level of uncertainty each fiscal year as to what the offset will be until the final calculation is made. The offset is subtracted from the total amount of each district's tax loss to determine the district's direct reimbursement payments. Under the bill, therefore, these direct reimbursement payments may be higher or lower for certain school districts than under current law. The total state payment may also be either higher or lower.

[1] Including designated time for parent-teacher conferences and teacher professional development.

School district fixed-sum levy loss reimbursement

Under current law, losses due to the phase-out of the business tangible personal property tax from school district emergency levies that are greater than one-half mill may be reimbursed, under certain conditions, even after they expire. The term "emergency levy" generally refers to a fixed-sum levy used for current expenses that is enacted under R.C. 5705.194. The bill clarifies that a phased-in fixed amount levy enacted under R.C. 5705.213, which is also a fixed-sum levy used for current expenses, but is much less common than the typical emergency levy, may also be reimbursed after it expires. There are two school districts that have a levy enacted under R.C. 5705.213: Woodridge Local School District in Summit County and Perrysburg Exempted Village School District in Wood County. The annual reimbursable fixed-sum levy losses for these districts are $85,872 and $116,742, respectively.

Utility property tax replacement payments

The bill modifies the calculation of utility deregulation-related property tax replacement payments to school districts by neutralizing the state school funding effects of the phase-out of business tangible personal property taxes. The result is that some school districts may continue to receive property tax replacement payments longer than they otherwise would.

Section 4: Judiciary

State Fiscal Highlights

STATE FUND	FY 2009	FY 2010	FUTURE YEARS
General Revenue Fund (GRF)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential change in amount of wrongful imprisonment awards, annual magnitude and direction uncertain		

Note: The state fiscal year is July 1 through June 30. For example, FY 2009 is July 1, 2008 – June 30, 2009.

Court of Claims and Auditor of State

- ***Wrongful imprisonment determinations*.** The bill modifies the formula used by the Auditor of State in determining the amount of the adjustment to be made in the dollar figure specified by statute for a recovery by a wrongfully imprisoned individual. As a result, an individual eligible for a monetary award based on a claim of wrongful imprisonment (as determined by the Court of Claims) may receive a larger or smaller settlement award depending on whether the consumer price index (CPI) adjustment increases or decreases over the two-year period. Given the number of factors that are considered when making such awards, one of which is formula-driven, it is difficult to predict with any certainty the potential annual magnitude and direction of this modification on the state's GRF, which is the typical source of moneys for the payment of wrongful imprisonment settlements.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions of the state.

Detailed Fiscal Analysis

Court of Claims and Auditor of State

Determination of amount recoverable for wrongful imprisonment

The bill amends section 2743.49 of the Revised Code pertaining to the awards for wrongful imprisonment. Sub. H.B. 551 of the 126th General Assembly (effective April 5, 2007) modified the formula used by the Auditor of State in determining the amount of the adjustment to be made in the dollar figure specified by statute for a recovery by a wrongfully imprisoned individual. The bill returns this section of law to the original language before it was amended.

Under previous law, the formula for determining such settlements is adjusted in January of each odd-numbered year by the Auditor of State. The adjustment is based on the yearly average of the previous two years of the consumer price index (CPI), as defined by the Revised Code. Sub. H.B. 551 of the 126th General Assembly changed how the adjustment for the change in the CPI is to be factored in each year of the two-year adjustment period. Previously, the Auditor of State only factored the CPI adjustment on one year of the two-year adjustment period. The bill will restore this calculation to the methodology used under prior law.

By changing the CPI adjustment, individuals who may be eligible for a monetary award based on a claim of wrongful imprisonment (as determined by the Court of Claims) may receive a larger or smaller settlement award depending on whether the CPI adjustment increases or decreases over the two-year period. Given the number of factors that are considered when making such awards, one of which is formula-driven, it is difficult to predict with any certainty the potential impact on the state's GRF, which is the typical source of moneys for the payment of wrongful imprisonment settlements. Presumably, future payments would increase or decrease by some unknown degree.

County and municipal courts

Driver's license reinstatement fee payment plans

The bill is intended to clarify a court's authority to establish an installment payment plan or payment extension in pending cases for reinstatement fees required under a license suspension. Prior law authorized courts, in pending cases, to order driver's license reinstatement fees to be paid in installments or extend the time for making payment. Apparently, as a result of changes that became effective April 4, 2000, pursuant to the enactment of Am. Sub. H.B. 461 of the 126th General Assembly, this authority in pending cases became unclear. From LSC fiscal staff's perspective, based on discussions with several clerks of court, the bill's clarifying language will generally have no discernible effect on state or local government revenues and expenditures.

Section 5: Taxation and Public Utilities

State Fiscal Highlights

STATE FUND	FY 2009	FY 2010	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase of at least $2.0 million for newly created Discovery Project	- 0 -	- 0 -
	Increase up to $100,000 for Ohio SaveNOW	Increase up to $100,000 for Ohio SaveNOW	Increase up to $100,000 for Ohio SaveNOW
	- 0 -	Potential decrease in spending on electric service	Potential decrease for up to a five year period for purchases from any one electric utility
Discovery Project Fund (Fund 5APO) – Department of Taxation			
Revenues	Gain of at least $2.0 million from GRF transfer	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
Telecommunications Relay Service Fund (Fund 5Q5)			
Revenues	- 0 -	Gain of approximately $5 million per year	Gain of approximately $5 million per year
Expenditures	- 0 -	Increase of approximately $5 million per year	Increase of approximately $5 million per year
Department of Insurance Operating Fund (Fund 5540)			
Revenues	Potential gain	Potential gain	Potential gain
Expenditures	- 0 -	- 0 -	- 0 -
Other State Funds			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential decrease in spending on electric service	Potential decrease for up to a five-year period for purchases from any one electric utility

Note: The state fiscal year is July 1 through June 30. For example, FY 2009 is July 1, 2008 – June 30, 2009.

<u>Public Utilities Commission (PUCO)</u>

- ***<u>Telecommunications Relay Service</u>.*** Authorizes PUCO to assess service providers, generally meaning companies that provide telephone services, the cost of telecommunications relay service to the hearing and speech impaired beginning January 1, 2009. The resulting revenue is to be deposited into the Telecommunications Relay Service Fund (Fund 5Q5), the establishment of which is codified by the bill. The formula for allocating the assessment across service providers is to be determined by PUCO, but is generally based on the number of customer access lines provided by each company. Based on the contracted amount for FY 2009, the amount of the total assessment is expected to be approximately $5 million per year.

- ***Forfeitures for failure to pay assessment.*** Authorizes PUCO to assess forfeitures up to $1,000 per day on companies that do not pay the assessment established by the bill or do not pay it on time. Any revenue collected under this provision is to be deposited into the GRF.

- ***Electric company standard service offers.*** Makes changes to the ramp-up percentages applicable to standard service offers determined under the market rate offer option. The ramp-up period limits the speed of phasing in competitively bid prices for certain electric utilities during the five-year ramp-up period. This will further limit the speed of phasing in those prices and is likely to result in savings on electric bills to customers, including state government facilities that purchase power from those utilities. The savings would occur for up to five fiscal years when a market rate option is first offered, and may be up to several million dollars in those years, depending on regulatory decisions made by PUCO.

Treasurer of State

- ***Ohio SaveNOW program.*** Authorizes the Treasurer of State to administer a linked deposit program, the SaveNOW program, designed to encourage personal savings and promote personal financial education.

- ***Small Business Linked Deposit Program.*** Revises the determination of interest rates for the purpose of the Small Business Linked Deposit Program to a rate below current market rates as determined and calculated by the Treasurer.

- ***Definition of financial transaction device.*** Expands the definition of "financial transaction device" to include devices or methods other than those currently enumerated for making an electronic payment of funds owed to a state agency.

Department of Taxation

- ***Tax discovery data system.*** Requires the Department of Taxation to establish and implement a tax discovery data system intended to increase tax collection efficiency, and to purchase the necessary hardware, software, and services by April 1, 2009.

- ***Electronic filing requirements.*** Requires a tax return preparer that files more than 50 original income tax returns, reports, or other tax payment documents in a calendar year to file them electronically if the Tax Commissioner posts on the Department of Taxation's web site acceptable electronic filing methods. Requires vendors, sellers, and some consumers to file sales and use tax returns and pay the taxes electronically in a manner approved by the Tax Commissioner.

Department of Insurance

- ***Insurance agent licenses.*** Requires applicants for licensure as insurance agents to pay a $10 licensure fee regardless of whether the applicant is required to pass a licensure examination. This will likely increase revenue to the Department of Insurance Operating Fund.

Tax provisions

- ***Income tax.*** Exempts from the Ohio income tax amounts received from the Military Injury Relief Fund, which are paid to injured or post-traumatic stress disorder-diagnosed armed services members who served in Operation Iraqi Freedom or Operation Enduring Freedom; this may reduce income tax revenue.

- ***Sales and use tax.*** Exempts from the sales tax, sales to a "qualified direct selling entity" of tangible personal property used to store, transport, or handle inventory in a warehouse or distribution center when the inventory is held for direct selling and primarily distributed outside Ohio to independent salespersons, and is not sold from a fixed retail location; this may reduce sales and use tax revenue. Includes as a taxable transaction the sale of "guaranteed auto protection" whereby a party promises to cover the difference between the outstanding loan and the insurance settlement for a "totalled" vehicle, when such protection is included in a motor vehicle sale or lease; this may increase sales and use tax revenue.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2009	FY 2010	FUTURE YEARS
Counties, Municipalities, Townships, School Districts (Electricity Purchases)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	Potential decrease during up to five fiscal years for purchases from any one electric utility

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

Local governments and school districts

- ***Local government and school district purchases of electricity.*** Makes changes to the ramp-up percentages applicable to standard service offers determined under the market rate offer option. The ramp-up period limits the speed of phasing in competitively bid prices for certain electric utilities during the five-year ramp-up period. This will further limit the speed of phasing in those prices and is likely to result in savings on electric bills to customers, including local governments and school districts that purchase power from those utilities. The savings would occur for up to five fiscal years when a market rate option is first offered, and may be up to several million dollars in those years, depending on regulatory decisions made by PUCO.

Tax provisions

- ***Property tax.*** Authorizes a county or municipal corporation to extend the duration of a tax exemption granted to the owner of residential real property located in a community reinvestment area; this may reduce revenue collections. Classifies as a charitable institution eligible for real and tangible personal property tax exemption certain nonprofit organizations that are exempt from federal income taxation; this may reduce revenue collections. Temporarily authorizes a board of township trustees of a township with a population exceeding 55,000 to adopt a tax increment financing (TIF) resolution on or before December 31, 2008, by majority vote.

- ***Cigarette and alcoholic beverage taxes.*** Prohibits new county tax levies on the sale of cigarettes and alcoholic beverages for sports facilities, arts and cultural district facilities and operations, and county permanent improvements after the bill's effective date.

- ***Income tax.*** Any changes in state income tax revenue will be shared by the local government funds. The exemption for amounts received from the Military Injury Relief Fund may reduce revenue from some school district income taxes.

- ***Sales and use tax.*** Any changes in state sales and use tax revenues will be shared by the local government funds. Changes to the sales tax base will also affect county and transit authority sales taxes.

Detailed Fiscal Analysis

Public Utilities Commission

Telecommunications Relay Service

The bill authorizes PUCO to assess service providers, not earlier than January 1, 2009, the cost of telecommunications relay service for the hearing and speech impaired. For this purpose, the bill defines service providers to be those companies that federal law requires to provide access for their customers to telecommunications relay service. PUCO is authorized to determine which companies may be assessed, and the bill mentions specifically telephone companies as defined in section 4905.03 of the Revised Code, commercial mobile radio service providers, and providers of advanced services or Internet protocol-enabled services. The resulting revenue is to be deposited into the Telecommunications Relay Service Fund (Fund 5Q5), the establishment of which is codified by the bill. The formula for allocating the assessment across service providers is to be determined by PUCO, but is required to be competitively neutral and to be based on the number of customer access lines (or their equivalent) provided by each company. PUCO is authorized to assess a forfeiture up to $1,000 per day on service providers that do not pay the assessment or pay it on time. Any amounts collected due to assessment of such forfeitures are to be deposited into the GRF.

This is not a new program. The Telecommunications Relay Service was required by the federal Americans with Disabilities Act, and has been in existence in Ohio since 1992. Historically, the costs of the vendor were reimbursed by use of a refundable tax credit, first under the public utility excise tax, then under the corporate franchise tax (CFT). Due to the phasing out of the CFT, a new funding mechanism is needed. H.B. 119 of the 127th General Assembly provided a temporary funding mechanism, by initially establishing Fund 5Q5 in uncodified law, and requiring a transfer from the Public Utilities Fund to Fund 5Q5 by February 28, 2009 to reimburse the vendor for costs of providing the service for calendar year 2008. The current bill retains the fund transfer to cover costs for 2008 and institutes the above funding mechanism for future years. PUCO has reached an agreement with a vendor to provide the service for $5 million for FY 2009, and the Controlling Board approved a waiver of competitive selection at its November 19, 2007 meeting in connection with this agreement. The bill also amends H.B. 119 to establish a new line item appropriation, 870-626, Telecommunication Relay Service, with an appropriation of $5 million for FY 2009. H.B. 119 made an appropriation in language, i.e., without establishing a line item, to allow for the vendor to be paid. The bill does not amend the uncodified language establishing Fund 5Q5 or the appropriation in language, although the new provisions appear to make the original uncodified language superfluous.

Based on the contracted amount for FY 2009, the amount of the total assessment is expected to be approximately $5 million per year, beginning in FY 2010. Any forfeiture amounts collected would depend on the compliance of companies required to pay the assessment with the requirement to do so. There is a potential increase in GRF revenue from such forfeitures.

Electric company standard service offers

The bill makes changes to the ramp-up percentages applicable to standard service offers determined under the market rate offer option. The ramp-up period limits the speed of phasing in competitively bid prices for certain electric utilities during the five-year period. For years two through five of the ramp-up period, the bill changes the wording from "not less than" applicable percentages to "not more than" the applicable percentages. The effect of this change in wording is to further limit the speed of phasing in those prices.

S.B. 221 of the 127th General Assembly instituted a new legal basis for pricing of retail electric generation service in Ohio. Prices for retail electric generation service are currently based on rate stabilization plans (RSPs) that were agreed upon between the utilities and the PUCO in 2005. With the exception of the Dayton Power and Light RSP, the utilities' RSPs expire on December 31, 2008. The provisions of S.B. 221 would govern electric generation rates after the RSPs expire.

S.B. 221 required electric distribution utilities to file applications to provide a standard service offer under an "energy security plan" option, and permitted the utilities to file applications to provide the offer under a market rate option (MRO). Under an MRO, the generation rates would be based in part on prices determined in a competitively bid auction process. For utilities that directly own generating assets as of July 31, 2008, if the utility fulfills the conditions for offering an MRO rate, the MRO rate charged to consumers would be a blend of the competitively bid price and the most recent standard service offer price. First Energy is the only utility in Ohio that no longer directly owns generating assets, so this ramp-up provision would apply only to the other electric utilities (American Electric Power, Duke Energy, and Dayton Power and Light). These utilities currently have electric generation rates that are generally believed to be below market rates, so the wording change provided by the bill is likely to result in savings on electric bills to customers that purchase power from those utilities under an MRO. The savings would occur in years two through five of the operation of an MRO. The amount saved may be up to several million dollars in those years, depending on regulatory decisions made by PUCO.

Other provisions

The bill extends to regional transit authorities the permissive authority to enter into energy price risk management contracts that are intended to mitigate the price volatility of energy sources. Such authority was granted to the state, counties, municipalities, townships, park districts, and school districts by S.B. 221 of the 127th General Assembly. The authority is permissive, so the bill does not impose costs on local governments. Any political subdivision that employed such a contract might pay less for its energy needs, if prices for the applicable forms of energy were to increase by more than was expected at the time the contract was entered into. They might pay more, though, if energy prices rise by less than was expected (or fall).

Treasurer of State

Ohio SaveNOW Program

The bill authorizes the Treasurer's Office to implement the SaveNOW Program to create the availability of higher-rate savings accounts for the purpose of increasing personal savings and promoting financial education among Ohio residents through the use of SaveNOW linked deposits of state money with eligible savings institutions. The SaveNOW Linked Deposit Program would not have any impact on state earnings on investments and revenues as the amount of state funds that are pledged or invested in this program are already accounted for under the current allowable amount for all linked deposit programs. The bill creates a new category of linked deposit program, but does not change the 12% total percentage of state funds that the Treasurer may invest in all linked deposit programs. According to the Treasurer's Office, its expenditures would increase by approximately $100,000 annually to administer this new program and existing budget resources would be used to implement and administer the required SaveNOW personal finance education program.

Small Business Linked Deposit Program

The bill revises the determination of interest rates for the purpose of the Small Business Linked Deposit Program to a rate below current market rates as determined and calculated by the Treasurer. Currently, the rate is at up to 3% below current market rates. This provision has no direct fiscal impact on the state or local governments.

Expanded definition of financial transaction device

The bill expands the definition of "financial transaction device" to include devices or methods other than those currently enumerated for making an electronic payment of funds owed to a state agency. This provision may accelerate state financial transactions. This may increase the state's cash flow and earnings on investment and reduce state expenditures on personnel and operations related to the transactions.

Department of Taxation

Tax Discovery Data System

The bill requires the Department of Taxation to establish and implement a tax discovery data system intended to increase tax collection efficiency, and to purchase the necessary hardware, software, and services by April 1, 2009. Additionally, the Tax Commissioner is required to request funds quarterly to pay the costs of operating and administering the system. The bill appropriates $2 million in FY 2009 from the General Revenue Fund to the newly created Discovery Project Fund (Fund 5APO) to pay the costs of implementing and administering the system. An additional appropriation from the GRF may be needed if the amounts appropriated are insufficient to pay for the costs of the necessary hardware, software, and services of the Tax Discovery Data System. Additional appropriation from the GRF may also be needed to pay the costs of operating and administering the system.

Electronic filing of sales and use taxes returns and payments

The bill requires vendors, sellers, and some consumers to file sales and use tax returns and pay the taxes electronically in a manner approved by the Tax Commissioner. They may apply to the Commissioner to be excused from this requirement, with good cause shown. Currently, electronic payment is required only if a vendor's, seller's, or consumer's sales or use tax collections exceed $75,000 per year. The provisions may increase the efficiency of tax filings and accelerate sales tax collections. This may increase the state's cash flow and earnings on investment and may reduce state expenditures on personnel and operations related to the taxes.

Electronic filing of income tax returns and payments

The bill requires a tax return preparer that files more than 50 original income tax returns, reports, or other tax payment documents in a calendar year to file them electronically if the Tax Commissioner posts on the Department of Taxation's web site acceptable electronic filing methods. The provisions may increase the efficiency of tax filings and accelerate the state personal income tax collections. This may increase the state's cash flow and earnings on investment and may reduce state expenditures on personnel and operations related to the tax.

Department of Insurance

Current law requires applicants for licensure as insurance agents, except applicants for licensure as limited lines agents and surplus line brokers, to pay a $10 fee in order to take examinations required for licensure. The bill would modify the wording to require the fee upon application for licensure. This would affect primarily agents who are already licensed in other states who are not required to take an examination in Ohio if they have done so in another state. This provision would likely increase revenue to the Department of Insurance Operating Fund.

Tax provisions

Income tax

The bill exempts from the Ohio income tax grants received from the Military Injury Relief Fund (MIRF) by injured military personnel. The MIRF receives direct contributions and money designated by taxpayers who have elected to donate a portion of their income tax refund to the MIRF. Money in the fund is used to make grants to soldiers injured while serving on active duty in Operation Enduring Freedom or Operation Iraqi Freedom. The fund has received approximately $755,000 from tax check-offs and private donations. H.B. 119 (the operating budget for the FY 2008-FY 2009 biennium) made an appropriation of $2 million to the fund (Fund 5DB0). The first grants from the fund were made in October 2007 and through April 2008 grants totaling $102,000 have been given to 204 applicants, an average of $500 per applicant. The exemption will reduce income tax collections. The revenue loss will depend upon the number and size of the grants given and the recipients' income tax brackets. Assuming that the full appropriation amount of $2 million is distributed, the state income tax revenue loss from exempting the grants is estimated at $43,000. The exemption may also reduce the tax base for some school district income taxes, resulting in a minimal loss of revenue.

Sales and use tax

The bill includes as a taxable transaction the sale of "guaranteed auto protection" whereby a party promises to cover the difference between the outstanding loan and the insurance settlement for a "totalled" vehicle, when such protection is included in a motor vehicle sale or lease. This change may increase the amount of sales tax collections by the state and by counties and transit authorities, and the amount of distributions to the local government funds. LSC does not have an estimate of the amount of any such increases.

The bill exempts from the sales tax, sales to a "qualified direct selling entity" of tangible personal property used to store, transport, or handle inventory in a warehouse or distribution center when the inventory is held for direct selling and primarily distributed outside Ohio to independent salespersons, and is not sold from a fixed retail location. A "qualified direct selling entity" eligible for the exemption is an entity selling to direct sellers at the time the entity enters into a jobs creation tax credit agreement with the Tax Credit Authority. This change may decrease the amount of sales tax collections by the state and by counties and transit authorities, and the amount of distributions to the local government funds. LSC does not have an estimate of the amount of any such decreases.

Property taxes

The bill classifies as a charitable institution eligible for real and tangible personal property tax exemption any nonprofit organization that is exempt from federal income taxation if the majority of its board of directors are appointed by the mayor or legislative authority of a municipal corporation or a board of county commissioners, or a combination thereof, and the nonprofit organization's primary purpose is to assist in the development and revitalization of downtown urban areas. The bill also specifies that this classification applies to pending property tax exemption applications. This may increase the value of property qualifying for tax exemption and LSC does not have an estimate of the resulting loss, if any, of property tax revenue to local governments. For tax levies designed to raise a specified amount of money, any reduction in the tax base would be offset by an increase in the tax rate, implying that a portion of the lower tax payments resulting from any increase in tax exempt property could be borne by other taxpayers, in the form of higher taxes, rather than by units of local government.

The bill authorizes a county or municipal corporation to extend the duration of a tax exemption granted to the owner of residential real property located in a Community Reinvestment Area for up to an additional ten years if the property is a structure of historical or architectural significance, is a certified historic structure under 26 U.S.C. 47 and 170(h), and units within the structure have been leased to tenants for five consecutive years. This provision may result in loss of property tax revenues not only for the government entity authorizing the extension but also for school districts and other units of local government. LSC does not have an estimate of the likely loss of local government revenue, but the amount of such loss is limited by the restrictions on types of property that could qualify for the additional years of tax exemption.

The bill temporarily authorizes a board of township trustees of a township with a population exceeding 55,000 to adopt a tax increment financing (TIF) resolution on or before December 31, 2008, by majority vote. Current law requires a unanimous vote. This change could allow one or more townships that would otherwise be unable to do so, to establish a TIF district. The bill specifies the most recent federal decennial census as the measure of population to be used. Only two Ohio townships had populations in the 2000 Census exceeding 55,000: Colerain and Green townships, both in Hamilton County. This change could result in granting of a property tax exemption to increases in the value of designated parcels, on which owners would instead make service payments equal to the taxes otherwise due. The service payments would fund infrastructure and public improvements.

Local cigarette and alcohol taxes

The bill prohibits new county tax levies on the sale of cigarettes and alcoholic beverages for sports facilities, arts and cultural district facilities and operations, and county permanent improvements after the bill's effective date. The collection of any tax levied before the effective date is not prevented so long as that tax remains effective. Thus the effect of this change is only prospective, on any future taxes on the sale of cigarettes and alcoholic beverages for these purposes that a county might otherwise impose. This prohibition on future taxes plausibly may reduce revenues to counties relative to the amounts to which they would have increased, but LSC does not have an estimate of any such future revenues that would be forgone.

School district income tax

The bill shortens the timeline for the earliest effective date of a school district income tax rate reduction by specifying that the reduction takes effect on the first day of January if that date is at least 45 days after a copy of the resolution reducing the rate is certified to the Tax Commissioner, rather than 60 days, as required under existing law. This change would allow a school board to wait until after the November elections before adopting a resolution to lower the school district income tax rate, which a board can do without a vote of the electors. This would, for example, allow a school board to see if a property tax levy passes before committing to lowering the income tax rate. Nevertheless, only the time period, from 60 to 45 days, between when a copy of the resolution is certified to the Tax Commissioner and the effective date of the income tax reduction on the ensuing first day of January is changed, and the change is assumed to have no fiscal effect.

Municipal Income Tax Fund

The bill clarifies that investment earnings from money in the Municipal Income Tax Fund are credited to the fund. Current law implies this by requiring the pro rata share of investment earnings to be distributed in proportion to the amount certified to each municipal corporation. This clarification will have no fiscal effect.

Board of Deposit

The bill expands the definition of allowable expenses for the Board of Deposit Expense Fund (4M2). The expenses include "any and all other necessary expenses," but are not limited to banking charges and fees required for the operation of the State of Ohio Regular Account. The provision may increase the amount of transfer from the Investment Earnings Redistribution Fund (Fund 608) to pay for Board of Deposit expenses.

The bill permits a community development bank located in a county with a population of over 1.3 million people that has previously served as that county's depository of active moneys to again be designated as such during the county's current four-year designation period, notwithstanding any contrary requirements in section 135.33 of the Revised Code. This provision would affect only Cuyahoga County's depository of active moneys and has no fiscal impact.

Commissioners of the Sinking Fund

The bill allows the Director of Budget and Management to transfer $34,549.45 from the Coal Research and Development Bond Services Fund (Fund 7076) into the Coal Research and Development Fund (Fund 7046) to correct deposits that were made in error.

Ohio Air Quality Development Authority

The bill allows the Director of Budget and Management to transfer $5,538.11 from the Coal Research and Development Fund (Fund 7046) into the Coal Research and Development Bond Services Fund (Fund 7046) to correct deposits that were made in error.

Water Quality Development Authority

The bill prohibits the Ohio Water Quality Development Authority from charging any fees or fines in excess of the principal amount of a loan made by the Authority. This provision has no fiscal impact.

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