

# Fiscal Note & Local Impact Statement

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

Ohio Legislative Service Commission  
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**BILL:**             **Sub. H.B. 372**   **DATE:**             **December 12, 2007**

**STATUS:**       **As Enacted – Effective March 24, 2008**       **SPONSOR:**       **Reps. R. McGregor and Ujvagi**

**LOCAL IMPACT STATEMENT REQUIRED:**     **Yes**

**CONTENTS:**     **To exempt military retirement pay from the income tax and exempt the estates of armed forces members who died while serving in a combat zone from probate fees**

## State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
<b>General Revenue Fund – Income Tax Exemption</b>			
Revenues	- 0 -	\$12 to \$22 million loss	\$14 to \$22 million loss
Expenditures	- 0 -	- 0 -	- 0 -
<b>State Bureau of Motor Vehicles Fund (Fund 4W4) – Department of Public Safety</b>			
Revenues	Registration fee loss, magnitude dependent on number of Purple Heart license plates issued; Potential gain, magnitude dependent on Civil Air Patrol license plate sales	Registration fee loss, magnitude dependent on number of Purple Heart license plates issued; Potential gain, magnitude dependent on Civil Air Patrol license plate sales	Registration fee loss, magnitude dependent on number of Purple Heart license plates issued; Potential gain, magnitude dependent on Civil Air Patrol license plate sales
Expenditures	Potential increase, magnitude dependent on Civil Air Patrol or combat battle star license plate sales	Potential increase, magnitude dependent on Civil Air Patrol or combat battle star license plate sales	Potential increase, magnitude dependent on Civil Air Patrol or combat battle star license plate sales
<b>State Highway Safety Fund (Fund 036) – Department of Public Safety</b>			
Revenues	Registration fee loss, magnitude dependent on number of Purple Heart license plates issued	Registration fee loss, magnitude dependent on number of Purple Heart license plates issued	Registration fee loss, magnitude dependent on number of Purple Heart license plates issued
Expenditures	- 0 -	- 0 -	- 0 -
<b>Various State Funds – Licensing Boards</b>			
Revenues	Potential small loss	Potential small loss	Potential small loss
Expenditures	- 0 -	- 0 -	- 0 -

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
<b>General Revenue Fund (GRF) – Civil Rights Commission</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	(1) Up to \$20,000 in one-time publication updates; (2) Potential increase of up to \$59,186 or more for additional Civil Rights Commission staff; (3) Potential increase of up to between \$47,600 and \$61,500 for one additional Attorney General staff member*	(1) Potential increase of up to \$59,186 or more for additional Civil Rights Commission staff; (2) Potential increase of up to between \$47,600 and \$61,500 for one additional Attorney General staff member*	(1) Potential increase of up to \$59,186 or more for additional Civil Rights Commission staff; (2) Potential increase of up to between \$47,600 and \$61,500 for one additional Attorney General staff member*
<b>Consumer Protection Enforcement Fund (Fund 631) – Attorney General</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase of up to between \$47,600 and \$61,500 for one additional Attorney General staff member*	Potential increase of up to between \$47,600 and \$61,500 for one additional Attorney General staff member*	Potential increase of up to between \$47,600 and \$61,500 for one additional Attorney General staff member*
<b>Highway Operating Fund (Fund 002)</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	\$500 or more depending on the number of plaques or signs erected	Minimal increase to maintain plaques or signs	Minimal increase to maintain plaques or signs
<b>Fund 3V0 (Workforce Investment Act funds) – Department of Job and Family Services</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase of at least \$6 million for Incumbent Worker Training	Increase of at least \$9 million for Incumbent Worker Training	Potential future increase for Incumbent Worker Training
<b>Unspecified Operating Funds – Department of Development</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase in administrative costs	Potential increase in administrative costs	Potential increase in administrative costs

Note: The state fiscal year is July 1 through June 30. For example, FY 2008 is July 1, 2007 – June 30, 2008.

\* Presumably, the potential additional staffing costs for the Attorney General would be covered by funds appropriated from the GRF, the Consumer Protection Enforcement Fund (Fund 631), or some mix of both revenue streams.

- **Income tax exemption.** Exempting military retirement pay from the state income tax will reduce the tax base and therefore reduce income tax revenues. However, exempting military retirement pay may reduce the amount claimed for the retirement income credit, partially offsetting the revenue reduction from the exemption. The GRF would bear 94.1% of the revenue loss.
- **State Bureau of Motor Vehicles Fund.** The bill allows any person who has been awarded the Purple Heart to be issued Purple Heart license plates at no charge. Depending on the number of Purple Heart license plates issued in a given year, there would likely be a loss in related registration fee revenues deposited in the state treasury to the credit of the State Bureau of Motor Vehicles Fund (Fund 4W4). The magnitude of that likely annual revenue loss is, as of this writing, uncertain.

- **State Bureau of Motor Vehicles Fund – Combat Battle Star License Plates.** As of this writing, LSC fiscal staff is unable to estimate the demand and production costs for the combat star license plates. Thus, the potential magnitude of any related increase in the Department of Public Safety's Bureau of Motor Vehicles (BMV) workload and its operating expenses financed by the State Bureau of Motor Vehicles Fund (Fund 4W4) is uncertain. No additional Fund 4W4 revenues will be generated, as the bill does not authorize the BMV to collect an additional fee to compensate the Bureau for the additional services required in the issuing of such license plates.
- **State Bureau of Motor Vehicles Fund – Civil Air Patrol License Plates.** The bill requires the state's BMV to charge an additional fee of \$10 to compensate the Bureau for additional services required in the issuing of Civil Air Patrol license plates, and to deposit all such fees in the state treasury to the credit of the existing State Bureau of Motor Vehicles Fund (Fund 4W4). As of this writing, LSC fiscal staff is unable to estimate the demand and production costs for these license plates. This means that the magnitude of the potential gain in BMV's Fund 4W4 annual license plate revenues and any related increase in operating expenses is uncertain.
- **State Highway Safety Fund.** Under current law, an \$11 fee is added to every vehicle registration and subsequent to its collection is forwarded for deposit in the state treasury to the credit of the State Highway Safety Fund (Fund 036). Under the bill, a person being issued Purple Heart license plates would not pay this \$11 fee. Depending on the number of Purple Heart license plates issued in a given year, there would likely be a loss in related registration fee revenues credited to Fund 036. The magnitude of that likely annual revenue loss is, as of this writing, uncertain.
- **State Highway Operating Fund.** The Ohio Department of Transportation may experience costs of \$500 or more to install plaques or signs along I-70 and I-71. Due to the length of these interstate highways it is unknown how many may actually be installed. There may also be future maintenance costs.
- **Civil Rights Commission.** As a result of the duties imposed under the bill, the Commission estimates that it will: (1) need to hire at least one investigator, at a total annual cost of \$59,186 in salary and benefits, and (2) alter or replace various public awareness and education materials at a one-time cost of no more than \$20,000.
- **Office of the Attorney General.** The bill requires the Attorney General to appoint a member of the staff of the Consumer Protection Division to expedite cases or issues raised by a person, or the immediate family of the person, who is deployed on active duty, which cases or issues relate to Ohio laws regulating consumer protection. If an additional staff person were hired to perform those duties, it would be as a complaint specialist at an annual cost in salary and benefits of between \$47,600 and \$61,500. Presumably, those annual costs would be covered by funds appropriated from the GRF, the Consumer Protection Enforcement Fund (Fund 631), or some mix of both revenue streams.
- **Probate fees.** The bill's probate fee exemption does not appear to have any direct and readily discernible effect on state revenues and expenditures.
- **Licensing board impacts.** Requiring state licensing boards to defer late fees and penalties for National Guard or reserve members for up to six months after they have completed service might result in some foregone licensing revenue. It would depend on the number of licensees who fit into this category.
- **Incumbent Worker Training.** Under the bill, the Department of Job and Family Services would transfer at least \$6 million in FY 2008 and at least \$9 million in FY 2009 from Fund 3V0 to the Department of

Development (DOD) for the newly created Incumbent Worker Training Program. These funds are federal Workforce Investment Act dollars and would be received by DOD to provide grants to businesses and training organizations for training for incumbent employees.

### *Local Fiscal Highlights*

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
<b>Counties, municipalities, townships, and libraries (LGF and LLGSF)</b>			
Revenues	- 0 -	\$800,000 to \$1.3 million loss	\$800,000 to \$1.3 million loss
Expenditures	- 0 -	- 0 -	- 0 -
<b>School districts</b>			
Revenues	- 0 -	\$1.2 million loss	\$1.2 million loss
Expenditures	- 0 -	- 0 -	- 0 -
<b>Counties – due to exemption of estates from probate fees</b>			
Revenues	- 0 -	Potential probate fees loss, likely to be minimal at most	Potential probate fees loss, likely to be minimal at most
Expenditures	- 0 -	No apparent fiscal effect on probate court operations	No apparent fiscal effect on probate court operations
<b>Political subdivisions with licensing responsibilities</b>			
Revenues	Potential small loss	Potential small loss	Potential small loss
Expenditures	- 0 -	- 0 -	- 0 -
<b>Counties, Municipalities, and Townships – levying permissive motor vehicle license taxes</b>			
Revenues	Motor vehicle license tax loss, magnitude dependent on number of Purple Heart license plates issued	Motor vehicle license tax loss, magnitude dependent on number of Purple Heart license plates issued	Motor vehicle license tax loss, magnitude dependent on number of Purple Heart license plates issued
Expenditures	- 0 -	- 0 -	- 0 -
<b>Counties and Municipalities – discrimination actions</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase for courts to adjudicate civil actions alleging discrimination, magnitude uncertain	Potential increase for courts to adjudicate civil actions alleging discrimination, magnitude uncertain	Potential increase for courts to adjudicate civil actions alleging discrimination, magnitude uncertain
<b>Municipalities – Purple Heart Trail designations</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	\$500 to install a single plaque or set of signs	Minimal increase to maintain plaques or signs	Minimal increase to maintain plaques or signs

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

- **Income tax exemption.** Exempting military retirement pay from the state income tax will reduce the tax base and therefore reduce income tax revenues. However, exempting military retirement pay may reduce the amount claimed for the retirement income credit, partially offsetting the revenue reduction from the exemption. The Local Government Fund (LGF) would bear 3.68% of the revenue loss and the Library and Local Government Support Fund (LLGSF) would bear 2.22% of the revenue loss.
- **School district income tax.** School district income tax revenues would be reduced due to a reduction in the tax base.

- **Local permissive motor vehicle license taxes.** The bill's provision that allows a person who has been awarded the Purple Heart to apply for a Purple Heart license plate at no charge means that person will not have to pay any permissive local motor vehicle license taxes. The total permissive tax levy paid by a person cannot exceed \$20 per taxing district (the combination of all county, municipality, and township levies). Thus, as a result of the bill, it is likely that some taxing districts will lose motor vehicle license tax revenues that would otherwise have been collected. The magnitude of that likely annual revenue loss for any affected taxing district (county, municipality, or township) is, as of this writing, uncertain.
- **Civil actions filed in courts of common pleas, municipal courts, and county courts.** As a result of the bill, it is possible that additional civil actions alleging discrimination, in this case based on a person's military status, will be filed in various courts of common pleas, municipal courts, and county courts around the state. As of this writing, the number of those additional civil actions that might be filed statewide, or even in a given local jurisdiction, is uncertain. Thus, the effect of the bill on any given court's workload and associated annual operating expenses is also uncertain.
- **Probate fees.** Based on conversations that LSC fiscal staff had with certain probate judges, it does not appear that, generally speaking, the number of estates potentially exempted in any affected probate court from paying certain court service fees will be very large in any given year. Assuming that were true, it seems unlikely that the magnitude of probate court service fees lost in any affected county will exceed minimal on an ongoing basis. For the purposes of this fiscal analysis, "minimal" means an estimated revenue loss of no more than \$5,000 for any affected county per year. The bill's fee exemption provision does not appear to directly affect the annual operating expenses of any county, in particular those of the probate division of its court of common pleas.
- **Licensing board impacts.** Requiring political subdivisions involved with professional or occupational licensing to defer late fees and penalties for National Guard or reserve members for up to six months after military service is completed might result in some foregone licensing revenue. It would depend on the number of licensees who fit into this category.
- **Redistributed Public Safety revenues.** Whenever the state BMV's Fund 4W4 cash flow changes, local governments may also be affected in some manner. As BMV's expenses or revenues increase or decrease, moneys available for redistribution to local governments may increase or decrease. As of this writing, however, the manner in which the bill may affect that cash flow dynamic, if at all, is uncertain. That said, LSC fiscal staff has not gathered any information suggesting that the potential magnitude of the annual fiscal effect on any local government would be more than minimal, if that. In this context, "minimal" means an estimated annual revenue gain or loss of: (1) no more than \$5,000 for any affected county, city, or township with a population of 5,000 or more, and (2) no more than \$1,000 for any affected village or township with a population of less than 5,000.
- **Purple Heart Trail designations.** A municipality may experience permissive costs of \$500 to install a single plaque or set of signs with portions of I-70 and I-71 running through its boundaries. There may also be future maintenance costs.

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## *Detailed Fiscal Analysis*

The bill exempts military retirement pay from the income tax, exempts estates of armed forces members who died while serving in a combat zone from probate fees, provides that reservists and National Guard members may renew their professional licenses within six months after active duty service, and extends continuing education reporting periods for National Guard members ordered to duty by the Governor. It also provides for eligible veterans to be issued Purple Heart license plates at no charge. In addition to these changes, the bill prohibits discrimination on the basis of military status and affords greater oversight of consumer protection issues involving active duty personnel. More detail on provisions without fiscal effect can be found in the LSC analysis of this bill.

### *Exemption of military retirement pay*

The proposal to exempt military retirement benefits from the personal income tax would exempt the retirement benefits of approximately 39,371 retired military personnel in Ohio. The table below shows the breakdown of retired military personnel in Ohio and the benefits they received in federal fiscal year 2006 (the data include national guard retirees receiving pensions from the Department of Defense (DOD)).<sup>1</sup>

	Retirees (paid by DOD)	Retirement Benefits	Average Benefit
Army	11,065	\$185,076,000	\$16,726
Navy/Marines	9,638	\$170,028,000	\$17,641
Air Force	18,096	\$398,040,000	\$21,996
Coast Guard	572	\$10,140,000	\$17,727
Total	39,371	\$763,284,000	\$19,387

Military retirees in Ohio received a total of \$763 million in benefit payments. The average retiree received approximately \$19,390. At an effective tax rate of 2.87%, Ohio would lose approximately \$21.9 million in revenues from the personal income tax each year that military retirement benefits are exempted. Excluding military retirement benefit payments from a taxpayer's Ohio adjusted gross income (OAGI) may reduce the amount the taxpayer could claim for the retirement income credit. If 39,371 taxpayers claiming the \$200 maximum credit were no longer able to claim the credit, then the aggregate amount of the credit claimed would fall by \$7.9 million. Depending on other credits these taxpayers may claim, tax revenue may increase by up to this amount. This would reduce the net cost of exempting military retirement benefits from the income tax. The net revenue loss may be between \$14.0 million and \$21.9 million. The GRF would bear 94.1% of the loss, the Local Government Fund would bear 3.68%, and the Library and Local Government Support Fund would bear 2.22%.

In view of the income tax rate reductions in H.B. 66 of the 126th General Assembly for fiscal years 2005 and beyond, the revenue loss due to the proposed exemption of military

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<sup>1</sup> Source: Department of Defense – Office of the Actuary – DOD Statistical Report on the Military Retirement System Fiscal Year 2006.

retirement benefits from income tax may likely reduce in the future. Increases in the number of retirees and the benefits they receive would act to increase the size of the revenue loss.

The exemption would also reduce the tax base for some school district income taxes. The revenue loss would depend on the school districts in which the military retirees reside, the school district income tax rates for those districts, and the value of the exemptions claimed.<sup>2</sup> If an individual were in a district without a school district income tax, there would be no revenue loss due to that individual's exemption. The federal adjusted gross income (FAGI) of taxpayers in school districts with a school district income tax is approximately 10.4% of statewide FAGI and the (weighted) average school district income tax rate is approximately 1.44%.<sup>3</sup> This percentage of income and average tax rate yield an estimated statewide school district income tax revenue loss of \$1.2 million.

### **Income tax deduction for retired pay based on credit for military service**

The bill also provides an income tax deduction for federal service that includes military service. The revenue loss depends on the number of individuals eligible for the deduction and the amount they are able to deduct. The state revenue loss is estimated to be between \$420,000 and \$2.4 million. School district income tax revenues may fall between \$2,000 and \$14,000.

Under federal law, military retirees may opt for taking credit for their military service toward federal civilian retirement systems, but when they do so, they have to waive their military retirement pay. Out of the total of 42,734 military retirees in Ohio for FY 2006,<sup>4</sup> approximately 1.75% are estimated to have opted for taking credit for their military service according to an official from the Department of Defense who provided this information in response to a request from LSC. Based on the average benefit of Ohio military retirees (\$19,387) the amount of retirement pay that this subgroup of military retirees could claim as a tax deduction is estimated at \$14.5 million. The revenue loss from this level of deduction is estimated at \$420,000.

### **Exemption of estates from probate fees**

The bill's probate fee exemption does not appear to have any direct and readily discernible effect on state revenues and expenditures. Based on conversations that LSC fiscal staff had with certain probate judges, it does not appear that, generally speaking, the number of estates potentially exempted in any affected probate court from paying certain court service fees will be very large in any given year. Assuming that were true, it seems unlikely that the magnitude of probate court service fees lost in any affected county will exceed minimal on an ongoing basis. For the purposes of this fiscal analysis, "minimal" means an estimated revenue loss of no more than \$5,000 for any affected county per year. The bill's fee exemption provision

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<sup>2</sup> There is no tax rate limit. The only stipulation by law is that the tax rate must be in increments of a quarter percent (0.25%). Currently, the minimum tax rate levied by a district is 0.50%, the maximum tax rate is 2.00%, the median tax rate is 1.00%, and the most frequently charged tax rate is 1.00%.

<sup>3</sup> The percentage of FAGI in districts with a school district income tax and the average tax rate were calculated using information from 2004 Ohio income tax returns and 2006 school district income tax rates.

<sup>4</sup> *DOD Statistical Report on the Military Retirement System, Fiscal Year 2006*. The report presents both the number of retirees (all living military retirees) and the number of retirees being paid by DOD (whose net retirement pay is greater than \$0.00).

does not appear to directly affect the annual operating expenses of any county, in particular those of the probate division of the court of common pleas.

### **Expired license exemptions – National Guard and reserve members**

Requiring state licensing boards and political subdivisions involved with professional or occupational licensing to defer late fees and penalties for National Guard or reserve members for up to six months after military service is completed might result in some foregone late fee revenue. It would depend on the number of licensees who fit into this category.

### **State fiscal effects – License plates**

***Purple Heart License Plates:*** The bill allows any person who has been awarded the Purple Heart to be issued Purple Heart license plates at no charge. Depending on the number of Purple Heart license plates issued in a given year, there would likely be a loss in related registration fee revenues deposited in the state treasury to the credit of the State Bureau of Motor Vehicles Fund (Fund 4W4). The magnitude of that likely annual revenue loss is, as of this writing, uncertain.

***Combat Battle Star License Plates:*** The fiscal effects on the state, in particular the Department of Public Safety's Bureau of Motor Vehicles (BMV) and its primary source of operating moneys (Fund 4W4), will be dependent on the number of special combat or military license plates with a combat battle star actually issued. As of this writing, LSC fiscal staff is unable to estimate the demand and production costs for the combat star license plates. This means that the potential magnitude of any related increase in operating expenses is uncertain.

The issuance of combat battle star license plates will not generate any additional state revenues, in particular registration-related revenues that would be deposited to the credit of Fund 4W4, as the bill does not authorize the BMV to collect an additional fee to compensate the Bureau for the additional services required in the issuing of such license plates.

***Civil Air Patrol License Plates:*** The fiscal effects on the state, in particular the Department of Public Safety's Bureau of Motor Vehicles and its primary source of operating moneys (Fund 4W4), will be dependent on the number of Civil Air Patrol license plates actually issued. As of this writing, LSC fiscal staff is unable to estimate the demand and production costs for these license plates. This means that the magnitude of the potential gain in BMV's Fund 4W4 annual license plate revenues and any related increase in operating expenses is uncertain.

### **Local fiscal effects for Combat Battle Star and Civil Air Patrol license plates**

#### **Redistributed Public Safety revenues**

Whenever BMV's Fund 4W4 cash flow changes, local governments may also be affected in some manner. Most collected local and state motor vehicle license taxes are deposited into a Department of Public Safety holding account. Monthly, an assessment of Fund 4W4 occurs and cash is transferred from the holding account to Fund 4W4 in order to cover BMV's monthly operating expenses. Any remaining funds in the holding account are then forwarded to local governments (counties, municipalities, and townships) to use for transportation-related needs



such as roads and bridges. As BMV's expenses or revenues increase or decrease, moneys available for redistribution to local governments may increase or decrease.

As of this writing, however, the manner in which the bill may affect that cash flow dynamic, if at all, is uncertain. That said, LSC fiscal staff has not gathered any information suggesting that the potential magnitude of the annual fiscal effect on any local government would be more than minimal, if that. In this context, "minimal" means an estimated annual revenue gain or loss of: (1) no more than \$5,000 for any affected county, city, or township with a population of 5,000 or more, and (2) no more than \$1,000 for any affected village or township with a population of less than 5,000.

### **State Highway Safety Fund (Fund 036)**

Under current law, an \$11 fee is added to every vehicle registration and subsequent to its collection is forwarded for deposit in the state treasury to the credit of the State Highway Safety Fund (Fund 036). Under the bill, a person being issued Purple Heart license plates would not pay this \$11 fee. Depending on the number of Purple Heart license plates issued in a given year, there would likely be a loss in related registration fee revenues credited to Fund 036. The magnitude of that likely annual revenue loss is, as of this writing, uncertain.

This fee, which became effective January 1, 2004, is imposed for the purpose of defraying the Department of Public Safety's costs associated with the administration and enforcement of motor vehicle and traffic laws.

### **Local permissive motor vehicle license taxes**

The bill's provision that allows a person who has been awarded the Purple Heart to apply for a Purple Heart license plate at no charge means that person will not have to pay any permissive local motor vehicle license taxes. The total permissive tax levy paid by a person cannot exceed \$20 per taxing district (the combination of all county, municipality, and township levies). Thus, as a result of the bill, it is likely that some taxing districts will lose motor vehicle license tax revenues that would otherwise have been collected. The magnitude of that likely annual revenue loss for any affected taxing district (county, municipality, or township) is, as of this writing, uncertain.

Under current law, a county, municipality, or township is permitted to levy local motor vehicle license taxes for the purpose of planning, construction, and maintenance of public highways, roads, streets, or bridges. Counties have the authority to enact up to \$15 in motor vehicle license taxes in three separate increments of \$5 each. If the county has not enacted a motor vehicle license tax, then the municipality has the authority to enact up to \$20 in motor vehicle license taxes in four separate increments of \$5 each. Townships may levy an additional \$5 motor vehicle license tax, regardless of any action by the county. The total permissive tax levy, however, paid by a person cannot exceed \$20 per taxing district (the combination of all county, municipality, and township levies). In 2006, the average permissive local tax per vehicle registration was \$14.02. Counties and municipalities were first permitted to levy motor vehicle license taxes in 1967; townships were similarly authorized in 1987.

## Ohio Civil Rights Commission

### Duties under the bill

**Investigation of complaints.** The bill prohibits discrimination on the basis of military status. As is the case under current law, if discrimination on the basis of military status were to occur, then the party that was discriminated against can file a civil action in: (1) a court of common pleas, municipal court, or county court as appropriate, or (2) the Court of Claims if the matter involves an agency of the state of Ohio. A complaint alleging discrimination may also be filed with the Ohio Civil Rights Commission.

If a complaint is filed with the Commission, it is required to investigate the alleged discrimination to determine whether or not there is probable cause that discrimination occurred. If so, the Commission is required to engage in a conciliation process between the two parties. If conciliation fails, then the case goes before an administrative law judge in a court of common pleas. The Commission's costs will be a function of the merits and complexity of the case.

**Related duties.** In addition to permitting complaints to be filed, or civil actions to be brought, alleging discrimination on the basis of military status, the bill:

- Requires the Commission to make periodic surveys of the existence and effect of discrimination because of military status on the enjoyment of civil rights by persons in Ohio.
- Requires the Commission to prepare a comprehensive educational program, in cooperation with the Department of Education, for Ohio residents and the students in Ohio public schools.
- Requires the Commission to receive affirmative action employment and housing accommodation program reports relative to persons of military status and to issue an annual report on those program reports to the General Assembly.
- Permits the Commission to study the problems of discrimination in all fields of human relationships when based on military status, or may empower local or statewide advisory agencies and conciliation councils it creates to do so.
- Permits the Commission to issue any publications and the results of investigations and research that in its judgment will tend to promote good will and minimize or eliminate discrimination because of military status.

Under current law, the Commission is already required or authorized to perform this above-noted list of duties relative to discrimination on the basis of race, color, religion, sex, familial status, national origin, disability, age, or ancestry.

### **Estimated costs**

The staff of the Commission's Office of Public Affairs has provided LSC fiscal staff with the following information relative to its duties under the bill.

- Although it is difficult to assess the number of new charges that will be filed alleging discrimination on the basis of military status, it is likely that additional personnel will be required to conduct investigations based upon these charges.
- According to information provided by Commission staff, the Ohio branch of the Employer Support of the Guard and Reserve, which is a staff group within the office of the Assistant Secretary of Defense for Reserve Affairs, received complaints from 74 members of the Ohio National Guard and Reserve alleging violations of the Uniformed Services Employment and Reemployment Rights Act.
- By comparison, a Commission investigator currently processes approximately 85 cases annually. The average cost of employing an investigator (including both salary and benefits) is \$59,186 annually. The Commission believes that, based on the potential number of additional cases, it will need to hire at least one new investigator.
- Unlike the majority of other charges investigated by the Commission for which it receives moneys under work-sharing agreements with the U.S. Equal Employment Opportunity Commission (EEOC) and the U.S. Department of Housing and Urban Development (HUD), the Commission would not receive federal funding for investigating charges alleging discrimination on the basis of military status. This is because military status is not a federally recognized protected class under Title VII of the Civil Rights Act of 1964 or Title VIII of the Fair Housing Act of 1968. The only other viable financing mechanism for the costs associated with these military status-related duties would be the General Revenue Fund.
- The addition of military status as a protected class under the Ohio Civil Rights Act will require the Commission to alter or replace existing brochures, posters, and other materials made available to the public in order to raise awareness and educate the public about their rights under the new provision. This is likely to be a one-time cost of up to \$20,000.

### **Civil actions filed in courts of common pleas, municipal courts, and county courts**

As a result of the bill, it is possible that additional civil actions alleging discrimination, in this case based on a person's military status, will be filed in various courts of common pleas, municipal courts, and county courts around the state. As of this writing, the number of those additional civil actions that might be filed statewide, or even in a given local jurisdiction, is uncertain. Thus, the effect on the bill of any given court's workload and associated annual operating expenses is also uncertain.

## **Office of the Attorney General**

The bill requires the Attorney General to appoint a member of the staff of the Consumer Protection Division to expedite cases or issues raised by a person, or the immediate family of the person, who is deployed on active duty, which cases or issues relate to Ohio laws regulating consumer protection. If an additional staff person were hired to perform those duties, it would be as a complaint specialist at an annual cost in salary and benefits of between \$47,600 and \$61,500. Presumably, those annual costs would be covered by funds appropriated from the GRF, the Consumer Protection Enforcement Fund (Fund 631), or some mix of both revenue streams.

## **Military experience to fulfill continuing education requirements**

The bill requires a state licensing agency to consider relevant education, training, or service completed by a licensee as a member of the United States Armed Forces, reserve components, the Ohio National Guard, the Ohio Military Reserve, or the Ohio Naval Militia in determining whether a licensee has fulfilled required continuing education. It does not appear as if this will have a direct fiscal effect on the state or local governments.

## **Incumbent Worker Training Program**

The bill requires the Department of Development (DOD) to establish an Incumbent Worker Training Program to provide grants to businesses and to trainers that provide training to a consortium of businesses. Grants under the program are to be used for increasing the occupational skills of current employees, increasing investment in incumbent worker training, retaining employees, advancing wages over time, and acquiring generally recognized credentials to document skill gains.

The bill specifies that DOD's Workforce and Talent Division is to administer the program and issue grants of at least \$6 million in FY 2008 and at least \$9 million in FY 2009, using federal Workforce Investment Act (WIA) funds. At least 25% of the grants each year (at least \$1.5 million in FY 2008 and at least \$2.25 million in FY 2009) must be issued to businesses engaged primarily in activities other than manufacturing and that have fewer than 500 employees. The maximum grant amount is \$1,000 per employee or \$200,000 per business or trainer, and grants will be paid on a reimbursement basis. The bill empowers DOD to adopt rules for operating the program, presumably to include additional criteria to determine whether applicants are eligible for reimbursement.

DOD does not receive WIA funds directly from the federal government; rather, the Department of Job and Family Services (JFS) administers all WIA funds received by the state of Ohio through Fund 3V0, which receives and disburses federal WIA dollars. The spending authority for Fund 3V0 is approximately \$232.6 million in FY 2008 and \$233.1 million in FY 2009. According to DOD, the amounts requested for the Incumbent Worker Training Program would be paid by JFS while DOD administers the program.

Administrative costs to DOD's Workforce and Talent Division for operating the program are not yet known, but would not be paid from the WIA funds through JFS. Any administrative costs would likely be paid out of DOD's own operating funds for the Division. Additionally, DOD and JFS may experience minimal additional administrative costs for the preparation of a

required joint report on the Incumbent Worker Training Program to be issued to the President of the Senate and the Speaker of the House by December 31, 2008 and biannually thereafter.

**Purple Heart Trail designations**

The Ohio Department of Transportation (ODOT) may experience costs of \$500 or more to install memorial plaques or signs along I-70 and I-71. Currently, it costs approximately \$500 to manufacture, install, and maintain a single set of memorial plaques or signs at one location. Due to the length of I-70 and I-71, it is unknown how many plaques or signs the Department may choose to install.

When a bridge or highway is designated as a memorial, the Department's policy<sup>5</sup> is to first install a memorial plaque in a rest area, scenic overlook, recreational area, or other appropriate location. If this is not practical, a sign is installed along the highway instead. At one location two plaques or two signs are usually installed, one in each direction. ODOT installs plaques and signs in areas outside municipal boundaries, but within township boundaries.

Various municipalities with portions of I-70 and I-71 running through their boundaries may experience similar costs for installing and maintaining plaques or signs. Any costs incurred by municipalities are considered permissive.

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<sup>5</sup> Ohio Manual of Uniform Traffic Control Devices for Streets and Highways, 2003.