



Local Impact Statement Report

For Bills Enacted in 2012

**Ohio Legislative Service Commission
September 2013**

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The photograph of the Rock and Roll Hall of Fame in Cleveland on the front cover is courtesy of Dan Shellenbarger at the Ohio Channel.

Introduction

R.C. 103.143 requires the Legislative Service Commission (LSC) to determine whether a local impact statement (LIS) is required for each bill that is introduced and referred to committee. An LIS may be required when a bill could result in net additional costs beyond a minimal amount to school districts, counties, municipalities, or townships. An LIS is not required for budget bills or joint resolutions. It is also not required when the bill is permissive or when the bill's potential local costs are offset by additional revenues, offset by additional savings, or caused by a federal mandate. The LIS determination is based solely on the "As Introduced" version of the bill.

R.C. 103.143 also requires LSC to annually compile the final local impact statements completed for laws enacted in the preceding calendar year. The Report is to be completed by September 30 each year. This 2013 Report covers the 132 bills enacted in calendar year 2012, 12 of which required an LIS. The LIS requirement is met through the detailed analysis of local fiscal effects included in LSC's Fiscal Notes.

Regardless of whether a bill requires an LIS, the Fiscal Note analyzes the bill's fiscal effects on both the state and local government. However, under R.C. 103.143, when a bill requiring an LIS is amended in a committee, the bill may be voted out of the committee by a simple majority vote with a revised LIS (a requirement fulfilled by preparing an updated Fiscal Note) or by a two-thirds vote without a revised LIS. Because various bills are exempted from the LIS requirement, this Report does not include every bill enacted in 2012 that may have fiscal effects on local government. It should also be noted that Fiscal Notes in this Report were prepared for the General Assembly's deliberations on pending legislation. This means that cost estimates included in Fiscal Notes may differ from the actual costs of implementing these laws, as the estimates were made before the enacted legislation was implemented. For those who are interested in the local fiscal effects of all legislation enacted in 2012, please see the LSC Fiscal Notes for those laws, which are available on the LSC web site (www.lsc.state.oh.us) by clicking on *Bills/Resolutions & Related Documents*.

In addition to this introduction, the Report contains comments from the County Commissioners' Association of Ohio, the Ohio Municipal League, the Ohio Township Association, and the Ohio School Boards Association. LSC is required to circulate the draft Report to these associations for comment and to include their responses in the final Report. The main section of the Report includes the final version of the Fiscal Notes for the 12 bills enacted in 2012 that required an LIS and became law. All 81 House bills and 51 Senate bills enacted in 2012 are listed in the appendix.

This Report may be viewed online at www.lsc.state.oh.us by clicking on *Publications*, and then *Local Impact Statement Report* under the *Staff Research Reports* heading.

**LOCAL GOVERNMENT ASSOCIATION
COMMENTS**



Thank you for the opportunity to comment on the *Local Impact Statement Report*. The work LSC has done to provide the local impact statements on the bills that are included in the LIS requirement is greatly appreciated. However, CCAO would once again like to state our concern that the exemptions from the LIS requirement are of such a size and scope as to deprive the General Assembly of an accurate lens from which to view the impact of unfunded mandates and the ramifications of tax/fiscal policies on county government.

We have no comments relative to the content of the local impact statements done as part of the report. We would note that while this report captures the fiscal implications of the decrease in the wireless 9-1-1 surcharge enacted in H.B. 360, it is not required to address many of the policy changes that will result in budgetary implications that were contained in H.B. 509, the local government mid-biennial review legislation.

Primary among the LIS report exemptions that causes concern is the state biennial budget. While not enacted in the 2012 timeframe of this LIS report, H.B. 59 enacted this year contained sweeping policy changes across an array of program areas relative to counties. Although the LGF was placed back on a percentage of tax receipts formula, the overall tax policy changes enacted through the budget resulted in the LGF experiencing a 3.1% increase for the two-year average between SFY 2013-2015, and local governments seeing a 23.7% cut in calendar year 2013 and a 1.3% increase in calendar year 2014. H.B. 59 also eliminated the 12.5% property tax rollback on any new or replacement levies, which will make it more difficult for local governments to secure the passage of levies that support critical government services.

Again, thank you for the opportunity to comment on the LIS report. CCAO sincerely values the dedicated service and expertise that LSC provides to the legislative process.



Ohio Municipal League

Our Cities and Villages ★ Bringing Ohio to Life

The Ohio Municipal League has reviewed the draft of the *2013 Local Impact Statement Report* and would like to make the following comments.

The report provides helpful information to organizations representing local governments, their respective members, and the public; information that would otherwise be difficult to compile.

An area that still needs to be addressed is the section of law that exempts LSC from having to update a local impact statement for the biennial budget, capital appropriation bill, or any other budget corrections bill. The League would support legislation that would allow the General Assembly to include these bills that are now exempted in Division (F) of R.C. 103.143 from these local impact statements. OML also believes that local impact statements should be required at each stage of the legislative process. This is particularly important as substitute versions and amended substitute versions of bills are enacted. Legislation can have a huge fiscal impact upon local government and should be known to all as these bills progress through the legislature.

We are always optimistic that this document will gain larger recognition with state decision makers as they consider imposing additional programs on local government or reducing or limiting funding.

The Ohio Municipal League commends the staff of the Legislative Service Commission for the time and effort they put into individual statements and this Report.



OHIO TOWNSHIP ASSOCIATION

The Ohio Township Association (OTA) would like to thank the Ohio Legislative Service Commission (LSC) for the opportunity to comment on the proposed *Local Impact Statement Report for Bills Enacted in 2012*. The LSC *Local Impact Statement Report* helps educate our membership and the members of the General Assembly on the effect certain legislation will have on township budgets, and keeps legislators and local officials aware of any unfunded mandate created in legislation proposed and passed by the General Assembly.

The fiscal impact legislation may have on townships often is underestimated. Provisions established in legislation such as filing, notification and public hearing requirements could create significant costs for townships. The OTA is pleased that LSC takes such costs into consideration when determining local fiscal impact.

A bill is determined to have fiscal impact if its estimated annual cost is more than \$1,000 for townships with a population of less than 5,000 or if its estimated annual cost is more than \$5,000 for townships with a population of more than 5,000. Although \$1,000 or \$5,000 may not seem like a great deal of money when compared with the total budget of the township, the loss of such revenue may create a significant impact.

According to the Report, there are six bills with a local impact on townships. It is noted that the enactment of H.B. 197 could cause a potential loss in permissive local motor vehicle license tax revenue for townships. On the other hand, the enactment of H.B. 360 could provide a potential increase in wireless 9-1-1 revenue for jurisdictions.

It is projected that the Local Government Fund (LGF), of which townships receive revenue, will see a reduction in funds from the enactment of H.B. 508, H.B. 510, S.B. 340 and S.B. 342. For most townships, the LGF is the second highest source of revenue for townships behind property tax collection of inside and outside millage. Any lost LGF revenue will require additional property tax levies. In a time when it is increasingly difficult to pass levies, this could mean reductions in services provided by the township or financial troubles.

While the *Local Impact Statement Report* offers an analysis of legislation passed in 2012, it is not as inclusive as we would like. House Bills 482 and 487 were enacted in 2012 but because they are considered budget bills, neither is subject to a local impact statement. The OTA encourages the General Assembly to include budget bills in the LIS Report in order to provide a more comprehensive look at how legislation passed affects local governments.

Although the actual impact these new laws will have on townships will not be known until the laws are put into practice, the fiscal analyses provide a base for our townships to determine how a new law may affect their budgets. The Ohio Township Association appreciates the opportunity to provide its input and thanks the Legislative Service Commission for all of their hard work in compiling this data, as it is truly beneficial to legislators and local government groups.



**Ohio School Boards
Association**

The Ohio School Boards Association (OSBA) appreciates the opportunity to review the *2013 Local Impact Statement Report* on bills enacted in 2012 prepared by the Legislative Service Commission (LSC) for members of the Ohio General Assembly and the general public. We believe that the document provides a clear analysis of the fiscal impact of various bills on local government units, including public schools. The report provides the reader with valuable understanding of the cost and programmatic implication of the selected bills.

The *2013 Local Impact Statement Report* indicates that twelve bills were enacted during 2012 requiring local impact statements. Two of the twelve bills do have a fiscal impact on local school districts. These bills are Am. Sub. S.B. 316 and Sub. S.B. 342.

OSBA, along with other educational stakeholders, is very active throughout the legislative process. While supportive of the overall purposes, we were very engaged in seeking modifications to the provisions that were contained in Am. Sub. S.B. 316 and in pointing out the fiscal and administrative burden on local school districts posed by those requirements. In our testimony, we noted that the requirements for the new Third Grade Reading Guarantee call for additional assistance in the form of assessment, diagnosis, intensive intervention and remediation programs, as well as additional reporting requirements. Such assistance cannot be readily provided through existing staff and other resources. Our estimates, as detailed in our testimony conclude that the cost of the program will exceed \$100 million in new costs to districts. Not included in this estimate is any attempt to quantify the cost of retention for those students who fail to attain reading competency and the costs of screening and providing outside vendors who may offer services to these children. Only limited additional dollars were contained in the final version of the bill, but the new budget appropriations in Am. Sub. H.B. 59 do contain some welcome new resources for the program.

We also noted that the reading credentials required for teachers who will be working with students with reading deficiencies will require new staffing or retraining of existing staff to meet the requirements. Such training will take time and money and will not be completed to permit all school districts to meet the staffing requirements.

Fortunately, S.B. 21 in the current session did address this issue and provides alternative methods for achieving the necessary credentials.

Other provisions in the bill, as enacted, pose additional requirements on school districts to report operating expenditures, broken down by classroom vs. non-classroom purposes. This may also require new or modified software for financial reporting, which comes with additional cost and time.

The second bill, Sub. S.B. 342, makes changes to the law governing the State Teachers Retirement System (STRS). The most significant concern of OSBA was to retain or reduce the current employer contribution rate of 14% of salary. We believe that this rate is sufficient and that employers should not be taxed any further to reduce STRS liabilities. While not directly affected, we did not oppose the increase in the contribution level of employees or changes to age and service requirements. We believe that benefit reductions are preferable to increased contributions. We supported these changes as they increase the solvency level of the fund. However, we cautioned that the increased employee contributions could lead to pressure at the bargaining table.

We continue to believe that fiscal impact statements are necessary and would continue to support legislation to require the General Assembly to consider the local impact of all bills prior to being enacted. This would include the biennial budget, capital appropriations bill and any budget corrections bill which are now exempted from such local impact statements. As in prior years, we would encourage that fiscal impact statements be issued at each step of the legislative process as changes occur from the "As Introduced" version of a bill.

Once again, OSBA wishes to express appreciation to the Legislative Service Commission for its hard work and diligence on this important task. We look forward to working with you now and in the future.

**FISCAL NOTES FOR BILLS ENACTED
IN 2012 REQUIRING
LOCAL IMPACT STATEMENTS**



Ohio Legislative Service Commission

Jean J. Botomogno

Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 18 of the 129th G.A. **Date:** April 18, 2012

Status: As Enacted **Sponsor:** Rep. Baker

Local Impact Statement Procedure Required: Yes

Contents: Authorizes state grants to a business that moves into a vacant facility and increases payroll

State Fiscal Highlights

STATE FUND	FY 2012	FY 2013	FUTURE YEARS
Vacant Facilities Grant Fund			
Revenues	- 0 -	Gain up to \$2 million	Potential gain
Expenditures	- 0 -	Potential increase	Potential increase

Note: The state fiscal year is July 1 through June 30. For example, FY 2012 is July 1, 2011 – June 30, 2012.

- The bill creates the Vacant Facilities Grant Fund in the state treasury funded by cash transfers from other funds used by the Department of Development, up to \$2 million in FY 2013.
- The bill authorizes grants from the Vacant Facilities Grant Fund to an employer that increases payroll and moves operations into a previously vacant facility. The grants are authorized for a three-year period, which would prevent expenditure increases after FY 2017.

Local Fiscal Highlights

- The bill has no direct local fiscal impact.

Detailed Fiscal Analysis

Under current law, an employer is generally required to deduct and withhold state and school district income taxes from an employee's compensation, and remit to the state amounts withheld from the employee's pay. The bill authorizes the Director of Development to provide grants to employers that hire new employees and increase payroll, and move operations into a previously vacant facility. The grants are to be from a newly created fund in the state treasury, the Vacant Facilities Grant Fund.

An employer required to deduct and withhold income tax from employee compensation may apply to the Director for a grant from the new fund. To be eligible for a grant, the bill requires that the employer occupies under a lease or purchases a vacant commercial space at which the employer would employ at least 50 employees, or where at least 50% of its employees who are employed in this state are located. At least 75% of the square footage of the building or the business park must have been unoccupied and available for use for the 12 months immediately preceding the lease or purchase. In addition, qualifying employees used by the employer to qualify for the grant must (1) not have been employed by the employer within 60 days of the move, (2) be employed at the facility for at least a year working at least 40 hours a week for a wage equal to or more than the Ohio minimum wage, and (3) increase the employer's payroll above the total payroll of the employer on the date the employer purchases or enters into a lease for the vacant commercial space. The amount of the grant is \$500 for each eligible employee. The bill requires the Director to prescribe the application materials and explanations, and no grant application may be received three years or later after the effective date of the bill.

On July 1, 2012, or as soon as possible thereafter, the bill requires the Director of Budget and Management, in consultation with the Director of Development, to identify within the Department of Development's budget up to \$2 million in unexpended, unencumbered cash and transfer those amounts to the Vacant Facilities Grant Fund. The bill appropriates those amounts for FY 2013. After FY 2013, revenue to the fund, as well as expenditures for grants, would depend on future appropriations by the General Assembly.

The bill has no direct local fiscal impact, though the introduced bill did.

Indirect fiscal effect

Firms decide to relocate for various business reasons. For example, a firm seeking to decrease their lease or rental costs may move into a vacant, cheaper commercial space, but this may not necessarily result in new job creation if an increase in payroll is due to otherwise rising wages at the firm. The grant may induce some existing businesses to move into new facilities, and, potentially, income tax receipts might increase. The bill may be revenue neutral in cases it was responsible for the increase in payrolls. However, relocations or expansions due to the grant would be difficult to ascertain because they cannot be distinguished from those that would have occurred anyway for other normal business reasons, and in the latter case the resulting tax revenue would not be attributable to the bill so the expenditure increase in the bill would not be offset by new revenue from the bill.



Ohio Legislative Service Commission

Matthew L. Stiffler

Fiscal Note & Local Impact Statement

Bill: Am. Sub. H.B. 197 of the 129th G.A. **Date:** December 13, 2012
Status: As Enacted **Sponsor:** Rep. Slesnick

Local Impact Statement Procedure Required: Yes

Contents: Collection of unpaid court costs, fees, or fines, optional computerization fees charged by court of common pleas, and military service added to the list of factors and information that a court sentencing an offender for a criminal offense must consider in determining the appropriate sentence

State Fiscal Highlights

STATE FUND FY 2013 – FUTURE YEARS

Victims of Crime/Reparations Fund (Fund 4020)

Revenues	Potential gain in previously unpaid state court costs, possibly exceeding \$100,000 annually
Expenditures	- 0 -

Indigent Defense Support Fund (Fund 5DY0)

Revenues	Potential gain in previously unpaid state court costs, possibly exceeding \$100,000 annually
Expenditures	- 0 -

State Bureau of Motor Vehicles Fund (Fund 4W40)

Revenues	Potential loss, or delay in collection, of vehicle registration fees, possibly exceeding \$100,000 annually
Expenditures	Potential minimal annual increase to administer registration prohibition

State Highway Safety Fund (Fund 7036)

Revenues	Potential loss, or delay in collection, of vehicle registration fees, possibly exceeding \$100,000 annually
Expenditures	- 0 -

Auto Registration Distribution Fund (Fund 7051)

Revenues	Potential loss, or delay in collection, of permissive local motor vehicle license taxes, possibly exceeding \$100,000 annually
Expenditures	Potential decrease in money redistributed to counties, municipalities, and townships, annual magnitude dependent on changes to related revenue stream

Note: The state fiscal year is July 1 through June 30. For example, FY 2013 is July 1, 2012 – June 30, 2013.

- **Unpaid court costs.** State court costs for felonies and misdemeanors that might otherwise have gone uncollected may be collected and deposited to the credit of the Victims of Crime/Reparations Fund (Fund 4020) and the Indigent Defense Support

Fund (Fund 5DY0). The magnitude of this additional revenue could exceed minimal (or \$100,000) annually.

- **Bureau of Motor Vehicle expenditures.** It appears that the Bureau of Motor Vehicles will be able to incorporate the bill's duties and responsibilities into its existing registration system with a minimal ongoing operating cost. Any associated costs would likely be paid for with money appropriated from the State Bureau of Motor Vehicles Fund (Fund 4W40).
- **Registration prohibition.** There could be a loss or delay in the collection of vehicle registration fees, the magnitude of which will depend upon the number of persons being subject to the bill's registration prohibition and whether they choose to pay their unpaid court costs, fees, or fines. Vehicle registration fees are deposited in the State Bureau of Motor Vehicles Fund (Fund 4W40) and the State Highway Safety Fund (Fund 7036), with the portion representing local permissive motor vehicle taxes being sent to counties, municipalities, and townships via the Auto Registration Distribution Fund (Fund 7051).

Local Fiscal Highlights

LOCAL GOVERNMENT

FY 2013 – FUTURE YEARS

Counties, Municipalities, and Townships

Revenues	Potential gain in previously unpaid court costs, fees, and fines, plus potential loss, or delay in collection, of permissive local motor vehicle license taxes, with net annual effect in any given jurisdiction uncertain
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Expenditures	- 0 -
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Common Pleas, Municipal, Mayor's, and County Courts

Revenues	Potential gain in previously unpaid specific purpose costs and fees, annual magnitude uncertain
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Expenditures	(1) Potential negligible savings effect from standardization of dates to remit certain moneys; (2) Potential minimal annual increase to incorporate provisions into existing vehicle registration system
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Courts of Common Pleas (General Division)

Revenues	Potential annual gain in computerization fees, significant variance across the state from several thousand dollars in a low volume court to tens of thousands of dollars or more in a high volume court
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Expenditures	Potential increase, commensurate with revenue gain
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Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- **Uncollected court cost, fee, and fine revenues.** Counties, municipalities, and townships, including common pleas, municipal, mayor's, and county courts, will in all likelihood gain revenues in the form of court costs, fees, and fines that would otherwise have gone uncollected. The additional amounts that certain local jurisdictions collect annually could easily exceed tens or hundreds of thousands of dollars annually.
- **Court remittance and vehicle registration expenditures.** Common pleas, municipal, mayor's, and county courts may incur minimal annual costs to incorporate the bill's registration prohibition provision into their existing procedures and practices. The bill also standardizes the date by which the clerks of municipal and county courts

must remit certain moneys to the appropriate political subdivision, which may produce a savings effect by permitting clerks to expend more time and effort on other duties and responsibilities.

- **Motor vehicle registration fees.** There could be a loss, or delay in the collection, of a mix of state and local vehicle registration fees, the magnitude of which will depend upon the number of persons being subject to the bill's registration prohibition and whether they choose to pay their unpaid court costs, fees, or fines or are deemed eligible to engage in community service. The portion representing local permissive motor vehicle taxes is sent to counties, municipalities, and townships via the state's Auto Registration Distribution Fund (Fund 7051).
 - **Computerization fees.** The potential is created for the general division of a court of common pleas charging such fees to generate additional revenue for computerization and to use those funds for a purpose that might not be viewed as permissible under current law ("technological advances"). Courts with a relatively large number of case filings (high volume) are likely to be in a position to generate considerably more computerization fee revenue per year than are courts with a comparatively smaller number of case filings (low volume). Thus, the potential annual revenue is likely to vary significantly across the state, from several thousand dollars in a low volume court to tens of thousands of dollars or more in a high volume court.
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Detailed Fiscal Analysis

The fiscal analysis is organized around the following four topics:

- I. Collection of unpaid court costs, fees, or fines
- II. Remittance of fees and other money by certain court clerks
- III. Optional computerization fees charged by a court of common pleas
- IV. Consideration of military service in criminal sentencing

I. Collection of unpaid court costs, fees, or fines

The bill permits, but does not require, a common pleas, municipal, mayor's, or county court to use a vehicle registration sanction as a means to get a person to pay "unpaid" court costs, fees, and fines or complete community service. A court can trigger this sanction by sending a "failure to pay" notice to the state Registrar of Motor Vehicles. The fiscal effects of this permitted sanction depend on the actions of courts and the responses of people to the imposition of a vehicle registration sanction.

Uncertainties and unknowns

A precise description of the bill's state and local fiscal effects is problematic because of various uncertainties and unknowns, including: (1) the number of offenders that do not pay court costs, fees, and fines in any given year and the amounts unpaid,

(2) how any given court will utilize the registration sanction permitted but not required by the bill, (3) the frequency with which the court will allow individuals to complete community service in lieu of paying court costs, and (4) how any given person will respond to a court's actions and the possible registration sanction associated with unpaid court costs, fees, and fines.

For example, how often will a court choose to utilize the bill's vehicle registration sanction? Further, how will that person respond to having to pay court costs, fees, or fines or perform community service before reinstating a vehicle's registration? It is not possible to predict the future decisions of either the courts or the affected persons and therefore LSC cannot make a definitive prediction as to the bill's state and local fiscal effects. However, the millions of criminal cases heard annually in common pleas, municipal, mayor's, and county courts, as well as the thousands of those convicted who don't or can't pay associated court costs, fees, and fines annually statewide, means that the aggregate effect of those individual decisions will noticeably affect in some manner the revenue streams of certain counties, municipalities, and townships as is detailed below.

These predictive issues aside, we have identified a path by which the bill clearly has a fiscal impact on state and local governments. It is based on the decisions of courts and the response of defendants to those decisions. If the defendant does not pay court costs, fines, and fees in a timely manner, or perform the necessary community service, the court can elect to try and force payment of the owed amounts by blocking any future vehicle registration activity by the defendant. In this situation, the defendant has one of two choices: to pay or not to pay. It is also possible that, if it is a court's practice to utilize the bill's prohibition, then some defendants may opt to pay in a timelier manner so as to avoid the blocking of any future vehicle registration activity.

Defendant chooses to pay

If the defendant pays the owed amounts, various governmental entities/funds will collect court cost, fee, and fine revenues that might not otherwise have been collected under current law. These entities/funds potentially include counties, municipalities, townships, and the state's Victims of Crime/Reparations Fund (Fund 4020) and Indigent Defense Support Fund (Fund 5DY0). State and local vehicle registration revenues would be unaffected, as the defendant would presumably pay in a timely manner and not be blocked from applying for the registration of a motor vehicle.

Defendant chooses to not pay

If the defendant does not pay the owed amounts and is subsequently blocked from applying for the registration of a motor vehicle, the governmental entities/funds receiving money from vehicle registrations lose revenue as compared to current law. These entities/funds include the State Highway Safety Fund (Fund 7036), the Auto Registration Distribution Fund (Fund 7051), the Bureau of Motor Vehicles Fund (Fund 4W40), and townships, municipalities, and counties levying permissive taxes on vehicle registrations.

Revenues

Court costs, fees, and fines

As a result of the bill's vehicle registration prohibition, the state and local governments will likely collect money owed (court costs, fees, fines) that would otherwise have gone uncollected. Court cost, fees, and fines are distributed to a mix of state and local funds/political subdivisions, with the magnitude and distribution dependent upon the manner in which the court of record is financed and the charging decisions of law enforcement and prosecutors. The magnitude of the potential gain in revenues for either the state or local governments is uncertain, but could be significant, as there appear to be millions of dollars in uncollected court costs, fees, and fines statewide.

State court costs. In the case of the state, additional revenue would be generated from state court costs imposed on a person convicted of a misdemeanor or a felony. In the case of a misdemeanor, the state court costs generally total \$29, \$20 of which is credited to the Indigent Defense Support Fund (Fund 5DY0) and \$9 is credited to the Victims of Crime/Reparations Fund (Fund 4020). In the case of a felony, the state court costs total \$60, \$30 of which is credited to Fund 5DY0 and \$30 is credited to Fund 4020. It is also possible that the state could gain revenue from fines whose distribution is subject to special crediting provisions. For example, under current law, an additional \$10 in court costs is imposed for traffic violations, of which \$8.50 is apportioned between the Indigent Defense Support Fund, the Drug Law Enforcement Fund (Fund 5ET0), and the Justice Programs Services Fund (Fund 4P60).

Local court costs, fees, or fines. In the case of local governments, common pleas, municipal, mayor's, and county courts will collect court costs and special project fees, municipalities and townships will collect fines for violations of local ordinances, and counties will collect fines for violations of state law.

Vehicle registrations

Under the bill, a person who is subject to the vehicle registration sanction would be prohibited from being issued, renewing, or transferring a vehicle registration until that person paid the court costs, fees, and fines due. The effect of this prohibition could be to either: (1) delay the collection of vehicle registration fees until the person has paid the owed amounts, or (2) lead to a loss in vehicle registration fees if the person chooses not to pay the owed amounts and no registration is issued. The impact on vehicle registration revenues is uncertain as we do not know how many persons will be subjected by the court to the bill's vehicle registration sanction, nor the number of persons that would choose to either pay the owed amount or forego their vehicle registration. The paragraphs immediately below describe the vehicle registration fee and its distribution.

Under current law, the vehicle types on which the annual registration fee must be paid, subject to certain exceptions, include passenger cars, motorcycles, house and travel trailers, transit buses, noncommercial trucks, commercial trailers and

semi-trailers, commercial trucks and tractors, noncommercial trailers, motor buses, and farm trucks. The base registration fee paid varies and is a function of the type of vehicle, and in some cases, the weight of the vehicle as well.

The annual registration fees for a passenger vehicle total between \$34.50 and \$54.50; the maximum is determined by the number of applicable local permissive motor vehicle taxes. The distribution of those fees is depicted in the table below.

Distribution of Typical Annual Passenger Car Registration Fees	
Fee Component	Amount
State Bureau of Motor Vehicles Fund (Fund 4W40)	\$20.00
Local Permissive Motor Vehicle Taxes	Up to \$20.00
State Highway Safety Fund (Fund 7036)	\$11.00
Deputy Registrar Service Fee	\$3.50
Total	\$34.50-\$54.50

As the above table depicts, the annual motor vehicle registration fee for a passenger car can be viewed as a four-component package of fees and/or taxes technically referred to as the motor vehicle license tax. Those four components and their distribution can be described as follows:

1. The base annual registration fee for a passenger car is \$20. It is forwarded for deposit in the state treasury to the credit of the State Bureau of Motor Vehicles Fund (Fund 4W40) and appropriated to pay the expenses of administering the law relative to the powers and duties of the Registrar of Motor Vehicles. Base annual registration fee revenues collected in excess of the cash needs of Fund 4W40 are paid into the Auto Registration Distribution Fund (Fund 7051) and subsequently redistributed to counties, municipalities, and townships.
2. A possible set of permissive local motor vehicle license taxes totaling up to \$20 levied that is credited to the state's Auto Registration Distribution Fund (Fund 7051) and, subject to certain exceptions, redistributed by a statutory formula to counties, municipalities, and townships 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 paid by a person cannot exceed \$20 per taxing district and can be levied in a combination of the following:

- a. Counties may levy up to \$15;
 - b. Municipalities may levy up to \$20, depending on the amount levied by the county; and
 - c. Townships may levy \$5.
3. 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 7036). This fee is imposed for the purpose of defraying the State Highway Patrol's costs associated with the administration and enforcement of motor vehicle and traffic laws.
4. A \$3.50 fee that the deputy registrar is permitted to charge and retain for its services.

Expenditures

Common pleas, municipal, mayor's, and county courts

It is likely that common pleas, municipal, mayor's, and county courts will be able to easily incorporate the bill's vehicle registration prohibition into their existing system with little if any additional cost.

Bureau of Motor Vehicles

The bill requires the Bureau of Motor Vehicles to develop and distribute various notification forms and to administer the vehicle registration sanction. Bureau staff has indicated that the associated costs will not be significant and these duties and responsibilities can be readily incorporated into its ongoing automated license and registration system. Some costs are expected to develop the relevant forms and to train staff, however, the anticipated transitional and ongoing administrative costs will be minimal at most. The Bureau's operating costs are largely paid with money appropriated from the State Bureau of Motor Vehicles Fund (Fund 4W40).

II. Remittance of fees and other money by certain court clerks

The bill creates a standard deadline (the 20th day of each month) by which the clerk of a municipal or county court must send costs, fees, fines, bail, and other money to the appropriate political subdivision. This deadline decreases the administrative burden of having multiple deadlines in certain jurisdictions and will likely have some savings effect on the operations of certain clerks of courts.

III. Optional computerization fees charged by a court of common pleas

The bill: (1) raises the ceilings on the optional additional fees that the general division of a court of common pleas may charge to fund court computerization of the court clerk's office, (2) authorizes use of the additional clerk's fees to fund technological advances in the clerk's office, and (3) authorizes new fees to fund computerization of, or technological advances in, the clerk's office.

Current law allows the general division of a court of common pleas to charge two separate computerization fees not to exceed \$3 and \$10, respectively, on certain actions. The bill: (1) increases these "not to exceed" amounts to \$6 and \$20, respectively, and (2) expands the use of the second fee to include making "technological advances." As a result, the potential is created for a court charging such fees to generate additional revenue for computerization and to use those funds for a purpose that might not be viewed as permissible under current law. Courts with a relatively large number of case filings (high volume) are likely to be in a position to generate considerably more computerization fee revenue per year than are courts with a comparatively smaller number of case filings (low volume). Thus, the potential annual revenue is likely to vary significantly across the state, from several thousand dollars in a low volume court to tens of thousands of dollars or more in a high volume court.

IV. Consideration of military service in criminal sentencing

The bill modifies current criminal sentencing law to require a court to consider information related to an offender's service in the United States armed forces when determining an appropriate sentence for a criminal offense. Current law already requires a court to consider a series of specific factors and other information when sentencing an offender and permits a court to consider any other factors that are relevant to the purposes and principles of the criminal sentencing law. Presumably then, the bill codifies the current practice of certain courts to consider military service as an "other factor," and in the case of certain other courts, will require the judge to do so. In the case of the latter, there will be no discernible direct fiscal effect on the state or its political subdivisions, as the ability of the court to dispose of a criminal case in a timely manner will not be materially affected.

As a potential indirect effect of the bill, to the extent that a court is not considering this factor and information, the manner in which certain offenders are sanctioned may change to some degree. Whether the associated expenditures for the state or any given county or municipality will increase or decrease will depend on the cost of the sanctioning compared to what might otherwise have occurred under current practice.



Ohio Legislative Service Commission

Matthew L. Stiffler

Fiscal Note & Local Impact Statement

Bill: Am. Sub. H.B. 262 of the 129th G.A. **Date:** June 13, 2012

Status: As Enacted **Sponsor:** Rep. Fedor

Local Impact Statement Procedure Required: Yes

Contents: Trafficking in persons

State Fiscal Highlights

STATE FUND FY 2013 – FUTURE YEARS

General Revenue Fund (GRF)

Revenues	Potential annual gain in expungement fees
Expenditures	Potential, likely no more than minimal, annual increase in incarceration costs

Various Funds of the Attorney General

Revenues	- 0 -
Expenditures	Potential minimal annual increase to perform data, training, and public awareness duties

Human Trafficking Fund (new fund)

Revenues	Potential gain in seized money and receipts from sold property
Expenditures	Potential increase, up to available revenue

Indigent Defense Support Fund (Fund 5DY0)

Revenues	Potential negligible annual loss in locally collected state court costs
Expenditures	- 0 -

Victims of Crime/Reparations Fund (Fund 4020)

Revenues	Potential negligible annual loss in locally collected state court costs
Expenditures	Potential increase, to make additional victim compensation awards

Note: The state fiscal year is July 1 through June 30. For example, FY 2013 is July 1, 2012 – June 30, 2013.

- **Expungement fees.** The bill may result in an annual gain in expungement fee revenue by expanding the number of persons eligible to apply for an expungement.
- **Attorney General.** The bill may minimally increase the Attorney General's annual operating expenses related to data collection, peace officer training, and public awareness programs.
- **Incarceration costs.** The bill's mix of prohibition expansions and penalty enhancements are likely to result in a no more than minimal annual increase in the Department of Rehabilitation and Correction's GRF-funded incarceration costs. However, these prohibition expansions and penalty enhancements could lead to an

increase in incarceration costs well in excess of minimal if the associated conduct is currently undercharged or if awareness of the conduct leads to additional arrests and convictions.

- **Human Trafficking Fund.** The bill creates the Human Trafficking Fund consisting of money seized in connection with trafficking in persons, compelling prostitution, or promoting prostitution, or derived from the proceeds thereof. Money in the fund, to be administered by the Department of Job and Family Services, is for the sole purpose of providing assistance to victims. The amounts that could be credited to, and disbursed from, the fund annually are uncertain.
- **Court cost revenues.** As a result of the bill's authorization of juvenile courts to hold a delinquent child complaint in abeyance under certain conditions, a negligible amount of annual revenue in the form of state court costs that may have been collected under current law will not be collected and forwarded for deposit in the state treasury to the credit of the Indigent Defense Support Fund (Fund 5DY0) and the Victims of Crime/Reparations Fund (Fund 4020).
- **Victims of Crime Fund.** The bill may increase compensation expenditures from the Victims of Crime/Reparations Fund (Fund 4020) by expanding the list of persons eligible to receive such compensation.

Local Fiscal Highlights

LOCAL GOVERNMENT

FY 2012 – FUTURE YEARS

Counties (criminal and juvenile justice systems)

Revenues	Potential gain in court costs, fees, and fines
Expenditures	Potential increase in criminal and juvenile justice system operating costs

Municipalities (criminal justice systems)

Revenues	Potential minimal annual gain in expungement fees
Expenditures	Potential minimal annual increase to process expungement applications

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

- **Counties generally.** The bill may increase the costs that a county criminal or juvenile justice system incurs annually in processing criminal and juvenile cases, as it could generate additional cases requiring resolution or require extra time and effort on similar types of criminal or juvenile matters that occur under current law and practice. There may be a related gain in revenues generated from court costs and fines. It is possible that the costs of the bill's diversion program for certain allegedly delinquent children could exceed minimal for some juvenile justice systems.
- **Expungements.** The annual costs to counties and municipalities to handle the potential increase in expungement requests, including a court hearing, will be minimal, with the possibility that some portion of those costs will be covered by the local portion (\$20) of the \$50 expungement application fee.

Detailed Fiscal Analysis

Attorney General

The bill both requires and permits the Attorney General to engage in certain actions specified below. These required and permitted actions closely mirror activities already undertaken by the Attorney General for other violations of Ohio law and are not expected to generate a more than minimal annual increase in the agency's operating costs. Specifically, under the bill, the Attorney General is:

- Required to annually publish statistical data on trafficking in persons violations;
- Required to provide specified training for peace officers in investigating and handling trafficking in persons; and
- Permitted to prepare public awareness programs designed to educate potential victims of trafficking in persons and their families.

Criminal prohibitions

Table 1 below summarizes the bill's prohibition expansions and penalty enhancements.

Table 1. Penalty Enhancements for Certain Violations		
Offense	Degree of Offense	
	Current Law	The Bill
Trafficking in persons	Felony 2nd degree	Felony 1st degree (mandatory prison term of 10, 11, 12, 13, 14, or 15 years)
Obstruction of justice*	Felony 3rd degree	Felony 2nd degree
Procuring**	Misdemeanor 1st degree	Felony 4th degree, Felony 5th degree
Importuning	Not applicable***	Felony 5th degree

* Under the bill, obstruction is a felony of the 2nd degree if the person who is aided committed human trafficking.

** Under the bill, procuring is a felony of the 4th degree if the person who engages in sexual conduct for hire is under age 16 or a felony 5th degree if the person who engages in sexual conduct for hire is 16 or 17.

*** Penalty unchanged, but adds circumstances that may or may not constitute criminal conduct under current law.

Table 2 below summarizes the existing sentences and fines, unchanged by the bill, for felony and certain misdemeanor offenses generally.

Table 2. Existing Sentences and Fines for Offenses Generally		
Offense Level	Fine	Maximum Term
Felony 1st degree	Up to \$20,000	3, 4, 5, 6, 7, 8, 9, 10 years' definite prison term
Felony 2nd degree	Up to \$15,000	2, 3, 4, 5, 6, 7, 8 years' definite prison term
Felony 3rd degree	Up to \$10,000	1, 2, 3, 4, 5 years' definite prison term
Felony 4th degree	Up to \$5,000	6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18 months' definite prison term
Felony 5th degree	Up to \$2,500	6, 7, 8, 9, 10, 11, 12 months' definite prison term
Misdemeanor 1st degree	Up to \$1,000	Not more than 180-day jail stay

Department of Rehabilitation and Correction (DRC)

The bill's expansion of existing prohibitions and related penalty enhancements is likely to result in no more than a minimal annual increase in the Department of Rehabilitation and Correction's GRF-funded incarceration expenditures. This is a result of certain offenders that may have been sentenced to a prison term for similar conduct under current law and practice being sentenced to a longer prison term under the bill. The number of additional inmate beds that would be needed as a result of these longer stays in prison is expected to be around 20, with each bed carrying a marginal cost estimated at between \$3,000 and \$4,000 annually.

However, if certain conduct addressed by the bill, e.g., procuring or importuning, is currently undercharged or the awareness of the conduct leads to additional arrests, the combination of longer sentences and additional prison-bound offenders could result in an increase in the prison population and related annual incarceration cost increase well in excess of minimal.

Sex Offender Registration and Notification

The bill requires offenders convicted of promoting prostitution or of trafficking in persons under certain circumstances to register as sex offenders. This requirement is likely to generate little, if any, additional costs for the existing Sex Offender Registration and Notification (SORN) system, which is the primary responsibility of county sheriffs and the Attorney General.

State court cost revenues

As a result of the bill's authorization of a juvenile court to hold a delinquent child complaint in abeyance under certain conditions, a negligible amount of annual revenue in the form of state court costs may not be collected locally and forwarded for deposit in the state treasury to the credit of the Indigent Defense Support Fund (Fund 5DY0) and the Victims of Crime/Reparations Fund (Fund 4020). The state court costs for a felony offense total \$60, of which Fund 5DY0 receives \$30 and Fund 4020 receives \$30. As few abeyances are expected to be granted by the juvenile court, the decrease in state court cost revenues will likely be negligible. It is also important to note that any potential reduction in this revenue is further minimized by the acknowledgement that the collection of court costs and fines from certain offenders can be problematic, especially in light of the fact that many are unable or unwilling to pay.

Fund 4020. The bill provides that nothing in the statute that lists persons ineligible for compensation from Fund 4020 is applicable for claimants whose claim is based on being a victim of trafficking in persons if the claimant was less than 18 years of age when the criminally injurious conduct occurred. The potential resulting increase in the number of applicants for victim compensation and the magnitude of those awards is uncertain.

Human Trafficking Fund

The bill creates the Human Trafficking Fund in the state treasury consisting of money seized in connection with trafficking in persons, compelling prostitution, or promoting prostitution or acquired from the sale of property in connection with these offenses. Money in the fund, which is to be administered by the Department of Job and Family Services, is for the sole purpose of treating, caring for, rehabilitating, educating, housing, and providing assistance to victims. The amount that could be credited to, and disbursed from, the fund annually is uncertain. It is also possible that some or all of the money deposited in the fund is money that would otherwise have been credited to other state and/or local enforcement agencies.

Juvenile courts

Juvenile courts are currently handling relatively few cases that would be subject to the bill's abeyance procedure. This procedure is a diversion program and is already used by juvenile courts under certain conditions. The diversion process can be more expensive than a traditional case in juvenile court and it is possible under the bill that, if juvenile courts experience an increase in these types of cases, they could see a more than minimal annual increase in expenditures.

The bill permits courts, under certain circumstances, to make any orders regarding placement, services, supervision, diversion actions, and conditions of abeyance, including, but not limited to, engagement in trauma-based behavioral health services or educational activities, that the court considers appropriate and in the best interest of the child. Under this provision, a court could order a placement of a child with a specific foster care provider. Under federal regulations, federal financial participation (FFP) for Title IV-E foster care maintenance is not available when a court orders a placement with a specific foster care provider. However, FFP would be available if the court hears relevant testimony and works with all parties – including the agency with placement and care responsibility – to make appropriate placement decisions or the court names the child's placement in the court order as an endorsement or approval of the agency's placement choice. Under Title IV-E, the federal government reimburses the state about 64% for monthly foster care payments to foster parents or institutions to support an out-of-home placement for a child.

County criminal justice system expenditures generally

The bill's impact on county criminal justice system caseloads and related expenditures is expected to be minimal. The conduct addressed by the bill is prohibited under current law and generally rises to the level of a felony falling under the subject matter jurisdiction of courts of common pleas. Thus, violations of the bill's expanded prohibitions will in all likelihood generally create few, if any, additional criminal actions or proceedings for county criminal justice systems to process, but may affect the time and effort required to resolve such matters. The bill's prohibition expansions and penalty enhancements may expedite the bargaining process in some instances, which

potentially reduces costs; in other instances, it may slow the bargaining process, which potentially increases costs. The net effect of those possibilities is likely to be a no more than minimal annual increase in any given county criminal justice system's operating costs.

County revenues

Subsequent to a conviction, the court generally imposes local court costs and a fine to be paid by the offender, and if collected, deposits in the county treasury. Given the number of cases in which a violation of the bill's expanded prohibitions is likely to be relatively small in the context of a jurisdiction's overall criminal caseload, the amount of additional court cost and fine revenues that counties may actually collect annually will be no more than minimal. As noted, the collection of court costs and fines from certain offenders can be problematic, especially in light of the fact that many are unable or unwilling to pay.

Expungement

The bill authorizes a person convicted of a prostitution-related offense to apply for expungement of the record of conviction if the person's participation in the offense was a result of being a victim of human trafficking, and requires the applicant, unless indigent, pay a \$50 fee. The annual costs to county and municipal criminal justice systems to handle the potential increase in expungement requests, including a court hearing, are likely to be minimal at most. The \$50 application fee will be divided between the state GRF (\$30) and the county or municipality (\$20).

Allied offenses

The bill changes existing law to more specifically state that a violation of trafficking in persons and a violation of compelling prostitution or any other violations of R.C. Chapter 2907. (sex offenses) are allied offenses of similar import. This change appears to narrow the circumstances in which the same conduct may be construed as constituting two or more allied offenses, and thus potentially broaden the circumstances in which the same conduct constitutes two or more offenses of dissimilar import. For allied offenses, a defendant can only be convicted of one. For dissimilar offenses, a defendant can be convicted of all of them. This suggests that certain defendants may be more likely to be convicted of multiple offenses and possibly sentenced to a longer term of incarceration than might have been the case under current law.

Prevalence of human trafficking in Ohio

The Ohio Trafficking in Persons Study Commission, Research and Analysis Sub-Committee reports that an estimated 3,437 foreign-born persons in Ohio may be at risk for labor or sex trafficking. Of that total, 783 foreign-born persons are estimated to be trafficked into the labor or sex trade in Ohio. In addition, the Sub-Committee reported that in Ohio an estimated 2,879 American-born youth are at risk for sex

trafficking and an additional 1,078 American-born youth are trafficked into the sex trade over the course of a year. Aside from those estimates, from 2007 to 2009 in Ohio, seven cases of international labor trafficking were identified by the Sub-Committee. For cases of American-born youth, Toledo has identified 60 child victims of sex trafficking since the Northwest Ohio Innocence Lost Task Force was organized in 2006.¹

HB0262EN.docx/emr

¹ Celia Williamson et al., Ohio Trafficking in Persons Study Committee, Research and Analysis Sub-Committee, *Report on the Prevalence of Human Trafficking in Ohio* (2010).



Ohio Legislative Service Commission

Terry Steele

Fiscal Note & Local Impact Statement

Bill: [Sub. H.B. 276 of the 129th G.A.](#)

Date: February 23, 2012

Status: As Enacted

Sponsor: Reps. Buchy and Gentile

Local Impact Statement Procedure Required: Yes

Contents: Allows agricultural property used for certain forms of energy production to qualify for valuation under the Current Agricultural Use Value Program and makes other changes

State Fiscal Highlights

- The bill requires that any specified energy production facilities mentioned in the bill that are located on the premises of a Concentrated Animal Feeding Facility (CAFF) be regulated under best management practices outlined in CAFF statutes. There are approximately 176 CAFFs in operation statewide, some of which could house these types of energy production facilities. The Department of Agriculture will incur regulatory costs for overseeing these operations. The costs would presumably be paid from GRF appropriation item 070418, Livestock Regulation Program.
- State assistance to school districts, paid from the General Revenue Fund, could increase as a result of reduced local real property tax valuations.
- The bill creates the Legislative Task Force to Study Anaerobic Digesters for Agricultural Use and Application in the State. The Task Force is to consist of 17 members who serve without compensation. The Task Force is to produce two specific reports. The Legislative Service Commission is to provide the Task Force with technical and professional support.

Local Fiscal Highlights

- The bill allows agricultural property used for algaculture, biodiesel production, biomass energy production, electric or heat energy production, and biologically derived methane gas production to qualify for tax treatment under the Current Agricultural Use Valuation (CAUV) Program. Including additional uses of real property among those qualifying for CAUV treatment could reduce the real property tax base of school districts and other units of local government.
- Part of the revenue loss to school districts could be offset by increased state aid, beginning in FY 2012.

Detailed Fiscal Analysis

Overview

The primary fiscal effect of the bill is to allow the property tax owed on real property that is used exclusively for producing certain forms of energy to be calculated under the Current Agricultural Use Valuation (CAUV) Program. This reduces the property tax owed on the property and reduces the amount of revenue that school districts and local governments receive. The bill also requires that certain types of energy production operations located on Concentrated Animal Feeding Facilities (CAFFs) be regulated by the Department of Agriculture. As a result, the Department will incur new costs, depending on the scope of regulation that is required. The bill also broadens the definition of "agriculture" in the township and county zoning statutes to include the types of energy production defined in the bill. Just as with property used for agricultural purposes under current law, this would limit the authority of counties and townships to enforce zoning requirements on property used for energy production under the bill. There appears to be no direct fiscal effect attributable to this additional zoning limitation.

Current agricultural use valuation

Land used exclusively for commercial agriculture may be valued for real property tax purposes based on that current use rather than on the basis of its potential "highest and best" use. To qualify for treatment under the CAUV Program, in the previous three years either ten acres or more must have been used for commercial agriculture, or average yearly gross income from commercial agriculture must have exceeded \$2,500 (if less than ten acres). Statewide, valuations for more than 16.1 million acres (over 60% of the state) were determined using CAUV in calendar year 2009. On average, statewide, tax valuations using CAUV were 80% lower than valuations of the same land using the highest and best use method.

The bill adds to property qualifying for CAUV tax treatment acreage that is used for algaculture, biodiesel production, biomass energy production, electric or heat energy production, and biologically derived methane production, with certain restrictions. Overall, this change could reduce tax revenues to school districts and other units of local government in the localities where these production facilities are situated. LSC does not have an estimate of the amount of this tax revenue loss at this time. Part of the revenue loss to school districts would be offset by increased state assistance from the General Revenue Fund, equal to the reduction in the local share under the school funding formula resulting from the erosion of the tax base. Tax revenue losses to other units of local government would not be offset by the state.

Energy production operations located on CAFF premises

Current law authorizes the Director of Agriculture to adopt rules that prescribe best management practices regarding specified activities at CAFFs. The bill adds the production of biodiesel, biomass energy, electric or heat energy, and biologically derived methane gas to the list of these specified activities for which the Director may prescribe rules. There are approximately 176 CAFFs in Ohio. Presumably, any additional costs of developing rules in accordance with the bill would be minimal. However, the Department might incur some larger new costs in regulating these energy producing facilities under CAFF statutes. These responsibilities would likely be handled by staff in the Livestock Environmental Permitting Program (LEPP). This program is currently funded through a combination of GRF and state special revenue funds. The program issues permits to install after reviewing applications for large animal feeding facilities. The program also develops administrative rules and guidelines for operating procedures, compliance monitoring, ground water quality, manure handling and containment, as well as rodent, pest, and odor control. LEPP consists of 11 employees who are paid through GRF appropriation item 070418, Livestock Regulation Program. The appropriation for this line item is \$1.1 million in both FY 2012 and FY 2013. State special revenue funds associated with LEPP are specifically for laboratory testing and CAFF remediation purposes and are not typically used to pay the administrative costs of the program. The Department may need to either add additional staff or train existing staff in order to regulate facilities under the provisions of the bill.

Legislative Task Force to Study Anaerobic Digesters for Agricultural Use and Application in the State

The bill creates the Legislative Task Force to Study Anaerobic Digesters for Agricultural Use and Application in the State. The Task Force consists of 17 members who will serve without compensation. The Task Force is required to study the use of anaerobic digesters in the state and issue two reports to the General Assembly. The first report, required to be completed by August 1, 2012, is a report of the findings of the Task Force and recommendations concerning the use of anaerobic digesters and the impact on the state. The second report, which is required to be completed by October 1, 2012, is a report on the findings of the Task Force that is also to include recommendations concerning revisions to state law governing anaerobic digesters. The Task Force, to be supported by staff of the Legislative Service Commission, will incur some minimal administrative burden for conducting meetings and compiling the required reports.



Ohio Legislative Service Commission

Russ Keller

Fiscal Note & Local Impact Statement

Bill: [Sub. H.B. 360 of the 129th G.A.](#) **Date:** December 21, 2012
Status: As Enacted **Sponsor:** Rep. Rosenberger

Local Impact Statement Procedure Required: Yes

Contents: To make a permanent change to the 9-1-1 charge for all wireless subscribers beginning in 2013, and to change, beginning July 1, 2013, the method of collection and the amount of the wireless 9-1-1 charge for prepaid wireless calling services, and to declare an emergency

State Fiscal Highlights

- Reducing the wireless 9-1-1 charge from \$0.28 to \$0.25 per month for wireless subscribers, and making the charge permanent in 2013 will raise approximately \$11.6 million additional revenue in FY 2013 and \$29.0 million or more in future years.
- Permitting the Department of Taxation and Department of Public Safety to each receive 1% of wireless 9-1-1 charge revenues for administrative purposes would increase revenues to each of their FY 2013 budgets by \$116,000. In future years, the revenue gain would be \$290,000 or more for each agency.
- The remainder of the revenue raised by the wireless 9-1-1 charge, i.e., about \$11.4 million in FY 2013 and \$28.4 million in FY 2014 (and thereafter) is to be deposited into the Wireless 9-1-1 Government Assistance Fund.
- The bill does not contain an appropriation for the additional revenues raised in FY 2013.

Local Fiscal Highlights

- Reducing the wireless 9-1-1 charge from \$0.28 to \$0.25 per month for wireless subscribers, and making the charge permanent in 2013 will raise approximately \$11.4 million additional revenue in FY 2013 and \$28.4 million or more in future years.
- Beginning in FY 2014, disbursements to counties from the Wireless 9-1-1 Government Assistance Fund will be capped at FY 2012 levels.
- The bill creates a new custodial fund, the Next Generation 9-1-1 Fund, but the disbursements, beginning in FY 2014, by the Treasurer of State will be based upon

orders from the Tax Commissioner and guidelines set forth in the bill. Wireless 9-1-1 charges will raise revenues for the new fund.

Detailed Fiscal Analysis

H.B. 360 makes permanent the wireless 9-1-1 charge imposed on all wireless subscribers with Ohio billing addresses. Under current law, the \$0.28 per month charge was set to expire on December 31, 2012. The bill would extend the charge permanently, while reducing it beginning January 1, 2013, from \$0.28 per month to \$0.25 per month. The bill also changes, in a revenue neutral fashion, the amount and method of collection of the prepaid wireless 9-1-1 charge, but makes those changes effective July 1, 2013. However, the bill does not permit prepaid wireless subscribers to be charged before that date. Wireless lines provided for lifeline service are exempt from the charge.

Beginning on July 1, a new charge equal to 0.50% of the sales price will be collected directly from the prepaid wireless customer by sellers at the point of sale. The amount is equivalent to the existing method in which a wireless service provider would remit \$0.25 per \$50 of monthly prepaid wireless telephone revenues. No revenues will be collected before that date.

H.B. 360 transfers from the Public Utilities Commission (PUCO) to the Department of Public Safety (DPS) the 9-1-1 service program, the position of the Ohio 9-1-1 Coordinator, and the existing authority to oversee the implementation and upgrades to county 9-1-1 systems. Additionally, the bill creates a position on the Ohio 9-1-1 Council for a member from DPS.

The bill transfers from PUCO to the Tax Commissioner the administration of the Wireless 9-1-1 Government Assistance Fund (*a custodial fund*), and the administrative authority governing the wireless 9-1-1 charges. Wireless service providers and retailers collecting the prepaid wireless charge from customers will remit the wireless charges to the Tax Commissioner.

The Revised Code requires that the wireless 9-1-1 charge, including those charges incurred by prepaid users, be deposited into the Wireless 9-1-1 Administrative Fund (Fund 5BP0). The fund received \$32.1 million in FY 2011, and the vast majority of the balance is distributed to counties pursuant to the law. Under current law, PUCO retains up to 2% of the fund balance for administrative purposes. H.B. 360 changes the law to grant the equivalent amount – 1% each – to DPS and the Department of Taxation (TAX) for their roles in carrying out the duties related to the wireless 9-1-1 system. The remaining amount in the fund must be transferred to the Wireless 9-1-1 Government Assistance Fund for distribution to counties, which is consistent with existing law. Beginning in FY 2014, the disbursements to counties are capped at the FY 2012 amount according to H.B. 360.

The bill creates a new custodial fund, the Next Generation 9-1-1 Fund, which is to receive any excess revenues from Fund 5BP0 not necessary to make distributions to the counties. The Treasurer of State can disburse money from the fund solely upon order of the Tax Commissioner according to policies established by the Statewide Emergency Services Internet Protocol Network Steering Committee (*the deadline for adopting policies is January 1, 2014*).

The bill postpones, from November 15, 2012 to May 15, 2013, the deadline for the Statewide Emergency Services Internet Protocol Network Steering Committee ("Steering Committee") to provide recommendations for the state to address the development of a statewide emergency services Internet protocol network.

H.B. 360 requires the Steering Committee to adopt rules that establish technical and operational standards for Public Safety Answering Points (PSAPs) eligible to receive disbursements from the Wireless 9-1-1 Government Assistance Fund. PSAPs must comply with the standards no later than two years after the effective date of the rules establishing the standards. No disbursement to a countywide 9-1-1 system for costs of a PSAP can be made from the Wireless 9-1-1 Government Assistance Fund or the Next Generation 9-1-1 Fund unless the PSAP meets the standards set by rule of the Steering Committee.

Furthermore, the Steering Committee is required to establish guidelines for the Tax Commissioner to use when disbursing money from the Next Generation 9-1-1 Fund to countywide 9-1-1 systems in the state. The bill specifies that the disbursements may be used for costs associated with the operation of and equipment for phase II wireless systems and for costs associated with a county's migration to next generation 9-1-1 systems and technology.

H.B. 360 requires that no later than February 15, 2013, each chairperson of a countywide 9-1-1 planning committee must report statistics and expenditure information to the Steering Committee about their 9-1-1 network. Failure to do so would result in the Tax Commissioner suspending disbursements from the Wireless 9-1-1 Government Assistance Fund to that county until the requirement has been met.

The bill puts additional qualifications on counties for the receipt of disbursements from the Wireless 9-1-1 Government Assistance Fund or the Next Generation 9-1-1 Fund. Countywide 9-1-1 systems may not use their disbursements on more PSAPs than the requisite number set forth by the bill. The schedule is as follows:

1. Five PSAPs for the period beginning on March 1, 2009, and ending on December 31, 2015;
2. Four PSAPs for the period beginning on January 1, 2016, and ending on December 31, 2017;
3. Three PSAPs for the period beginning on January 1, 2018, and thereafter.

The bill makes an exception to these requirements for counties in which there is a municipal corporation with a population of over 175,000 according to the most recent federal decennial census.² Such a county may use disbursements for one PSAP in addition to the number of PSAPs allowed. The bill stipulates that if a county exceeds the allowable number of PSAPs, disbursements to countywide 9-1-1 systems made to the county from the Wireless 9-1-1 Government Assistance Fund or the Next Generation 9-1-1 Fund must be reduced by 50% until the county complies with the PSAP limitations.

Finally, the bill authorizes the Auditor of State to audit and review each county's expenditures of funds received from the Wireless 9-1-1 Government Assistance Fund to verify that the funds were used in accordance with the requirements of law.

Fiscal effect

The bill's effective date is immediate because of the emergency clause, but the bill does not include an appropriation increase. The FY 2013 appropriation is lower than revenues anticipated by the bill because it was set under the assumption that the fee would expire. It is unclear to LSC if DPS and TAX have sufficient appropriation authority to spend the administrative fees credited to their respective agencies.

Continuing the wireless 9-1-1 charge beyond December 31, 2012, albeit at a reduced rate, would yield about \$11.4 million in additional revenue in FY 2013, and would increase revenues by about \$29 million per year in future years once the charge on prepaid wireless service resumes. The departments of Taxation and Public Safety would each retain 1% of these revenues, which are deposited into Fund 5BP0, with the remainder to be distributed to counties for the specified purposes related to operating their PSAPs.

Beginning in FY 2014, disbursements made by the Tax Commissioner to the counties must remain at the level disbursed in FY 2012. The excess balance of the Wireless 9-1-1 Government Assistance Fund must be deposited in the Next Generation 9-1-1 Fund.

Changing the amount and method of collecting the prepaid wireless 9-1-1 charge, beginning on July 1, 2013, will raise additional revenue beginning in FY 2014. For the period beginning on the effective date of the bill, and ending on June 30, 2013, no revenue will be raised from prepaid wireless subscribers.

The Auditor may incur additional expenditures for the expanded authority granted by the bill.

HB0360EN.docx/jc

² Presently, this exception would apply to Cuyahoga, Franklin, Hamilton, Lucas, and Summit counties.



Ohio Legislative Service Commission

Justin Pinsker

Fiscal Note & Local Impact Statement

Bill: [Sub. H.B. 417 of the 129th G.A.](#) **Date:** December 11, 2012
Status: As Enacted **Sponsor:** Rep. Grossman

Local Impact Statement Procedure Required: Yes

Contents: To make changes to law regarding responsibility for notifying patients that a physician's employment by a health care entity has been terminated

State Fiscal Highlights

- The bill would require the State Medical Board to revise an administrative rule, which would result in a minimal increase in costs to the Board.

Local Fiscal Highlights

- The bill would require health care entities, including public hospitals, to provide notices of a physician's termination of employment, with certain exceptions, to patients served by the physician in the past two years. Depending upon the rules adopted by the Medical Board regarding the method of notification required (e.g., certified mail), the costs to a public hospital could total more than \$5,000 per year (i.e., the threshold for a "yes" local impact determination). However, the bill would allow the hospital to require the physician to notify the patients. This option would eliminate the notification costs for the hospital; however, it would not impact the cost of identifying patients. The cost of identifying patients would likely be minimal.

Detailed Fiscal Analysis

The bill requires health care entities,³ when a physician's employment to provide physician services is terminated for any reason, unless the physician is retained by the health care entity on an independent contractor basis, to provide notice to all patients served in the two years prior to the physician's termination of employment.⁴ In addition, the bill allows a health care entity to require a physician to send the notices on behalf of the entity if the entity provides the physician with a list of patients treated and patient contact information.

State Medical Board

The bill requires the State Medical Board, within six months after the effective date of the bill, to revise rule 4731-27-01 of the Ohio Administrative Code. Thus, the Medical Board would experience a minimal increase in costs to amend the rule. Currently, rule 4731-27-01 of the Ohio Administrative Code requires physicians to notify patients in order for the physician to terminate the physician-patient relationship. However, there are exceptions to the current rule. For example, the rule does not apply if a patient received services on an episodic basis or in an emergency setting. The bill would broaden the instances to which the rule would apply, and would place the notification requirement on the health care entity instead of on the physician.

Under the bill, the notices are to be provided not later than the date of termination of employment or 30 days after the health care entity has actual knowledge of termination or resignation of the physician, whichever is later. The notice requirement does not apply to the following:

- A physician rendering services to a patient on an episodic basis or in an emergency department or urgent care center, when it should not be reasonably expected that related medical services will be rendered by the physician to the patient in the future;
- A medical director or other physician providing services in a similar capacity to a medical director to patients through a hospice care program;
- Medical residents, interns, and fellows who work in hospitals and health systems as part of their medical education and training;
- Federally Qualified Health Centers (FQHCs) and FQHC look-alikes; and
- A physician providing services to a patient through a community mental health agency or an alcohol and drug addiction services program.

³ Health care entities include: a hospital registered with the department of health under O.R.C. 3701.07, a corporation formed under O.R.C. 1701.03(B), a nonprofit corporation formed under O.R.C. 1702., a limited liability corporation formed under O.R.C. 1705., a health insuring corporation holding a certificate of authority under O.R.C. 1751., a partnership, and a professional association formed under O.R.C. 1785.

⁴ The bill defines termination as the end of the physician's employment with the health care entity for any reason.

The notice to patients must include the following information:

- Notice to the patient that the physician will no longer be practicing medicine as an employee of the health care entity;
- Except in situations in which the health care entity has a good faith concern that the physician's conduct or the medical care provided by the physician would jeopardize the health and safety of patients, the physician's name and any contact information provided by the physician if known by the health care entity;
- Contact information that enables the patient to obtain information on the patient's medical records;
- The date on which the physician ceased or will cease to practice medicine as an employee of the entity; and
- Contact information for an alternative physician employed by the health care entity.

Public hospitals

The bill's requirement for health care entities to identify patients and provide notification would result in increased costs to public hospitals. Depending upon the rules adopted by the Medical Board regarding the method of notification required (e.g., certified mail), the costs to a public hospital could total more than \$5,000 per year (i.e., the threshold for a "yes" local impact determination). However, the bill would allow the hospital to require the physician to notify the patients. This option would eliminate the notification costs for the hospital; however, it would not impact the cost of identifying patients. The cost of identifying patients would likely be minimal.

According to the Ohio Department of Health, there are currently 20 public hospitals in Ohio that are registered with the Department. A public hospital is government-owned, either by the state, a county, or a municipality. The table below shows each public hospital listed by county.

Public Hospitals by County			
County	Hospital	County	Hospital
Adams	Adams County Regional Medical Center	Holmes	Pomerene Hospital
Brown	Brown County General Hospital	Lucas	University of Toledo Medical Center
Cuyahoga	MetroHealth Medical Center	Mercer	Mercer County Community Hospital
Defiance	Community Memorial Hospital	Morrow	Morrow County Hospital
Fayette	Fayette County Memorial Hospital	Paulding	Paulding County Hospital
Franklin	Ohio State University Hospitals	Pickaway	Berger Hospital
Franklin	Ohio State University Hospital – East	Portage	Robinson Memorial Hospital
Franklin	OSU Arthur G. James Cancer Hospital	Union	Memorial Hospital of Union County
Highland	Highland District Hospital	Wayne	Wooster Community Hospital
Hocking	Hocking Valley Community Hospital	Wyandot	Wyandot Memorial Hospital



Ohio Legislative Service Commission

Phil Cummins

Fiscal Note & Local Impact Statement

Bill: [Am. Sub. H.B. 508 of the 129th G.A.](#)

Date: May 24, 2012

Status: As Enacted

Sponsor: Rep. Beck

Local Impact Statement Procedure Required: Yes

Contents: Makes changes to the laws governing taxes in the state and makes other changes

State Fiscal Highlights

- Increasing the maximum total amount of refundable tax credits allowed for motion picture productions by \$20 million per fiscal biennium will reduce GRF revenues by about \$19.2 million per fiscal biennium, on average, starting FY 2014. Some revenue loss to the GRF may be experienced in FY 2013.
- Changes to the calculation of public utility and general business tangible personal property tax reimbursements are estimated by the executive to reduce net payments from the GRF by about \$800,000 in FY 2013, and about \$1.1 million in FY 2014.
- Commercial activity tax revenues may decrease \$1.3 million per year as a result of exclusion of "unauthorized" insurance companies from that tax. These companies would remain subject to a 5% tax on insurance premiums.
- Including as a taxable sale the transfer of ownership interests in a pass-through entity if its sole assets are recreational property used primarily by the entity's owners may increase state sales tax revenue.
- Permitting a "qualified financial institution" to elect a specified base for its corporate franchise tax may result in a loss of tax revenue.
- A \$1,000 penalty for unlicensed distribution of tobacco products may increase Department of Taxation fee revenue, which would be deposited into the Cigarette Tax Enforcement Fund.
- A \$50 penalty for declined or dishonored electronic payments may increase revenue to the GRF and other funds by up to \$800,000, based on an executive estimate.
- Changes encouraging more electronic filing by tax professionals are expected to reduce Department of Taxation costs.
- Requiring corporations filing a certificate of voluntary dissolution to be current on taxes in addition to those in current law may increase tax receipts.

- Permitting the Tax Commissioner to cancel taxpayer liabilities that do not exceed \$50 would reduce administrative costs as well as tax revenues; both reductions are expected to be minimal. The funds experiencing revenue losses would depend on the taxes for which the liabilities were cancelled.
- The bill prescribes the procedure for delivery of tax notices or orders electronically, which may reduce Department of Taxation costs.
- The Motion Picture Tax Credit Program Operating Fund (Fund 5HJ0) may realize a revenue gain estimated at up to \$50,000 per year from application fees.

Local Fiscal Highlights

- Increasing the maximum total amount of refundable tax credits allowed for motion picture productions by \$20 million per fiscal biennium will reduce Local Government Fund and Public Library Fund distributions to local governments and libraries by up to \$800,000 per biennium beginning in FY 2014.
- The Tax Commissioner is authorized to extend revaluation of real property in a county by not more than one year, which could result in loss or gain of local revenue.
- Changes in reimbursement for public utility and general business tangible personal property tax losses reduce net payments to local governments by an estimated \$800,000 in FY 2013, and \$1.1 million in FY 2014.
- Property taxes to support major metropolitan zoos may be increased by an additional mill, with voter approval.
- Including as a taxable sale the transfer of ownership interests in a pass-through entity if its sole assets are recreational property used primarily by the entity's owners may increase sales tax revenue to counties and transit authorities.
- The bill delays a reimbursement payment to units of local government for business tangible personal property taxes from November 20 to November 30.
- Tax exemption for a convention facility in Youngstown will reduce tax revenues for units of local government.

Detailed Fiscal Analysis

The bill changes a number of tax laws and the Department of Taxation's administration of those laws, and makes other changes. Provisions expected to have fiscal effects, and selected changes expected to have minimal or no fiscal effects, are described below. The sections below cover changes affecting the specific taxes indicated, followed by other provisions and various administrative changes.

Property taxes, including reimbursements for reductions in tangible personal property taxes

H.B. 508 authorizes the Tax Commissioner, beginning in 2014 and continuing for five years, to extend the revaluation of real property required in a county by not more than one year. The language of the section appears to give this decision to the Commissioner alone. This change may increase or decrease the property tax revenues of local jurisdictions depending on whether the delayed sexennial reappraisal or triennial update would increase or decrease aggregate taxable property values in the county. The Commissioner noted in testimony that the current schedule, with many large counties undergoing reappraisal in the same year, results in increased charges for the services of mass appraisal firms. Equalizing the assessment cycle may decrease appraisal expenses for counties.

The bill amends the formula for calculation of public utility tangible personal property tax reimbursement payments to local governments for fixed-rate levy losses. These payments were instituted by S.B. 3 and S.B. 287 of the 123rd General Assembly, to reimburse local governments for reductions in assessment rates on certain types of personal property of electric and natural gas utilities. The original legislation included a gradual phasing out of the payments, and Am. Sub. H.B. 153 of the 129th General Assembly accelerated the schedule for phasing out the payments.

Under H.B. 153, these payments are calculated by comparing a taxing unit's 2010 "S.B. 3 allocation" with its "total resources," where the 2010 S.B. 3 allocation is the sum of payments received by the local taxing unit during calendar year 2010 to reimburse for fixed-rate levy losses, and the taxing unit's total resources are total receipts from certain state and local resources during specified time periods. H.B. 508 modifies the eligibility determination such that the taxing unit is to receive reimbursement if the full amount of its S.B. 3 allocation exceeds the threshold percentage multiplied by total resources.⁵ The amount of each reimbursement is modified to equal half of the difference between the full amount of the S.B. 3 allocation and the product of the threshold per cent multiplied by total resources. Under current law the amount of each reimbursement, two per year, is to equal half of the unit's S.B. 3 allocation minus the product of the threshold per cent multiplied by total resources. Also, the bill amends calculation of payments (two per year) for fixed-sum levy losses on tangible personal property taxes on general business⁶ to provide that each payment is to be for 50% of the annual fixed-sum levy loss, rather

⁵ The threshold percentages, unchanged by H.B. 508, are 2% in FY 2012 and 4% in FY 2013 and thereafter for school districts and joint vocational school districts, and 2% in calendar year (CY) 2011, 4% in CY 2012, and 6% in CY 2013 and thereafter for other units of local government.

⁶ These reimbursements are separate from those described above related to electric and natural gas utility property. These reimbursements are due to the phase-out of the personal property tax on general business property under Am. Sub. H.B. 66 of the 126th General Assembly. As with the reimbursements for losses due to utility property taxes, the original schedule for phasing out reimbursements was accelerated by H.B. 153.

than 100%. The executive estimates that the net fiscal effect of these changes is a reduction in state expenditures of \$0.8 million in FY 2013, and \$1.1 million in FY 2014. Payments of public utility tangible personal property tax reimbursements are funded from the School District Property Tax Replacement Fund (Fund 7053) and the Local Government Property Tax Replacement Fund (Fund 7054), and payment of reimbursements for losses on taxation of tangible personal property of general business are funded from the School District Tangible Property Tax Replacement Fund (Fund 7047) and the Local Government Tangible Property Tax Replacement Fund (Fund 7081).⁷ Amounts in the replacement funds in excess of those needed for the required payments are transferred to the GRF, and any insufficiencies are transferred from the GRF.

The bill amends the calculation of reimbursements to municipal corporations to provide that, when calculating the municipal corporation's reimbursement for current expense levy losses, the municipal corporation's "total resources" (its total receipts from certain state and local sources during specified periods) include reimbursements received in 2010 for current expense levy losses only, rather than for all levy losses. It amends the calculation of reimbursements for tangible personal property tax losses for a tax levied on behalf of a public library under R.C. 5705.23 to require that such losses be considered separately from other levy losses of a taxing unit. Specifically, payments a library received for levy losses from such a tax are excluded from a taxing unit's "total resources," "TPP allocation," and "S.B. 3 allocation." Instead, such payments, defined as "TPP allocation for library purposes," must exceed a threshold percentage of "total resources" of the public library in order to qualify for a separate reimbursement amount. Also, the bill specifies that the separate reimbursement is made directly to the public library, rather than through the taxing unit that levied the tax on the library's behalf. The Office of Budget and Management indicated that it and the Department of Taxation assumed the law change was in effect when calculating and budgeting the reimbursements.

For purposes of reimbursing units of local government for revenue losses resulting from reductions in tangible personal property taxes on general business and in public utility personal property taxes, the bill clarifies that a fixed-rate levy will continue to be reimbursed only to the extent that the levy continues to be charged and payable. A reduction in a levy will lead to a corresponding reduction in state reimbursement. H.B. 153 of the 129th General Assembly required that, if a fixed-rate levy comprising a portion of a taxing unit's reimbursement is no longer imposed, its value is subtracted from the taxing unit's total reimbursement. The bill provides that the amount of public utility personal property tax reimbursement payable for a tax levied within the ten-mill limit for debt purposes depends on whether the tax is "charged and

⁷ Funds 7053 and 7054 currently receive revenue from the kilowatt-hour tax, while funds 7047 and 7081 receive revenue from the commercial activity tax.

payable" (rather than "imposed") for debt purposes after the 2010 tax year. These changes clarify tax treatment and are consistent with current practice.

The bill provides that the amendments to reimbursements to local governments for foregone personal property taxes on general business and on public utilities are not subject to the referendum and go into effect immediately when the bill becomes law.

The bill increases the cap on levies submitted to electors of a park district from two mills to three mills, if the purpose of the levy includes providing operating revenues for one of Ohio's major metropolitan zoos. This change may increase tax revenues to such districts.

The bill provides for a tax exemption for real and personal property comprising a convention center or arena owned by the largest city in a county with a population between 235,000 and 300,000 in the most recent decennial census at the time the arena was constructed. The convention center or arena is to be tax-exempt regardless of whether the property is leased to or otherwise operated or managed by a person other than the city. The exemption applies to tax years at issue in any application for tax exemption or related appeal pending when the bill becomes effective. On March 22 of this year, the Tax Commissioner made a final determination denying two applications for exemption of real property from taxation, for the \$42 million Covelli Centre in Youngstown and adjacent parking areas, access, and grounds. The county auditor's web site on April 25 showed the property with a market value of about \$18.6 million, annual taxes owed of about \$497,600, and delinquent taxes of nearly \$4.8 million. The Covelli Centre was constructed in 2005, and based on the 2000 census, Youngstown in Mahoning County would be within the population range specified for this exemption.⁸ This provision of the bill will reduce tax revenues owed to units of local government.

The bill amends section 5705.313 of the Revised Code, pertaining to a board of county commissioners that adopts a resolution to levy or increase the rate of a sales tax and adopts an accompanying resolution reducing the rate of a property tax levied by the county for current expenses within the ten-mill limit. Under current law, no other taxing unit may levy any portion of the rate that the county does not levy under this resolution. The bill creates an exception to this prohibition, permitting a county budget commission to require such a levy to pay for certain debt charges. This change may increase tax revenues.

Commercial activity tax

The bill requires that, instead of being remitted separately, commercial activity tax (CAT) registration fees (\$20) will be deducted from the first tax payment the taxpayer makes after registering. Under current practices, the fee is credited against the first tax payment the taxpayer files. This provision has no fiscal effect. The bill renames both the Tax Reform System Implementation Fund (Fund 2280) and the Commercial Activity Tax Administrative Fund (Fund 5BQ0), changing the names to the Revenue

⁸ Lorain County was also within this population range in the 2000 Census.

Enhancement Fund. The combined fund is the fund to which registration fees and 0.85% of CAT receipts are credited, and is used to help defray CAT administrative costs.

The bill repeals the law that required the Tax Commissioner to reduce the CAT rate if, during any of the three "test" periods, the revenue actually collected exceeded projected receipts by more than 10%. This provision will have no fiscal effect. The final test period ended on June 30, 2011, and no adjustments were made to the rate.

The bill provides that CAT quarterly taxpayers are required to apply the full \$1 million exclusion from gross receipts in current law to the first quarter of a calendar year, and permits the taxpayer to then carry forward unused exclusion amounts to subsequent quarters within the same year. (Under current law, such taxpayers apply \$250,000 of the exclusion amount to each calendar quarter and may carry forward unused amounts to three subsequent quarters, regardless of whether the subsequent quarter is in the same calendar year.) The bill precludes the carry forward of any unused exclusion amount from calendar year 2012 to calendar year 2013, and requires taxpayers to fully utilize any unused exclusion in 2012. This provision may result in one-time decrease in CAT revenue in 2012.

The bill amends law pertaining to the CAT to exclude from that tax an "unauthorized" insurance company whose gross premiums are subject to the insurance tax. Unauthorized insurance companies are generally surplus lines insurance companies that under current law pay both the CAT and a 5% tax on insurance premiums. This provision will decrease CAT revenues by up to \$1.3 million per year.

Other taxes

Sales and use taxes

The bill expressly includes, as a taxable sale under the sales tax, the transfer of ownership interests in a pass-through entity if its sole assets are boats, planes, motor vehicles, or other recreational property used primarily by the entity's owners. Under current law, the transfer of all the shares of a corporation whose sole assets are such property is a taxable sale. This provision is likely to limit revenue losses from Ohio buyers/owners that set up pass-through entities in states that do not have a sales tax with the intent to purchase the described items and avoid the Ohio use tax. Thus, this provision has the potential to result in a gain in sales tax revenue to the state, to counties, and to transit authorities.

The bill harmonizes the existing sales tax exemption for water bought for "residential use" with the definition of sales tax-exempt "food." Under current law, water purchased for residential use is tax-exempt unless it is bottled water, distilled water, mineral water, carbonated water, or ice. The amendment removes specific reference to ice and bottled, distilled, mineral, or carbonated water. However, according to the Department of Taxation, sales of those forms of water are currently tax-exempt as sales of "food." Consequently, this provision will have no fiscal effect, as it codifies current practice.

Cigarette tax

H.B. 508 imposes a penalty of up to \$1,000 for distributing tobacco products without having a distributor's license, and requires any person doing so to obtain a distributor's license and to pay the annual \$1,000 license fee for each location where the person acts as a distributor. This change may potentially increase fee revenue. This revenue is deposited in the Cigarette Tax Enforcement Fund (Fund 6390).

The bill eliminates references to "brokers" in the statutes governing the persons that must report and pay the cigarette and tobacco products excise taxes. Manufacturers, dealers, distributors, importers, and wholesalers remain subject to those statutes and, unlike "brokers," are defined by law. This change will have no fiscal effect.

Alcoholic beverage tax

The bill specifies that S liquor permit holders must pay the alcoholic beverage tax. It provides that, similar to other permit holders liable for the bottled and canned beer excise tax, S liquor permit holders must submit monthly reports showing the amount of beer the permit holder sold in the state. This change will have no fiscal effect.

Corporate franchise tax

The bill provides that a "qualified financial institution" – one owned 80% or more by a grandfathered unitary savings and loan holding company – may elect to calculate the base for the corporate franchise tax by multiplying the value of its outstanding shares of stock by a sales factor, defined as receipts of the taxpayer in this state divided by receipts from all places. The fiscal effect of this provision is uncertain, but it will likely result in a loss of tax revenue.

Motion picture tax credit

The bill increases the limit on refundable state tax credits for motion picture productions from \$20 million per biennium to \$40 million per biennium starting in the current biennium. Beginning in FY 2010, the Department of Development certified motion picture productions as eligible for state tax credits against the personal income tax (PIT) and the corporate franchise tax (CFT). In the first biennium, FY 2010-FY 2011, the Director of Development could not award more than \$30 million in credits over the two-year period. Beginning with the FY 2012-FY 2013 biennium, the biennial limit in current law is \$20 million, of which not more than \$10 million is allowed to be awarded in the first year of a biennium. In addition to increasing the biennial limit, the bill would increase the limit on credits awarded in the first fiscal year of a biennium from \$10 million to \$20 million.

Data from the Department of Development demonstrate that the volume of applications for motion picture production tax credits will vary from year to year.⁹ It is

⁹ The Ohio motion picture production tax credit applies to a variety of different types of productions. Department of Development data show that television episodes, a commercial, a videogame, and feature film productions of varying budgets all filed applications for credits since the program's inception three years ago.

not unreasonable to assume that the full allotment of credits would be issued to taxpayers if the total credit limit was increased to \$40 million per biennium. The loss of revenue from awards in the remainder of the current biennium theoretically could be \$30 million, since credits awarded in FY 2012 have been limited to \$10 million under current law, and under the bill the limit for the biennium would be \$40 million. Because of time lags the loss in this biennium may be less. FY 2014 would be the first year of a biennium so the revenue loss could be up to \$10 million under the bill. The revenue loss could be larger in FY 2015 if tax credits awarded in FY 2014 were less than the limit. Hypothetically, the revenue loss could be up to \$20 million in that year. The revenue loss would not exceed \$20 million in future biennia however, and would not exceed an average of \$10 million per fiscal year.

Current law allows a "reasonable" application fee for the credits, to be credited to the Motion Picture Tax Credit Program Operating Fund (Fund 5HJ0). Money in the fund is used for costs of administering the Ohio film office. Based on the amount of past fees, LSC estimates the fees likely to be charged applicants for the additional credits at up to about \$50,000 per year.

Receipts from the personal income tax and corporate franchise tax are deposited in the GRF. Under permanent law, a portion of GRF tax receipts are subsequently transferred to the Local Government Fund (LGF) and the Public Library Fund (PLF). Am. Sub. H.B. 153, the operating budget act for FY 2012 and FY 2013, fixed the LGF and PLF transfer amounts at predetermined levels, so that changes in receipts from GRF taxes during the biennium affect the GRF only. In FY 2014 and subsequent years, transfers to the LGF and PLF will resume based on percentages to be determined by the ratios of transfers to each fund in FY 2013 to total FY 2013 GRF tax revenues. The revenue loss to the local government funds in FY 2014 and every year thereafter resulting from increasing the motion picture tax credit is indeterminate but likely no more than an average of \$400,000 per year.

New community districts

The bill amends law pertaining to new community districts, adding to the definition of community development charge. "New community" as defined in section 349.01 of the Revised Code refers to a community or addition to an existing community planned to include facilities for industrial, commercial, residential, cultural, educational, and recreational activities. For new community authorities established within three years after March 22, 2012, "new community" may mean a community or a property development planned in relation to an existing community to include facilities for community activities. In both instances, the district is to be designed in accordance with planning concepts for placement of utility, open space, and other supportive facilities. New community authorities may impose a community development charge – based on real property values, income, profits, or a combination of these bases – to finance these improvements.

For new community authorities established within three years after March 22, 2012, the community development charge in current law includes a charge determined on the basis of income of residents of the district, or profits, gross receipts, or other revenues of businesses operating in the district. The bill adds to the basis of this charge rentals received from leases of real property located in the district. Improvements to any real property located in a new community district and subject to the charge including that based on rentals are not eligible for tax exemption under the laws governing tax increment financing incentive districts.

Accountancy Board

The bill makes a number of changes to laws governing the Accountancy Board. Authorization for the Board to appoint an agent to administer the Board's peer review program, and to assess a reasonable fee to cover the agent's costs, codifies a fee currently allowed by rule, and will have no fiscal effect. The other changes in law pertaining to the Board also appear to have no fiscal effect.

Administrative changes

The bill moves the date of the second of the two semiannual reimbursement payments for business tangible personal property taxes to local taxing units from November 20 to November 30. This timing change resolves a cash flow problem affecting the GRF. H.B. 153 (the budget act of the current biennium) changed the reimbursement payment schedule from two CAT-related tangible personal property tax replacement funds, the School District Tangible Property Tax Replacement Fund and the Local Government Tangible Property Tax Replacement Fund. Under prior law, reimbursement payments were made in August, October, and May. H.B. 153 replaced the August and October payments with a payment on or before November 20. In November 2011, however, insufficient balances in the two replacement funds for the necessary payments required GRF transfers out, followed by reimbursements to the GRF from the replacement funds. Moving the payment date to November 30 should result in avoiding similar fund transfers in the future.

The bill authorizes the Department of Taxation to impose a \$50 penalty on declined or dishonored electronic payments (the same penalty as for dishonored checks currently). Only one \$50 penalty may be imposed for each dishonored check or declined or dishonored electronic payment. The executive estimated that allowing a \$50 penalty would result in a gain of \$800,000 per year, primarily to the GRF but affecting other funds as well. The fund affected in any specific case depends on the underlying tax and the fund(s) into which its proceeds are deposited. Limiting the charge to only one \$50 penalty per item may reduce, by an unknown amount, the estimated revenue gain.

The bill lowers the number of income tax returns that a tax professional may prepare in a year before being required to file all returns electronically, from 75 to 11, beginning in 2013. It imposes a \$50 penalty for each return in excess of 11 per year not filed electronically, but exempts tax professionals who prepared ten or fewer returns in

the previous calendar year. This change will reduce costs of the Department of Taxation to process returns, by an undetermined amount.

The bill allows the Tax Commissioner to cancel a taxpayer's liability for unpaid taxes, penalties, and interest if the total amount owed for a single tax period does not exceed \$50, except for any debt certified to the Attorney General under section 131.02 of the Revised Code or that is subject to an appeal filed with the Board of Tax Appeals. This change is expected to have a minimal fiscal effect, decreasing both administrative costs and revenue. The Commissioner indicated in testimony that the cost of trying to collect such obligations in many instances exceeds expected revenue.

The bill requires that a for-profit corporation be current on all taxes administered by and required to be paid to the Tax Commissioner when filing a certificate of voluntary dissolution, and that a nonprofit corporation be current on all taxes imposed under the laws of this state when filing such a certificate. Under current law, corporations filing a certificate of voluntary dissolution must show current payment of only the corporation franchise, sales, use, and highway use taxes. These changes may increase compliance with tax laws, possibly resulting in an increase, of an uncertain amount, in tax receipts.

The bill prescribes the procedure by which the Tax Commissioner may deliver tax notices or orders by secure electronic means, including electronic mail or posting on a secure web site accessible by the recipient. More extensive use of electronic means of notification may reduce Department of Taxation costs, by an uncertain amount.

The bill eliminates the requirement that notification, from the Department of Taxation to county auditors, be in writing of the statutory interest rate charged for tax underpayments and tax refunds. This change may reduce costs for the Department, by an uncertain amount.

The bill removes provisions of current law that refer to commercial activity taxpayers "electing" to file annual tax returns. This change is expected to have no fiscal effect. Prior to the enactment of H.B. 1 of the 128th General Assembly, taxpayers having annual taxable gross receipts of \$1 million or less could pay the CAT on an annual rather than quarterly basis, but only if the taxpayers elected to do so.

The bill requires the Tax Commissioner to list on the Department's web site CAT taxpayers with cancelled CAT accounts by the effective date of the cancellation rather than the date on which the taxpayer cancelled the account. This change codifies existing departmental practice, and will have no fiscal effect.

H.B. 508 requires the Tax Commissioner to notify all vendors and sellers when local sales tax rates change. Under current law, only vendors and sellers registered through the Streamlined Sales Tax Central Registration System are required to be notified. All vendors making sales from a printed catalog, not just vendors registered under the registration system who make catalog sales, may delay applying changes in local sales tax rates that differ from the catalog rates until the beginning of a calendar quarter that follows 120 days after the Tax Commissioner notifies vendors of the rate

change. These changes are expected to have minimal, if any, fiscal effect, as they codify current practice.

The bill eliminates the special sales tax vendor license categories of "service vendor" and "delivery vendor" but allows the Tax Commissioner to create specific classes of vendor licenses. It explicitly permits the Commissioner to cancel a vendor's license if the vendor fails to notify the Commissioner of a change of address and if ordinary mail sent to the address on the vendor's license is returned as undeliverable. It requires all vendors to display their vendor licenses, not just transient vendors. These changes are expected to have no fiscal effect.

The bill changes the distribution of a horse racing tax, requiring the Tax Commissioner to forward the amount collected directly to the municipal corporation or township in which a horse racing meeting took place and in which any facilities or "accessory uses therefor" were located. The amount collected is to be made payable to the chief fiscal officers of the municipal corporations or townships. Currently the Tax Commissioner returns the amount of the tax to the permit holder for forwarding to the appropriate unit or units of local government. The bill also moves into permanent law a provision currently in administrative law providing for reporting by the permit holder the information required for administration of this tax. This change will have no fiscal effect.

Instead of requiring all applicants for a motor fuel dealer's license to file a surety bond with the license application as under current law, the bill provides the Tax Commissioner with discretion over whether to require a motor fuel dealer to file a surety bond with the motor fuel dealer's license application if the motor fuel dealer only sells or distributes motor fuel for which the motor fuel tax has already been paid or for which payment of the tax is not required. This change is expected to have no fiscal effect.

The bill extends personal liability for any unpaid motor fuel taxes, including not only the employees, officers, or trustees of a corporation or business trust who were responsible for filing reports and remitting taxes as in current law, but also all firms and their officers, regardless of the organizational form of the entity. This change will not increase tax liabilities, but may facilitate recovery of amounts that may be owed.

The bill temporarily excuses the Tax Commissioner from certifying certain property tax information that, under current law, is required to be certified to the Department of Education and Office of Budget and Management in May and June of 2012. This change will have no fiscal effect; the school foundation funding formula for FYs 2012 and 2013 relies upon FY 2011 information.

The bill eliminates the requirement that the Tax Commissioner give written permission for asset transfers with respect to decedents dying on or after January 1, 2013. This change will have no fiscal effect, since by prior legislation, the estate tax is phased out for these decedents.



Ohio Legislative Service Commission

Jean J. Botomogno

Fiscal Note & Local Impact Statement

Bill: Am. Sub. H.B. 510 of the 129th G.A. **Date:** December 11, 2012
Status: As Enacted **Sponsor:** Rep. Amstutz

Local Impact Statement Procedure Required: Yes

Contents: Eliminates the corporation franchise tax and the dealers in intangibles tax and creates the financial institutions tax

State Fiscal Highlights

STATE FUND	FY 2013	FY 2014	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	Potential loss from the elimination of the corporate franchise tax and the dealers in intangibles tax Potential gain from the new financial institutions tax and the commercial activity tax	Loss from the elimination of the corporate franchise tax and the dealers in intangibles tax Gain from the new financial institutions tax and the commercial activity tax
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The bill eliminates the corporation franchise tax (CFT) and the dealers in intangibles tax (DIT) at the end of 2013, and replaces both taxes with a new tax, the financial institutions tax (FIT), in tax year (TY) 2014. The bill specifies tax revenue targets of \$200 million for the FIT in FY 2014, and another revenue target of \$191 million or \$212 million in FY 2016, depending on potential rate adjustments based on actual revenues in FY 2014. Receipts from the proposed FIT, similarly to those of the CFT and the DIT, will be deposited in the GRF.
- If tax revenue targets are not achieved in FY 2014, or in FY 2016, the bill includes rate adjustment mechanisms to increase or decrease receipts in future fiscal years to certain levels specified in the bill.
- Certain taxpayers currently paying the DIT would generally be taxed under the commercial activity tax (CAT). This provision will increase revenue from the CAT. In FY 2013 and subsequent years, 50% of receipts from the CAT are deposited in the GRF, 35% in the School District Tangible Property Tax Replacement Fund (Fund 7047) and 15% in the Local Government Tangible Property Tax Replacement Fund (Fund 7081).

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2012	FY 2013	FUTURE YEARS
Counties, municipalities, townships, public libraries, and other local governments			
Revenues	- 0 -	- 0 -	Loss from the elimination of the corporate franchise tax and the dealers in intangibles tax Gain from the new financial institutions tax
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.

- The bill would have no effect on local governments if the FIT produces revenues equal to amounts the CFT and the DIT would have provided. Alternatively, if revenues from the FIT are lower than combined CFT and DIT receipts, local governments may experience a decrease in distributions of tax receipts from the GRF.
- The taxation of dealers in intangibles under the CAT will increase GRF revenues from this tax source. However, the elimination of the DIT will decrease GRF revenues by a much larger amount, so net GRF revenue will decrease. This would reduce distributions of GRF revenues to local governments.
- Under permanent law, a share of GRF tax receipts is transferred to the Local Government Fund (LGF) and the Public Library Fund (PLF). For FY 2014 and subsequent years, the Tax Commissioner will determine, by July 5, 2013, transfers to the LGF and the PLF.

Detailed Fiscal Analysis

The bill enacts a new financial institutions tax (FIT) for firms that are currently subject to the corporation franchise tax (CFT), eliminates the dealers in intangibles tax (DIT), and imposes the commercial activity tax (CAT) on dealers in intangibles. Receipts from both the CFT and the DIT are credited to the GRF. The CFT is imposed on financial institutions, bank holding companies, financial holding companies, savings and loan holding companies, and certain affiliates of those firms. It is levied at a rate of 1.3% (13 mills) on a firm's net worth (capital, surplus, undivided profits, and apportioned on the basis of various business presence factors, and excluding certain items such as goodwill, appreciation, and abandoned property). The DIT is levied on a dealer's shares of stock and capital at a rate of 0.8% (8 mills). The bill terminates the CFT at the end of 2013, and essentially replaces the CFT with the FIT, which would first apply to tax year (TY) 2014. Similarly, the bill terminates the DIT and levies on certain of those taxpayers the CAT, starting in TY 2014, though certain DIT affiliates of financial institutions may be taxed under the new FIT. LSC's bill analysis provides more details on the various provisions of the bill.

FIT taxpayers

The bill defines financial institutions for the purposes of the FIT as either bank organizations or holding companies of bank organizations, and nonbank financial organizations. Nonbank financial organizations are persons engaged in business primarily as "small loan lenders."¹⁰ The bill also specifies that captive finance companies¹¹ are not subject to the FIT.

Bank organizations subject to the FIT are the same classes of institutions (described above) that are currently subject to the CFT. The bill provides that a person is engaged in business primarily as a small loan lender if the person's business primarily involves providing individuals with loans that do not exceed \$5,000 or have terms longer than 12 months and if, during a taxable year, the person's gross income from providing such loans exceeds the person's gross income from all other activities. Credit unions, insurance companies, and institutions organized under the Federal Farm Loan Act (or a successor), which are not subject to the existing CFT, will not be subject to the new tax. The bill exempts diversified savings and loan holding companies, and grandfathered unitary savings and loan companies from the FIT.¹² The FIT extends the taxation of financial institutions to noncorporate forms of business organizations.

FIT tax base, tax rates, and estimated revenue

The bill levies the FIT on the "total Ohio equity capital" of financial institutions. The bill, however, excludes from the FIT tax base a financial institution's equity capital in noncontrolling (or minority) interests in subsidiaries, unless the subsidiary is a bank organization or a bank holding company. "Total Ohio equity capital" includes a financial institution's common stock, perpetual preferred stock, surplus, retained earnings, treasury stock, and unearned employee stock ownership plan shares that are apportioned to Ohio. Taxpayers operating in multiple states are required to apportion total equity capital in proportion to gross receipts situated to Ohio. The apportionment of gross receipts (generally, total income without deduction for expenses) would be

¹⁰ This provision increases revenues when compared to the bill as passed by the House, though the amount of revenue gain is uncertain.

¹¹ A captive finance company is defined as an entity that derived at least 75% of its gross income for the current taxable year and the two preceding taxable years from (1) financing transactions with or for members of the company's affiliated group or an affiliated group member's customers, distributors, franchisees, or manufacturing-related suppliers, (2) issuing bonds or other publicly traded instruments for the benefit of the affiliated group, or (3) making short or long-term investments with the affiliated group's cash reserves for the benefit of the affiliated group.

¹² A diversified savings and loan holding company is a savings and loan holding company whose subsidiary savings association and related financial activities represented less than 50% of its consolidated net worth and of its consolidated net earnings for a fiscal year, as determined under federal law as it existed on January 1, 2012. A grandfathered unitary savings and loan company is a holding company that may hold only one savings and loan subsidiary and engages in a broad range of nonfinancial activities unlimited by restrictions on nonfinancial activities that, without the grandfathering, would apply under the federal Bank Holding Company Act of 1956.

based on the share of the benefit from services that the taxpayer's customers receive in Ohio compared to those benefits received everywhere. For multi-state taxpayers, the physical location where the customer uses or receives the benefit of what was received is to be paramount in determining the proportion of the benefit in Ohio to the benefit everywhere. The bill lists examples of gross receipts to be used for the apportionment. (Under the CFT, the apportionment is based on a formula that includes sales (70%), payroll (15%), and property (15%); no apportionment formula applies to the DIT). The bill specifies taxpayers may request an alternative method of apportionment, if apportionment provisions in the bill do not fairly represent their business and allows for an alternate apportionment method for investment and trading activities. Also, the bill prescribes a tax base phase-in for certain Ohio-qualified real estate investment trusts (REITs) that would be subject to the FIT.¹³

The FIT specifies three tax rates: a rate of 0.8% (8 mills) which applies to the first \$200 million of a taxpayer's total Ohio equity capital; a rate of 0.4% (4 mills) of a taxpayer's total Ohio equity capital between \$200 million and \$1.3 billion; and a rate of 0.25% (2.5 mills) which applies to the amount of total Ohio equity capital in excess of \$1.3 billion. The minimum FIT tax is to be \$1,000. The bill specifies a first revenue target of \$200 million in FY 2014, which may be less than the CFT and the DIT may yield. Though not exactly comparable to the previous amount, comparatively, the CFT and the DIT provided \$137 million in FY 2012¹⁴ and are estimated to yield \$175 million in FY 2013,¹⁵ which would each be below FY 2011 combined receipts of \$277 million. (Appendix A provides reported financial institutions and DIT tax liabilities from 2005 through 2011. Data for 2012 are unavailable.)

Though no FY 2014 official revenue forecasts have been published, it is probable the FIT may generate GRF revenues lower in magnitude than receipts from the CFT and the DIT. It is also possible, however, that the FIT may yield revenue higher than the CFT in FY 2014, based on reported tax liabilities in most recent years.¹⁶ The bill

¹³ Both the alternate apportionment method for investment and trading activities, and the tax base phase-in are likely to yield decreases in GRF revenues when compared to the version of the bill passed by the House. The amount of revenue loss from those provisions is uncertain, though it could be several millions of dollars.

¹⁴ This includes receipts of \$117 million and \$20 million from the CFT and the DIT, respectively. More generally, the end of the CFT for nonfinancial corporations created large swings in fiscal years' receipts due to additional one-time receipts being collected such as in FY 2011 and refunds for taxes overpaid, such as appeared to be the case in FY 2012.

¹⁵ Through November, FY 2013 combined receipts from the CFT and the DIT were \$55 million above estimates released by the Office of Budget and Management in August 2012. Thus, it is possible FY 2013 receipts may exceed most recent revenue estimates.

¹⁶ Actual collections in a fiscal year vary from tax liabilities reported by taxpayers due to tax credits, tax payments that may fall into another fiscal year such as additional payments after audits, refunds from taxes overpaid, and other tax reconciliations from prior tax years.

prescribes a tax rate adjustment mechanism if revenue from the new tax in TY 2014 (the first year the tax is levied) is more than 110% or less than 90% of \$200 million. If revenue exceeds 110% of the first target tax amount or \$220 million, the Tax Commissioner must decrease the tax rates for 2015 and subsequent years to the rates that would have provided \$200 million in receipts.

If the 2014 tax rates generate less than 90% of the target amount (i.e., less than \$180 million), only the 0.25% third-tier tax rate for equity capital in excess of \$1.3 billion would be adjusted upward for TY 2015 and thereafter; the third-tier rate would be increased by a percentage equal to the difference between (1) the percentage by which the \$200 million target exceeded the actual revenue and (2) 10% of the \$200 million target. For example, if actual 2014 FIT revenue were \$170 million, the \$30 million shortfall would be 15% of the target amount, so the third-tier tax rate (0.25%) would be increased by 5% (15% minus 10%), yielding a new third-tier tax rate of 0.2625%.

The bill provides another test period in TY 2016, and a second target amount of \$212 million (106% of the TY 2014 target amount), or if applicable, another target amount if the TY 2014 target amount was modified as described in the previous paragraph. An adjustment mechanism similar to the one for TY 2014 is to occur during TY 2016, with the same consequences for TY 2017 and thereafter if the revenue deviated from the 2016 target amount.

Revenue from the proposed new tax, which will commence in FY 2014, is to be credited to the GRF. Under permanent law, a portion of GRF tax receipts are subsequently transferred to the Local Government Fund (LGF) and the Public Library Fund (PLF). Am. Sub. H.B. 153 (the operating budget act for FYs 2012 and 2013) fixed the LGF and PLF transfer amounts at predetermined levels so that any increase (or decrease) in tax receipts during the biennium will affect the GRF only. For FY 2014 and subsequent years, transfers to the LGF and the PLF will resume based on a fixed percentage, but the applicable percentage is not yet known. The Tax Commissioner will determine, by July 5, 2013, the ratio of FY 2013 transfers to the respective funds to total FY 2013 GRF tax revenues. Subsequent transfers to the LGF and the PLF will be based on those respective ratios. If the FIT produces receipts below revenues that the CFT and the DIT would have provided to the GRF, local governments may experience a decrease in distributions of tax revenues.

Dealers in intangibles

The bill eliminates the DIT and imposes the CAT on certain dealers in intangibles, including captive finance companies (described earlier). The bill authorizes a nonrefundable tax credit against the FIT for a financial institution with a dealer in intangibles in its qualifying controlled group (group of entities grouped together for purposes of the FIT) if these dealers in intangibles would pay the DIT in 2014 for the preceding tax year, while paying the FIT in 2014 for TY 2014 and subsequent years.

The taxation of certain dealers in intangibles under the CAT will increase GRF receipts from that tax source, though all revenues from the DIT paid by those dealers would be lost. Taxpayers with less than \$150,000 in taxable gross receipts are exempt from the CAT, and those with taxable gross receipts between \$150,000 and \$1 million pay the minimum tax of \$150. Taxpayers with taxable gross receipts above \$1 million pay the CAT at a rate of 0.26%. Some dealers in intangibles are likely to be exempt from the CAT, and others will pay the minimum tax of \$150. Though this provision raises CAT receipts, the loss of DIT revenues is likely to be much larger in magnitude than any increased CAT revenue. The transfer of dealers in intangibles to the CAT may decrease GRF revenues, by an uncertain amount, but likely by several millions of dollars per year (compared to the introduced version of the bill), and potentially up to \$20 million per year. In FY 2013 and future years, CAT receipts are distributed to the GRF (50%), the School District Tangible Property Tax Replacement Fund (Fund 7047, 35%) and the Local Government Tangible Property Tax Replacement Fund (Fund 7081, 15%). If distributions of CAT receipts to Funds 7047 and 7081 are insufficient for the required reimbursements to schools and other local governments, the GRF subsidizes the two funds.

FIT tax reporting

Each taxpayer must file an annual report by October 15 of the tax year. If two or more financial institutions are related by ownership or control in such a way that they are required to be included in the same report to federal regulatory authorities (e.g., the Federal Reserve Board or the Federal Financial Institutions Examination Council), they may file a FIT annual report and pay the tax as a consolidated group composed of all such institutions. Under the current CFT, individual banks or individual members of a consolidated or controlled group may file separate CFT returns.

FIT tax payments and credits

The annual tax payment is due by October 15 of the tax year. Estimated payments are due on the preceding January 31, March 31, and May 31. The January payment must equal either the minimum \$1,000 tax or one-third of the estimated annual tax, whichever is greater. The March payment must equal one-half of the remaining balance of the estimated annual tax after subtracting the amount of the January payment. The remaining May payment must equal the other remaining one-half. Any final FIT tax payment is due with the annual report on or before October 15 of the tax year. Payments must be made by electronic funds transfer, though the bill authorizes a taxpayer to apply to the Commissioner to be excused from the requirement for good cause. The bill authorizes the following FIT credits to be claimed by taxpayers subject to the new tax: research and development, job creation, job retention, venture capital loan loss, historic building rehabilitation, New Markets, motion picture production, and the credit for regulatory assessments paid to the Department of Commerce's Division of Financial Institutions. LSC assumes existing tax credit agreements are applicable and firms currently entitled to nonrefundable credits may

carry their existing credit over to the new FIT. The bill also clarifies that, for certain taxpayers, job retention tax credits must be exhausted against the CAT before they could be applied to the FIT. The bill specifies that job retention tax credits may be shared among related members of an affiliated group.

Temporary CAT amnesty for certain affiliates of insurance companies

The bill provides that the Tax Commissioner shall not assess or hold liable for the failure to report or pay the CAT for any tax periods ending before January 1, 2013, a corporation or any other person directly or indirectly owned by one or more insurance companies that are subject to the domestic or the foreign insurance premiums taxes, provided the corporation, but not the other person or persons, so owned by the insurance company or companies reported and paid the CFT and not the CAT for taxable periods before January 1, 2013. This provision will reduce GRF revenue by an uncertain amount. The bill also updates CAT law for changes made by the newly created FIT.

Municipal taxing authority

The bill specifies that municipal corporations may not levy a tax that is "the same as or similar to" the new FIT. Current law prohibits municipal corporations from levying most of the kinds of taxes the state currently levies (the income tax being the major exception). If there were no such prohibition, municipal corporations would be authorized to levy taxes under their home rule authority, without authorization from the General Assembly.

Real property valuation

The bill requires county auditors, in valuing real property, to account for the impact of police powers and other governmental actions. Taking account of such government actions may reduce assessed property valuations and tax revenues to units of local government, but the amount of any resulting adverse effects on revenues to units of local government is not known.

The bill accelerates application of a change made by Am. Sub. H.B. 487 of the 129th General Assembly to valuation of real property by county auditors. The change specifies that the true value to be determined is that of the fee simple estate, as if unencumbered, and that the auditor may consider the sale price in an arm's length transaction between a willing seller and a willing buyer to be the true value. Under current law, this change would become effective in each county in the first year after tax year 2012 that the county either conducts a sexennial reappraisal or updates values in the third year following a reappraisal. The delay in application of the change is eliminated by the bill. LSC does not have an estimate of the size of any resulting effects on local tax revenues.

Commercial real estate broker liens

The bill modifies the treatment of commercial real estate broker liens in Ohio's Uniform Commercial Code. This provision has no fiscal effect.

Appendix A

Financial Institutions and Dealers in Intangibles Liability, and CFT Receipts, FY 2005 through FY 2011, in millions						
Tax Year	CFT Liability of Financial Institutions	Dealers in Intangibles Liability	Combined FI & DIT Liability	Fiscal year	Total CFT Receipts	Combined CFT & DIT Receipts
2011	\$172.8	\$38.1	\$210.9	2011	\$237.2	\$276.9
2010	\$166.1	\$40.4	\$206.5	2010	\$142.3	\$182.7
2009	\$148.1	\$36.8	\$185.0	2009	\$521.4	\$558.2
2008	\$135.5	\$33.7	\$169.2	2008	\$754.6	\$788.3
2007	\$149.3	\$31.9	\$181.1	2007	\$1,125.7	\$1,157.5
2006	\$153.9	\$30.5	\$184.4	2006	\$1,105.9	\$1,136.3
2005	\$125.0	\$36.0	\$161.0	2005	\$1,111.6	\$1,147.6

Please note that fiscal years' receipts for the CFT include receipts from nonfinancial corporations from FY 2005 through FY 2009. The tax was phased out for those nonfinancial corporations in FY 2010.

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Ohio Legislative Service Commission

LSC Staff

Fiscal Note & Local Impact Statement

Bill: [Am. Sub. S.B. 316 of the 129th G.A.](#) **Date:** June 13, 2012
Status: As Enacted **Sponsor:** Sen. Lehner

Local Impact Statement Procedure Required: Yes

Contents: Modifies laws related to education, workforce development, and early childhood care

State Fiscal Highlights

- Various provisions of the bill will likely increase the administrative costs of the Department of Education (ODE). These provisions include:
 - Changes to the third grade reading guarantee that require the State Board of Education to review and determine the "cut" score triggering the guarantee each year until the score reaches "proficient" and require diagnostic assessments in additional circumstances thereby increasing ODE's costs in printing and distributing the assessments.
 - Requirement to screen and approve nonschool district providers of reading intervention services.
 - Annual publication of a report summarizing the number of students in grades kindergarten through four reading below grade level and the types of intervention services provided, the issuance of a report on funding for the assessments and interventions associated with the third grade reading guarantee, and development of legislative recommendations regarding the state's policies on literacy education and on the scoring ranges of the state achievement assessments necessary for the successful implementation of the common core curriculum and assessments in the 2014-2015 school year.
 - Requirement to adopt model curricula for grades kindergarten through 12 that embed career connections learning strategies into regular classroom instruction.
 - Requirement to develop and issue report cards for joint vocational school districts and other career-technical planning districts.
 - Requirement to revise operating standards for school districts and chartered nonpublic schools to include standards for the operation of blended learning and provide information on the use of blended and digital learning in the delivery of academic standards and curricula to students.

- Changes to the requirement to develop standards for determining the amount of annual operating expenditures for classroom versus nonclassroom purposes.
- Requirement to adopt rules establishing procedures for awarding Ed Choice scholarships to students attending nonpublic schools that receive their charter during the 2011-2012 school year and to hold a second Ed Choice application period for the 2012-2013 school year for those students.
- Inclusion of additional children under school age into the Education Management Information System (EMIS).
- The bill requires each member of the board of trustees of any college preparatory boarding school to file a disclosure statement with the Ohio Ethics Commission; the Commission may experience minimal administrative costs for filing the statements.
- Various provisions of the bill will likely increase the administrative costs of the Department of Job and Family Services (ODJFS). These provisions include:
 - Requirement to license type B and limited type B family day care homes. ODJFS also may experience a gain in license fee revenue due to this provision.
 - Transition of the supervision and duties of the state workforce development system from the Director of ODJFS to the State Workforce Policy Board.
 - Inclusion of child care providers, instead of only child care centers, in the tiered quality rating and improvement system known as Step Up to Quality.
- The Ohio Department of Developmental Disabilities will incur additional administrative costs to coordinate implementation of the stated policy regarding the placement of individuals with developmental disabilities in employment settings and to prepare and submit an annual report.

Local Fiscal Highlights

- The bill's revisions to the "third grade reading guarantee" will require school districts and community schools to provide increased levels of assistance for more students in grades kindergarten through three reading below grade level. It may also result in additional students being retained an additional year in the third grade as the State Board of Education-defined "cut" score progressively increases. School districts may also have to screen and approve nonschool district providers of reading intervention services. As a result, costs for school districts and community schools are likely to increase.
- Under the bill, county departments of job and family services (CDJFSs) may experience a decrease in administrative costs and a loss of any certification fee revenue they are collecting if they no longer certify type B and limited type B family day care homes.

Detailed Fiscal Analysis

The bill contains a number of provisions related to K-12 education, higher education, workforce development, and early childhood care. Provisions with a possible fiscal effect to state and local governments are discussed below. For a complete description of the bill's provisions, please see the LSC bill analysis.

Academic performance and student assessments

Third grade reading guarantee

Overview

Under current law, a school district or community school must retain in the third grade a student who scores in the "limited" (lowest) range on the third grade reading achievement assessment, unless the student's principal and reading teacher agree that the student is academically prepared for fourth grade or the student will receive intervention services in that grade. School districts are required to notify the parents of students in grades one and two reading below grade level of that fact and to provide intervention services. School districts must also offer intense remediation services during the summer following third grade for students that do not attain scores in the "proficient" range on the third grade reading achievement assessment. These provisions are referred to as the "third grade reading guarantee."

Beginning with the 2012-2013 school year, the bill revises the third grade reading guarantee by requiring the State Board of Education to determine and designate a level of achievement on the third grade English language arts assessment for a student to be promoted to the fourth grade though the State Board cannot set the initial level lower than the range of scores currently designated as "limited." Thereafter, the State Board must review and adjust the level upwards each year until the retention requirements apply to students who do not receive at least a "proficient" score. The bill also makes a number of changes to other components of the third grade reading guarantee, including increased diagnostic testing to identify students that are reading below grade level and increased levels of assistance on the part of school districts for students reading below grade level or who are retained in the third grade. The bill also revises the exemptions to the guarantee beginning in the 2013-2014 school year. Overall, these and other related provisions are likely to result in increased costs for both school districts and ODE. These provisions are discussed in more detail below.

Diagnostic assessments

To better identify students reading below grade level, the bill requires, beginning in the 2012-2013 school year, school districts and community schools to administer the state-developed diagnostic assessment in English language arts, or a comparable tool developed by ODE, to all students in grades kindergarten through three by September 30 of each school year. Currently, the diagnostic assessment is required for

students in grades one and two only. Administration of the third grade English language arts diagnostic is optional, unless a school has failed to make adequate yearly progress (AYP) for two or more consecutive years. In that case, the diagnostic assessment is required. The bill requires a school district to submit to ODE the results of all diagnostic assessments (including English language arts and mathematics) it administers. In general, school districts are not currently required to submit the results of diagnostic assessments to ODE.

Intervention services

The bill also requires school districts and community schools to provide an increased level of assistance for students in grades kindergarten through three reading below grade level. The bill requires school districts and community schools to offer the option for students to receive applicable services from one or more providers other than the district. The district or ODE must screen and approve the providers.

For each student in grades kindergarten through three reading below grade level, the bill requires a more thorough notification to parents and intensive reading instruction immediately following identification of a deficiency. The intensive reading instruction is to be carried out through a reading improvement and monitoring plan that the school district or community school must develop for each child. Students entering third grade in the 2013-2014 school year or later with such a plan must be assigned to a teacher with a specialty in reading instruction.

Students retained in the third grade must be provided intense remediation services until the child is able to read at grade level, at which point the student may be promoted to the fourth grade (the promotion may occur mid-year according to a policy that school districts must establish) and must be provided a high-performing teacher. The bill also requires school districts and community schools to provide retained third graders that have demonstrated proficiency in a specific academic ability field with instruction commensurate with the student's achievement levels in that field.

Exemptions

Under the bill, students not meeting the State Board-defined "cut" score would be subject to retention beginning in the 2012-2013 school year, though under current retention requirements. Beginning with the 2013-2014 school year, the exemptions to the guarantee become narrower, so that fewer students are likely to be exempt, resulting in more students being retained and remediated.

Reports and recommendations

The bill also requires several new reports to be issued and legislative recommendations to be developed in regard to the third grade reading guarantee and literacy education. Specifically, the Superintendent and the Governor's Director of 21st Century Education are to issue a report by December 31, 2012 on the ability of ODE to reprioritize state and federal funds so that additional funds may be used to support the assessments and interventions associated with the third grade reading guarantee. Also,

the bill requires the State Board of Education and the Early Childhood Advisory Council, in consultation with the Governor's Office of 21st Century Education, to jointly develop legislative recommendations regarding the state's policies on reading readiness for individuals from birth through third grade. The recommendations are to be submitted no later than February 28, 2013. Finally, the bill requires the Superintendent of Public Instruction to annually report on the number and percentage of students in kindergarten through grade four reading below grade level (aggregated by school district and building), the types of intervention services provided to students, and to provide, if available, an evaluation of the efficacy of the intervention services provided.

Fiscal effects

The bill's provisions modifying the third grade reading guarantee are likely to increase costs for school districts and community schools to provide increased levels of assistance to more students to ensure that students are reading at grade level by the end of the third grade. As the State Board progressively increases the threshold triggering the guarantee, additional students may be retained an additional year in the third grade though, as noted above, the bill requires school districts and community schools to provide instruction to retained third graders that have demonstrated proficiency in specific academic ability fields commensurate with each student's abilities in those fields. School districts and community schools may also incur additional administrative costs to administer the additional diagnostic assessments required by the bill, score the additional assessments, and submit the results of the assessments to ODE. However, these costs are not likely to be significant since state law requires diagnostic assessments to be provided to school districts at no cost. Requiring diagnostic assessments in additional circumstances may increase ODE's costs in printing and distributing the assessments.

School districts and ODE may also experience increased administrative costs to screen and approve nonschool district providers of reading intervention services. The ODE reports and recommendations required by the bill may also result in some additional administrative costs.

Joint vocational school district rankings and report cards

Under current law enacted in H.B. 153, ODE is required to develop a system to rank order all traditional school districts and joint vocational school districts (JVSDs) according to (1) student achievement (the performance index score), (2) student performance growth (the value-added progress dimension), (3) federally required career-technical education performance measures, if applicable, (4) current operating expenditures per pupil, and (5) performance of, and opportunities provided to, gifted students. Since JVSDs do not have a performance index score, current law requires ODE to develop an alternative measure of student academic performance to be used so that all districts, schools, and buildings may be reliably compared to each other. The first report containing the rankings must be issued by September 1, 2012.

The bill removes JVSDs from the districts included in the ranking. The bill also eliminates federally required career-technical education performance measures from the factors on which traditional school districts are to be ranked. However, the bill requires ODE, in consultation with the Chancellor of the Ohio Board of Regents, any office of the Governor that deals with workforce development, and certain organizations representing career-technical education interests, to develop a report card for JVSDs and non-JVSD career-technical planning districts (CTPDs) separate from those for traditional school districts. The first JVSD report cards are to be issued for the 2012-2013 school year. These provisions may increase ODE's administrative costs to develop a separate report card for the 49 JVSDs and 42 non-JVSD CTPDs.

Academic standards and model curricula

Under current law, the State Board of Education is tasked with adopting statewide academic standards for grades kindergarten through 12 in English language arts, mathematics, science, and social studies. In general, these standards specify what students are expected to know and be able to do at each grade level in order to be prepared for postsecondary instruction and the workplace. The State Board is also tasked with developing model curricula for instruction in each subject area that aligns with the academic standards adopted. School districts are not required to use all or any part of a model curriculum adopted by the State Board.

The bill expands on the requirement to develop model curricula by requiring the State Board, in consultation with any office of the Governor dealing with workforce development, to adopt model curricula for grades kindergarten through 12 that embed career connections learning strategies into regular classroom instruction. The career connections learning strategies are intended to assist students in understanding their career options and the courses they will need that align with their career path. The State Board must adopt the model curricula by June 30, 2013. This provision may increase ODE's costs to develop the appropriate curricula.

Blended learning

The bill permits any school district, community school, STEM school, college preparatory boarding school, or chartered nonpublic school to operate all or part of a school using a blended learning model. "Blended learning" combines time in a supervised physical location away from home and online delivery whereby the student has some element of control over time, place, path, or pace of learning. Schools that plan to begin or cease operating a blended learning program are required to notify ODE by July 1 of the school year for which the change is effective. The bill permits, but does not require, a school already operating a blended learning program on the bill's effective date to notify ODE within 90 days after the bill's effective date and request classification as a blended learning school.

The bill requires the State Board of Education to revise any operating standards for school districts and chartered nonpublic schools to include standards for the

operation of blended learning programs. The standards must contain certain specified elements. The bill also requires ODE, whenever the State Board adopts state academic standards or model curricula, to provide information on the use of blended and digital learning in the delivery of the standards and curricula to students ("digital learning" refers to learning facilitated by technology that gives the student some control over the time, place, path, or pace of learning). These provisions may increase ODE's administrative costs. Finally, the bill specifies that an "internet- or computer-based community school" (often called an "e-school") is not a blended learning school. Current law regulating e-school operation and state funding remains unchanged.

School finance

Definition of state education aid

The bill specifies that a school district's "state education aid" for FY 2012 and FY 2013 includes both its supplemental guarantee payment and its payment for high academic performance (if any such payments are made to the district), in addition to its payments under the temporary bridge formula as under current law.

Deductions for community schools are limited to a district's state education aid and property tax rollback payments. Thus, this provision provides a higher ceiling for deductions of state education aid from traditional school districts to community schools. The provision would only have an effect if the deductions for a district were greater than the district's state education aid under the current definition plus its property tax rollback payments. Very few districts are likely to be affected by this change.

Reports of district spending

The bill revises a provision, enacted by H.B. 153, requiring ODE to develop standards for determining, from existing data reported under the Education Management Information System (EMIS), the amount of annual operating expenditures for classroom instructional purposes and for nonclassroom purposes for each school district, community school, and STEM school, by (1) eliminating the already past due date of January 1, 2012 for ODE to present the standards to the State Board of Education for consideration, (2) delaying the due date the State Board must adopt a final set of standards from July 1, 2012 to December 31, 2012, (3) requiring ODE, in developing the standards, to align the expenditure categories required by the standards to those categories required for reporting to the U.S. Department of Education under federal law, and (4) requiring school districts, community schools, and STEM schools to begin reporting data in accordance with the standards on July 1, 2013. This provision may increase ODE's administrative costs to redevelop the standards. ODE already developed the standards required under existing law, though they have yet to be adopted by the State Board.

A separate provision enacted in H.B. 153 also requires ODE to annually report for each school district certain measures of school district spending based on the

expenditure categorization standards developed by ODE in the provision above. The bill aligns the language used for the calculations for this reporting requirement with the standards developed by ODE by instructing ODE to publish each school district's operating expenditures for "classroom instructional purposes" (rather than "instructional purposes" as under current law) compared to its operating expenditures for "nonclassroom purposes" (rather than "administrative purposes" as under current law).

Educational staff

Evaluations

Under current law teachers of core subject areas who work in a building that is ranked in the lowest 10% of all public school buildings according to performance index score are required to take tests to prove their expertise to teach the subjects and grade levels to which they are assigned. The bill delays this requirement to FY 2016 and modifies the requirement for school districts so that it applies instead to teachers who received an "ineffective" rating on evaluations for two of the three most recent school years, including teachers employed by joint vocational school districts. This provision may result in an increase or decrease in administrative expenditures for certain school districts depending on whether the change results in an increase or decrease in the number of teachers required to take these exams.

The bill requires the State Board to develop, by June 30, 2013, a standards-based teacher evaluation framework for state agencies. Each state agency that employs teachers, such as, the Ohio State School for the Blind (OSB) and the Ohio School for the Deaf (OSD), must adopt a teacher evaluation policy that conforms to the framework. Currently there are no requirements for either OSB or OSD to conduct teacher evaluations in this manner, so if they need to implement such procedures, the schools may incur additional administrative expenditures.

The bill requires each school district's evaluation procedures for assistant principals to be based on principles comparable to the teacher evaluation policy, but tailored to the duties and responsibilities of assistant principals. School districts could incur minimal additional administrative expenses to establish the new procedures.

Teacher evaluation reports

The bill requires ODE to establish guidelines for a teacher evaluation report containing the number of teachers receiving each evaluation rating (accomplished, proficient, developing, and ineffective). The bill also requires that each district and school conducting evaluations report the number of teachers receiving each evaluation rating, aggregated by the teacher preparation programs from which the teachers graduated and by graduation year, to ODE for purposes of a report to be prepared by the Chancellor of the Board of Regents. The Chancellor is required, by December 31, 2014, and annually thereafter, to assemble a report on the number and percentage of graduates of each Ohio teacher preparation program who were rated at each of the four

performance levels on the previous school year's evaluations. School districts, ODE, and the Chancellor may incur additional administrative expenditures to compile and distribute the teacher evaluation reports.

Educational staff licensure

The bill requires ODE to study the licensure requirements for educational staff responsible for the development of informational sources for the support of curriculum and literacy development and directs ODE and the State Board of Education to use the study to make necessary revisions to those requirements. As a result, ODE may incur additional expenditures while conducting the study and, then, implementing any recommendations.

Community schools

Disposal of school district property

Under current law, school districts are required to offer unused real property for sale or lease to community schools located in the district. The bill requires school districts, when offering property, to also make that offer to college-preparatory boarding schools. In addition, the bill adds nonprofit private colleges and universities as well as chartered nonpublic schools to the list of entities that may purchase real or personal property of a school district by direct sale. Because additional parties may be interested in purchasing or leasing the property, demand for the property may increase. Potentially, then, school districts could experience a gain in revenue compared with the revenue they would have received by only offering the property to the entities prescribed under existing law.

The bill also specifies that if the district conducts an auction or lottery to select a community school to purchase or lease the property because more than one eligible party notifies the district of its interest in the property, the auction or lottery must be conducted only among the parties that notified the district of their interest, instead of among all eligible parties as required under current law (i.e., all community schools located in the district regardless of whether they express interest in the property).

Office of Ohio School Sponsorship

The bill designates ODE's Office of Ohio School Sponsorship as the entity within ODE that may assume temporary sponsorship of a community school whose sponsor is found not to be in compliance with state rules or its contract with a community school. The bill specifies that ODE is permitted to decline applications from any community school whose sponsor has not renewed its contract with the school. According to ODE, certain tasks relating to temporary sponsorship are carried out by both the Office of Ohio School Sponsorship and the Office of Community Schools. By specifying that temporary sponsorship is the responsibility of the Office of Ohio School Sponsorship, ODE expects to reduce duplicative efforts, thereby reducing administrative costs.

Contracts

The bill requires ODE to make available on its web site a copy of every community school contract filed with the Superintendent of Public Instruction. ODE may incur minimal administrative costs for posting these documents to its web site.

Scholarship programs

Ed Choice application period

The bill requires the State Board of Education to adopt rules establishing procedures for awarding Ed Choice scholarships to students who are already attending a nonpublic school when it receives its charter. Students attending these schools may only receive Ed Choice scholarships if they are eligible to attend a district where the resident students qualify for Ed Choice scholarships. The bill requires ODE to hold a second Ed Choice application period for the 2012-2013 school year for students who were enrolled in a nonpublic school that received its charter during the 2011-2012 school year. If more Ed Choice scholarships are awarded as a result of this provision, deductions from school districts may increase to fund the scholarships. Deduction amounts are a maximum of \$4,250 per pupil for grades K-8 and \$5,000 per pupil for grades 9-12. ODE will likely incur increased administrative costs for adopting rules and holding the second application period.

Notification procedures related to special education programs

The bill requires school districts to notify parents each time the district completes an evaluation for a child with a disability or undertakes the development, review, or revision of the child's individualized education program (IEP). The bill specifies that notices may be sent by letter or by electronic means, and must include a statement indicating that the child may be eligible for a scholarship through the Autism Scholarship Program or the Jon Peterson Special Needs Scholarship Program to attend a special education program operated by an alternative public provider or a registered private provider. School districts may incur minimal administrative costs for preparing and sending notices to the parents of children with disabilities who recently received evaluations or IEP reviews.

Educational service centers (ESCs)

Supervisory services

The bill permits a school district with more than 16,000 students that enters into an agreement with an ESC for services for which the state provides per-pupil funding, to opt out of receiving (and paying for) supervisory services, beginning in FY 2013. Districts that receive supervisory services pay for those services through deductions from their state aid. If any districts opt out of supervisory services, they may experience an increase in net revenues due to reduced deductions. Districts are required under current law to have one supervisory unit per the first 50 classroom teachers and one unit per every subsequent 100 classroom teachers. Supervisory units are calculated by

summing each teacher's minimum base salary as defined by R.C. 3317.13, an amount equal to 15% of the base salary, and applicable travel allowances.

Billing for students in juvenile detention facilities

The bill permits an ESC providing services for a child in the custody of a county or district juvenile detention facility to directly bill the school district responsible for paying the cost of educating that child (generally the district where the child's parent resides), rather than first billing the district in which the facility is located. The bill specifically states that the district that pays the ESC for a child in the custody of a juvenile facility must include the child in its ADM.

Classroom facilities

Exceptional Needs Program

The Exceptional Needs Program (ENP), operated by the School Facilities Commission (SFC), is designed to assist school districts in addressing the health and safety needs associated with a specific building instead of addressing the entire classroom facilities needs of the district as under the Classroom Facilities Assistance Program (CFAP). Currently, school districts ranked up to the 75th percentile in wealth or with a territory larger than 300 square miles are eligible for participation in ENP. The bill removes the wealth and land-size requirements for ENP participation, which would allow all school districts to participate in the program, should they choose to do so. This may increase the number of districts wanting to participate in the program; however, the bill continues to limit funding of ENP projects to 25% of SFC's annual capital appropriations.

Expedited Local Partnership Program

The Expedited Local Partnership Program (ELPP) permits a school district that is not yet eligible for CFAP to enter into an agreement with SFC that will allow the district to spend local resources to construct new classroom facilities or to make major renovations to the district's existing classroom facilities. The local resources spent by the district are then applied to the district's share of the basic project cost when it becomes eligible for assistance under CFAP.

The bill authorizes SFC to provide CFAP assistance, subject to certain requirements, to an ELPP district before it otherwise would become eligible. Under the bill, therefore, qualifying ELPP districts may receive CFAP funds much earlier than under current law. Conversely, other districts may have to wait longer to be offered funding by SFC.

Project segments

Current law requires that when a district completes its facilities projects in segments, instead of all at once: (1) each segment must consist of new construction or complete renovation of one or more entire buildings, and (2) the district's share of the cost of each segment must be equal to at least 4% of the district's tax valuation. The bill

requires the district's share to be at least 2%, instead of 4%, of the district's tax valuation. The lower percentage may make more districts eligible to segment their projects.

Workforce development programs

Employment services for individuals with developmental disabilities

Current law requires school districts to develop an individualized education program (IEP) for each child with a disability between the ages of three and 22 residing in the district. Current law also requires an IEP to include certain specified elements. One such element is a statement, beginning no later than the first IEP to be in effect when the child is 16 years old and updated annually thereafter, describing appropriate measurable postsecondary goals based upon age-appropriate transition assessments related to training, education, employment, and independent living skills and the transition services needed to assist the child in reaching those goals.

The bill requires this element to begin appearing in a child's IEP at age 14. Further, the bill removes employment goals based on age-appropriate transition assessments from the IEP element and instead, requires the IEP element to include appropriate measurable postsecondary goals based on age-appropriate transition assessments related to employment in competitive environments in which workers are integrated regardless of disability. This provision may increase the administrative costs of school districts in developing IEPs by requiring this element at an earlier age.

The bill requires the Ohio Department of Developmental Disabilities (ODODD) to coordinate the implementation, with other state agencies, of a stated policy that employment services are to be directed at placement of individuals with developmental disabilities in the community in positions in which they are integrated with other employees. In addition, the bill requires ODODD to compile data on implementation of the policy and annually submit a report to the Governor. Therefore, ODODD will incur additional administrative costs to coordinate implementation of the stated policy with other state agencies, to collect and analyze data, and to prepare and submit the annual report.

Unemployment insurance and workers' compensation coverage for "learn to earn" program participants

The bill defines a learn to earn program as any program established by the Ohio Department of Job and Family Services (ODJFS) that offers a structured, supervised training opportunity to an eligible unemployment compensation claimant with a designated worksite training provider. The bill makes participation in a program voluntary and allows a participant to receive unemployment compensation benefits while participating in the program. The bill requires a program participant to comply with ODJFS's registration requirements and permits participation for a period not to exceed 24 hours a week for a maximum of six weeks. There is no direct fiscal impact due to these provisions. The provisions establish parameters for a learn to earn program, but do not require ODJFS to implement such a program. (According to

ODJFS, such a program could be established through agency rules.) The provisions do not expand eligibility for unemployment benefits or adjust benefit levels.

Under the bill, an individual who suffers a compensable injury or occupational disease while participating in a learn to earn program is entitled to compensation and benefits under the workers' compensation law. The bill defines learn to earn program participants as employees of ODJFS for this purpose, and assigns the responsibility of providing workers' compensation coverage to ODJFS rather than the job training provider. As a result, the state will incur some new costs in the form of premiums and assessments paid by ODJFS to the Bureau of Workers' Compensation (BWC). The magnitude of the increase will depend upon the number of learn to earn program participants to be covered, payroll associated with these individuals, the appropriate BWC manual classification corresponding to the work being done and the associated risk, and claims experience.

State workforce development system

The bill transfers supervision of the state workforce development system from the Director of Job and Family Services to the State Workforce Policy Board and grants the Board the power and authority to supervise and administer state workforce development activities. ODJFS and the Board may incur additional administrative costs as part of transitioning the supervision and duties of the state workforce development system.

The bill allows the State Workforce Policy Board to assess fees for specialized services requested by an employer. As a result, the Board could experience a revenue gain.

The bill permits boards of county commissioners to provide workforce development activities electronically in a local area, instead of requiring that at least one physical location be available in a local area. Counties that choose to provide the activities electronically could experience a reduction in administrative costs.

The bill eliminates the requirement that at least one representative from a county department of job and family services (CDJFS) staff a one-stop system for workforce development. This provision could result in reduced staff costs for CDJFSs.

The bill requires that a local workforce development plan identify performance character traits that are necessary to obtain and succeed in projected employment opportunities with businesses in the local area. The bill specifies that such traits include respect, honesty, integrity, task-excellence, responsibility, and resilience. There may be negligible costs to local workforce boards to include traits in their workforce development plans.

The bill eliminates certain state law limits on the Governor's allocation of money received under the "Workforce Investment Act of 1998" (WIA) for adults, dislocated workers, and youth: that the Governor shall reserve not more than 15% of the amounts allocated to the state under the WIA for adults, dislocated workers, and youth for

statewide activities, and not more than 25% of funds allocated for dislocated workers for statewide rapid response activities. As these limits are established in federal law, this provision would appear to have no fiscal effect.

Early childhood care

Type B and limited type B family day care homes

The bill requires that, beginning on January 1, 2014, type B family day care homes and limited type B family day care homes (those providing care to certain relatives or only to children of the same parent) that seek to provide publicly funded child care must be licensed by the Director of Job and Family Services rather than certified by the CDJFS. The bill provides that a certified type B family day care home provider automatically will be issued a type B family day-care home license when the bill's transfer of licensing functions for type B homes from CDJFSs to ODJFS takes place on January 1, 2014. ODJFS must also adopt rules establishing a plan to facilitate the transition.

There may be an increase in administrative costs to either ODJFS or the CDJFSs, depending on who implements the new licensure program. The costs may be offset by an increase in license fee revenue. If ODJFS implements the new licensure program, CDJFSs will experience a decrease in administrative costs and a loss of any certification fee revenue they are collecting as they will no longer be required to certify type B and limited type B family day care homes. ODJFS will also incur minimal administrative costs to adopt rules.

In-home aides

The bill requires ODJFS to reimburse in-home aides – who are individuals that provide publicly funded child care in the child's home – at 75% of the reimbursement ceiling that applies to a type B family day care home. Currently, in-home aides are reimbursed under agency rules at an hourly rate at no less than the minimum wage rate (\$7.70/hr.) and no more than \$8.00/hr. Reimbursement rates for type B homes vary depending on county and the amount of time services are provided in a week: there are rates for full-time weeks (25 hours or more) and part-time weeks (7 to 25 hours) as well as hourly rates (paid up to 7 hours each week). The established rates for type B providers for a given number of hours are generally less than the current hourly rates for in-home aides. Therefore, this provision will result in a decrease in payments to in-home aides and a decrease in expenditures for publicly funded child care.

In FY 2011, the state expended \$611.9 million on publicly funded child care for an average monthly caseload of 107,868. Payments for publicly funded child care are made from the federal Child Care and Development Grants (line item 600617, Child Care Federal), the federal Temporary Assistance to Needy Families Block Grant (line item 600689, TANF Block Grant), and from the GRF (line items 600413, Child Care Match/MOE, and 600535, Early Care and Education).

The bill requires the CDJFS where the home aide resides to request a background check from the Bureau of Criminal Identification and Investigation (BCII) of each home aide that provides publicly funded child care as part of the certification process. This provision codifies current practice under agency rule and therefore has no fiscal effect.

Tiered quality rating and improvement system for child day care centers and providers

The bill extends the tiered quality rating and improvement system (known as Step Up to Quality) to all child day care providers (rather than just child care centers) and requires that all publicly funded child care providers participate in the system by July 1, 2020. There will be additional costs for ODJFS to administer the participation of child care providers, instead of only child care centers, in the program. There could also be an increase in expenditures to pay additional providers of publicly funded child care enhanced rates for meeting Step Up to Quality ratings.

The bill also requires ODJFS to weigh any reductions in reimbursement ceilings more heavily against providers that do not participate in Step Up to Quality *only* if those providers have been given access to participate in Step Up to Quality by ODJFS. While this provision could alter reimbursement ceilings for certain providers, it would likely not affect the aggregate fiscal impact to the state when reimbursement ceilings are reduced for all providers.

Miscellaneous

Reporting data of children younger than compulsory age

ODE maintains the Education Management Information System (EMIS), which is an electronic database of district, school, personnel, and student information used by ODE to administer its programs. EMIS uses a data verification code, also called a statewide student identifier (SSID), to track information about individual students. Using an SSID, instead of the student's name for example, facilitates the collection of the data, while protecting the privacy of the individual student. Generally, an SSID is assigned to a student when the student initially enrolls in a public school in Ohio. The school district or community school where the student initially enrolls is responsible for requesting the SSID. The student then retains that SSID throughout the student's academic career.

Under continuing law, the Director of Health also is required to request an SSID for children younger than school age who are participating in the federal Help Me Grow Program. The bill requires the director of any state agency that administers programs for children who are younger than school age to obtain an SSID for children receiving those services. Additionally, these agencies are required to use the SSID to report data to ODE. These agencies may incur an increase in administrative costs for incorporating the SSID into existing systems and for reporting data to ODE. ODE may also incur an increase in administrative costs for incorporating the additional students into EMIS.

College-preparatory boarding school governance

The bill allows the appointing entity of the board of trustees of college preparatory boarding schools to remove a trustee they appoint at any time. The bill also requires members of the board of trustees to file a disclosure statement with the Ohio Ethics Commission. Any administrative costs incurred for filing board members' statements will likely be absorbed by the Commission.

County DD board employees as members of local governing boards

The bill reinstates a section of law that permits county DD board employees to be members of a governing board of either a political subdivision, including a board of education, or an agency that does not provide specialized services to persons with developmental disabilities. The section also permits a county DD board to contract with that governing board even though its membership includes a county DD board employee. This section of law (R.C. 5126.0222) was repealed in Am. Sub. H.B. 487. There is no fiscal impact to county DD boards or to ODODD from the repeal or the re-enactment of this provision.

STEM schools

The bill permits multiple STEM schools to operate under a single governing body. Specifically, the bill allows any STEM school that operates in this manner to employ a single treasurer and to employ a single chief administrative officer. As a result, these STEM schools may be able to reduce operating costs.

BMI screening

S.B. 210 of the 128th General Assembly requires that school districts, brick and mortar community schools, STEM schools, and chartered nonpublic schools screen students enrolled in kindergarten, third, fifth, and ninth grades for body mass index (BMI) and weight status category (underweight, healthy weight, overweight, or obese) prior to the first day of May of each school year. Schools that determine they are unable to conduct the screening are able to submit an affidavit to ODE attesting to this fact. ODE is required to grant a waiver to the school upon receipt of an affidavit. During the 2010-2011 school year, ODE waived the requirement for approximately 284 school districts, 59 community schools, and 343 chartered nonpublic schools.

The bill retains most of the S.B. 210 provisions related to BMI screenings, except it makes the screenings optional. Schools and ODE may experience a minimal savings in administrative costs and time by not having to request or grant waivers.

Report on eye exams for students with disabilities

The bill requires ODE, by December 31, 2013, to issue a report on the compliance of school districts and community schools with the current law requirement to have students with disabilities undergo a comprehensive eye examination. The report is to include data from the 2012-2013 school year, including the total number of students enrolled in each district or school who were required to undergo an eye exam and the

total number of those students that received the exam. ODE is required to provide copies of the report to the Governor and certain members of the General Assembly. The bill further requires ODE to continue to collect data each year after the report is issued and to annually notify each school district and community school of the current law requirement. ODE may incur annual administrative costs for collecting the data and a one-time administrative cost for issuing the report.

OhioLearns Gateway

Under current law, public school students taking advanced placement or postsecondary courses through the OhioLearns Gateway may receive a fee waiver, if sufficient funds remain available in GRF appropriation item 935409, Technology Operations. The bill expands eligibility for OhioLearns Gateway fee waivers to students of chartered nonpublic schools and students who are instructed at home. The appropriation for this line item is unchanged under the bill, and state and local governments will not experience any additional costs as a result of the provision.

Report cards to student's parent

The bill requires each public school to provide to parents of students enrolling in the school, during the admissions process, a copy of the school's most recent report card. A public school may incur minimal costs for providing the report card to parents of students enrolling in the school.

Report on recommended changes to achievement assessment scoring ranges

Not later than December 31, 2013, the bill requires the State Board of Education to submit to the General Assembly recommended changes to the scoring ranges of the state achievement assessments necessary for the successful implementation of the common core curriculum and assessments in the 2014-2015 school year. This may result in some additional administrative costs to develop the recommendations.

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Ohio Legislative Service Commission

Joseph Rogers and other LSC staff

Fiscal Note & Local Impact Statement

Bill: [Am. Sub. S.B. 337 of the 129th G.A.](#)

Date: June 13, 2012

Status: As Enacted

Sponsor: Sens. Seitz and Smith

Local Impact Statement Procedure Required: Yes

Contents: Collateral sanctions

State Fiscal Highlights

- **Certificate of qualification for employment.** The bill requires the Department of Rehabilitation and Correction (DRC) to coordinate petitions for certificates of qualification for employment from certain individuals subject to collateral sanctions. The processing and consideration of these petitions should not create any significant additional costs for DRC.
- **Criminal record sealing fees.** As a result of the bill, the future size of the pool of persons eligible to apply to the court to have their records sealed will increase and the state treasury would gain \$30 from each \$50 application fee. The amount of additional revenue that could be collected annually is uncertain.
- **Juvenile law.** The bill's various juvenile law changes will have no discernible fiscal effect on the state's Department of Youth Services.
- **Criminal records checks.** The Attorney General's Bureau of Criminal Identification and Investigation will likely experience an increase in the number of requests for criminal background checks, with the revenues generated likely to offset any expenditures incurred. The revenues will be credited to, and the expenditures charged against, the General Reimbursement Fund (Fund 1060).
- **Reinstatement fees.** The bill permits the Registrar of Motor Vehicles to allow a person to pay reinstatement fees in installments. This provision may result in a gain in revenues for the State Bureau of Motor Vehicles Fund (Fund 4W40), as well as any other state fund that receives reinstatement fees. There would also be, however, costs related to administering the program, including programming costs to develop a system to accept and track payments.
- **License suspensions.** The bill eliminates, under certain circumstances, the driver's license suspension that is imposed for failing to respond to a filed accident report, which will result in some loss of license reinstatement fee revenues for the Financial Responsibility Compliance Fund (Fund 8350), which is used by the Department of

Public Safety, and the Indigent Defense Support Fund (Fund 5DY0), which is used by the Public Defender Commission.

Local Fiscal Highlights

- **Courts of common pleas.** There is the potential for courts of common pleas to experience an increase in operating costs related to the processing and consideration of: (1) petitions for certificates of qualification for employment from individuals convicted of certain crimes, (2) hearings for additional requests to seal criminal records, and (3) certain juvenile law matters. It is uncertain whether such increases in court-related operating expenses would exceed minimal in any given county.
 - **Criminal record sealing.** The bill will increase the number of offenders that are eligible to apply for the sealing of their criminal records. There would be a corresponding gain in revenues from the \$50 application fee, of which a county or municipality retains \$20. The number of additional offenders that might apply is uncertain and the revenue gain would help offset the hearing cost.
 - **Paraphernalia charges.** The bill may create a reduction in county and municipal criminal justice system expenditures related to investigating, prosecuting, adjudicating, and sanctioning offenders charged with certain drug paraphernalia offenses, as well as a reduction in the fine revenue collected. The net effect of changes in fine revenue collected compared to the reduction of criminal justice related expenditures in these cases is uncertain.
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Detailed Fiscal Analysis

Certificate of qualification for employment

The bill creates a process by which an individual who is subject to a collateral sanction may petition for a certificate of qualification for employment that would eliminate certain statutory prohibitions on employment or occupational licensing. Petitions for those individuals will initially be filed with the Department of Rehabilitation and Correction (DRC). DRC is tasked with reviewing the petition to determine whether it is complete. If the petition is complete, DRC forwards it and any accompanying materials to the court of common pleas for the county in which the petitioner resides. DRC does not anticipate the need to hire additional personnel to perform these tasks, as existing staff will be allocated to this petition review process as necessary. Thus, the processing of these petitions should not create any significant additional costs for DRC.

The court will review the petition and, if certain criteria are met, may issue the certificate of qualification for employment. If the court denies the petition, the individual may appeal the decision in the court of appeals. While the courts will receive

additional work as a result of the bill, the size of the potential caseload of petitions, and the additional administrative cost to any single jurisdiction, is uncertain.

Feasibility study

The bill requires the Department of Rehabilitation and Correction, in conjunction with the Ohio Judicial Conference, to: (1) conduct a study to determine whether the application process for certificates of qualification for employment is feasible based upon the caseload capacity of DRC and the courts, and (2) submit a report with recommendations to the General Assembly within one year of the bill's effective date. These two state agencies will incur a minimal one-time cost to produce the required study and report.

Sealing criminal records

The bill expands the pool of offenders eligible to have their criminal records sealed. Upon the application to seal a record under current law, the applicant, unless indigent, must pay a \$50 fee. The court forwards \$30 of the fee for deposit in the state treasury to the credit of the General Revenue Fund (GRF), with the balance (\$20) forwarded for deposit in the general revenue fund of the county or municipality as appropriate.

The court must hold hearings to consider any additional applications to have criminal records sealed. There could be a significant number of new requests to have records sealed, which would require more of the court's time as well as an increase in the workload for the relevant probation departments charged with preparing written reports for any new applications. The increase in court-related costs could potentially exceed minimal in certain counties, however when considered in conjunction with the revenue gain from the application fee, the net effect is uncertain.

Drug paraphernalia

The bill decreases the penalty for the illegal use or possession of drug paraphernalia from a fourth degree misdemeanor to a minor misdemeanor if the offender uses or possesses with purpose to use it with marihuana. Approximately 20,000 drug paraphernalia cases occur each year statewide. Many of these charges are filed in conjunction with more serious drug abuse or possession charges. In cases of marihuana possession, the reduction of drug paraphernalia charges to the minor misdemeanor level may not have much, if any, fiscal impact.

In those cases in which the offender is caught with drug paraphernalia related to use with marijuana, the fiscal effect of the reduction in charge could be two-fold. First, there may be a reduction in county and municipal criminal justice system expenditures related to investigating, prosecuting, adjudicating, and sanctioning these offenders. Minor misdemeanors involve a fine and no risk of jail time. Second, there would be a reduction in the fine revenues collected. The maximum fines for a fourth degree misdemeanor and a minor misdemeanor are \$250 and \$150, respectively. The precise magnitude of any change in fine revenues collected is uncertain. The net effect of

changes in fine revenue collected compared to the reduction of criminal justice related expenditures in these cases is also uncertain.

Juvenile law

The bill allows for delinquent children between ages 18 and 21 to be held in facilities other than those operated solely for the confinement of children. This may result in some juvenile offenders being transferred to certain qualified adult facilities. This provision of the bill may involve around 3,000, or 5%, of the annual delinquency cases statewide. There would likely be an increase in juvenile court expenditures related to the processing and adjudication of new petitions for the transfer of youths between these juvenile and adult facilities. Each petition would require a hearing in addition to any cost related to detaining the youths in a juvenile detention facility pending an outcome. It is unclear whether the increase in expenditures for any given juvenile court would exceed minimal, however when combined with other local costs created by the bill, the net effect may exceed the minimal threshold for certain jurisdictions. The bill's various juvenile law changes will have no discernible fiscal effect on the Department of Youth Services.

H.B. 86 sentencing reforms

Amended Substitute House Bill 86 of the 129th General Assembly enacted a comprehensive package of sentencing reforms designed generally to provide alternatives to incarceration in the prison system for certain lower level offenders. In the time since these sentencing reforms were enacted, practitioners in the criminal justice system have realized that certain adjustments, revisions, and clarifications are necessary to better facilitate their implementation. The bill contains a number of these provisions, which do not create any new duties or responsibilities, and will not likely have any discernible fiscal effect on the state or any of its political subdivisions.

Prohibition of licensing preclusions

The bill makes changes to the following regulatory boards to generally prohibit, subject to specified exceptions, the preclusion of individuals from obtaining or renewing licenses, certifications, or permits due to any past criminal history unless the person had committed serious violent crimes or other disqualifying offenses.

Ohio Optical Dispensers Board

The bill removes the requirement that a person be of good moral character to be eligible to apply for an optical dispensing license. The bill requires that the Ohio Optical Dispensers Board adopt rules to establish disqualifying offenses for licensure as a dispensing optician or certification as an apprentice dispensing optician. Additionally, the bill prohibits the Board from doing either of the following due to any past criminal activity or interpretation of moral character of an individual, unless the individual has committed a crime of moral turpitude or a disqualifying offense: (1) adopting, maintaining, renewing, or enforcing any rule that precludes an individual from

receiving or renewing a license as a dispensing optician, or (2) denying certification as an apprentice dispensing optician. However, the bill allows the Board, by majority vote, to refuse to grant a license, to suspend or revoke a license, or to impose fines for licensees convicted of a crime involving moral turpitude or a disqualifying offense. Current law allows the Board to take these actions for a conviction of a felony or a crime of moral turpitude.

According to the Board, licenses have been granted to individuals in the past with criminal backgrounds. Thus, the Board does not anticipate additional licenses or license revenue as a result of the bill. However, if any additional licenses were granted, there would be a gain in fee revenue and a subsequent increase in administrative costs. Any additional fee revenue collected will be deposited in the Occupational Licensing and Regulatory Fund (Fund 4K90). The Board will realize a minimal one-time increase in administrative costs to promulgate rules.

Hearing Aid Dealers and Fitters Licensing Board

The bill changes a requirement for applicants applying for licensure as a hearing aid dealer or fitter or for a trainee permit. The bill changes the requirement that a person be of good moral character to be eligible to apply for licensure to the applicant not having committed a disqualifying offense or crime of moral turpitude. The bill requires that the Hearing Aid Dealers and Fitters Licensing Board adopt rules to establish disqualifying offenses for licensure. Additionally, the bill prohibits the Board from doing either of the following due to any past criminal activity or interpretation of moral character, unless the individual has committed a crime of moral turpitude or a disqualifying offense: (1) adopting, maintaining, renewing, or enforcing any rule that precludes an individual from receiving or renewing a license; or (2) denying a hearing aid dealer's and fitter's trainee permit. However, the bill allows the Board to revoke or suspend a license for licensees convicted of a crime involving moral turpitude or a disqualifying offense. Current law allows this disciplinary action if a person is convicted of a felony or a misdemeanor involving moral turpitude.

As a result of the bill, additional licenses may be granted by the Board. If this occurs, there would be a gain in fee revenue and a subsequent increase in administrative costs. Any additional fee revenue collected will be deposited in the General Operating Fund (Fund 4700). The Board will realize a minimal onetime increase in administrative costs to promulgate rules.

State Board of Cosmetology

The bill prohibits the Board from denying a license based on a prior conviction or incarceration. The Board currently grants licenses to many qualified individuals regardless of their previous criminal history. Since the bill largely codifies existing practice, there is no fiscal effect. The bill also specifically requires the Board to assist ex-offenders and military veterans who hold cosmetology licenses to find employment. This latter requirement could minimally increase administrative costs related to

assisting licensees in their job search, costs that would be covered by money appropriated from the Occupational Licensing and Regulatory Fund (Fund 4K90).

Department of Public Safety

The bill requires the Registrar of Motor Vehicles, with regard to motor vehicle salvage dealers, motor vehicle auctions, and salvage motor vehicle pools, and the Director of Public Safety, with regard to private investigators and security guards, to prohibit the preclusion of individuals from obtaining or renewing such licenses, certifications, or permits due to any past criminal history unless the individual had committed a crime of moral turpitude or a disqualifying offense. This could result in a gain in revenues related to licensing fees, but it is unlikely that any gain in revenues would exceed minimal annually.

Construction Industry Licensing Board

The bill prohibits the Construction Industry Licensing Board from denying the issuance of a license to a qualified applicant based on a prior conviction or incarceration. The Board would likely grant a few more licenses annually, and would also generate a minimal amount of additional revenue stemming from the fees charged for examination applications and the issuance of the license. Any such additional revenue would be deposited in the state treasury and credited to Fund 5560, the Labor Operating Fund, which is used to pay the administrative costs related to the issuance and renewal of commercial contracting licenses.

Office of the Attorney General

The bill requires that any licensing agency obtain criminal records checks on applicants seeking a professional license. The Attorney General's Bureau of Criminal Identification and Investigation (BCII) charges \$22 to perform a state criminal records check and an additional \$24 for the FBI to perform a federal criminal records check. These charges will offset BCII's cost of performing the background checks. The revenue will be deposited to the credit of the General Reimbursement Fund (Fund 1060). While the licensing agency will be responsible for initially paying the fee, the licensing applicant is required to remit reimbursement to the agency.

Child support

The bill prohibits a court from determining that a parent is voluntarily unemployed or underemployed and from imputing income to that parent if the parent is incarcerated or institutionalized for a period of 12 months or more with no other available assets. However, this requirement does not apply if the parent is incarcerated for an offense relating to the abuse or neglect of a child who is the subject of the support order or a criminal offense when the obligee or a child who is the subject of the support order is a victim of the offense. Further, it does not apply if its application would be unjust, inappropriate, and not in the best interest of the child.

Under current law, the court or child support enforcement agency (CSEA), in determining imputed income, is required to consider a number of factors, including the parent's prior employment experience, education, mental and physical disabilities, the availability of employment in the area, the prevailing wage and salary levels in the area, the parent's special skills and training, whether there is evidence that the parent has the ability to earn the income, the age and special needs of the child for whom support is being calculated, and the parent's increased earning capacity because of experience. The bill includes as an additional enumerated factor the parent's decreased earning capacity because of a prior felony conviction.

The bill also adds that a court or CSEA may disregard a parent's additional income from overtime or additional employment when the court or CSEA finds that the additional income was generated primarily to support a new or additional family member or members, or under other appropriate circumstances.

Finally, the bill provides that if both parents involved in the immediate child support determination have a prior order for support for a minor child or children born to both parents, the court or CSEA must collect information about the existing order or orders and consider those together with the current calculation for support to ensure that the total of all orders for all children of the parties does not exceed the amount that would have been ordered if all children were addressed in a single judicial or administrative proceeding.

According to a spokesperson for the Ohio CSEA Directors' Association, all of these child support provisions will likely have a minimal fiscal impact on CSEAs and courts.

Bureau of Motor Vehicles

Installment payment plan for license reinstatement fees

The bill permits the Registrar of Motor Vehicles, with the approval of the Director of Public Safety, to adopt rules that permit a person to pay reinstatement fees in installments. This provision may result in a long-term gain in revenues (although possibly a short-term loss as a result of people choosing to make installment payments rather than paying the whole reinstatement fee at one time) for the State Bureau of Motor Vehicles Fund (Fund 4W40), as well as the other funds that receive reinstatement fees, as it would likely encourage more people to pay their reinstatement fees since they would be able to pay them off over time as opposed to one lump sum. The other funds that receive reinstatement fees include the Financial Responsibility Compliance Fund (Fund 8350), the Indigent Drivers Interlock and Alcohol Monitoring Fund (Fund 5FF0), the Trauma and EMS Grants Fund (Fund 83P0), the Statewide Treatment and Prevention Fund (Fund 4750), the Repairs Fund (Fund 4020), the Drug Abuse Resistance Education Fund (Fund 4L60), the Rehabilitation Services Commission Fund (Fund 4L10), and the Indigent Defense Support Fund (Fund 5DY0).

According to the Department of Public Safety, this provision may also result in an increase in one-time and ongoing administrative expenditures, likely from Fund 4W40. The costs would include a major programming effort to develop a system to accept payments, track timeliness of payments, re-suspend drivers for failing to make payments, etc. The Department may also need an increase in staff to monitor these cases and the additional payments created by an installment plan.

License suspensions

The bill eliminates the requirement that the Registrar suspend the driver's license of any person who is named in a motor vehicle accident report that alleges that the person was uninsured at the time of the accident and the person then fails to give to the Registrar acceptable proof of financial responsibility. Under current law, the fee required to reinstate a license suspended for this reason is split between the Financial Responsibility Compliance Fund (Fund 8350), which is used by the Department of Public Safety, and the Indigent Defense Support Fund (Fund 5DY0), which is used by the Public Defender Commission. Thus, as a result of the bill's elimination of this currently required license suspension, these two state funds will lose some amount of license reinstatement fee revenue.

Feasibility study of establishing a one-time amnesty program

The bill also requires the Department of Public Safety to conduct an advisability and feasibility study of establishing a one-time amnesty program for the payment of fees and fines owed by persons who have been convicted of motor vehicle traffic and equipment offenses or have had their driver's license, commercial driver's license, or temporary instruction permit suspended for any reason, and to issue a report on the study no later than six months after the effective date of the bill. This provision would result in a one-time increase in expenditures in order to conduct the study and issue a final report.

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Ohio Legislative Service Commission

Ruhaiza Ridzwan

Fiscal Note & Local Impact Statement

Bill: Sub. S.B. 340 of the 129th G.A.

Date: September 12, 2012

Status: As Enacted

Sponsor: Sens. Niehaus and Kearney

Local Impact Statement Procedure Required: Yes

Contents: To make changes to the law governing the Ohio Police and Fire Pension Fund

State Fiscal Highlights

- The provision that increases employee contribution rates for members participating in the Ohio Police and Fire Pension Fund (OP&F) would reduce personal income tax (PIT) receipts beginning in FY 2014. An employee's contributions that are withheld from the employee's paycheck and paid to the system are not taxable currently. Thus, the provision would reduce PIT receipts for several years, by an amount increasing over three years as the rate increases are phased in, to approximately \$1.6 million per year starting in FY 2016. The state GRF would bear \$1.5 million of such revenue loss while the Local Government Fund (LGF) and Public Library Fund (PLF) (combined) would bear \$0.1 million annually.¹⁷ However, after November 1, 2017, the magnitude of such revenue loss would depend on OP&F Board decisions regarding adjustments to the contribution rate.
- Most provisions would decrease OP&F's future pension benefit expenditures, thereby generating savings for the system. Few if any state employees are members of OP&F. If any state employees are members the resulting decrease in liabilities is likely to decrease future state spending to provide retirement benefits to those employees, contingent on an actuary's determination that the savings are sufficient to reduce contribution rates. Due to this contingency, LSC staff consider any such fiscal effects to be indirect.

¹⁷ Under current law, beginning in FY 2014 transfers to the LGF and PLF will be based on a fixed percentage as determined by the Tax Commissioner not later than July 5, 2013. The percentage will be based on the amount transferred to each fund in FY 2013 as a percentage of total GRF tax revenues in FY 2013. In FY 2014, total distribution to the LGF and the PLF is estimated to be about 3.3% of total GRF tax revenue.

Local Fiscal Highlights

- The provision that increases employee contribution rates for members participating in the Ohio Police and Fire Pension Fund (OP&F) would reduce PIT receipts beginning in FY 2014. The Local Government Fund (LGF) and Public Library Fund (PLF) (combined) would bear a loss of \$0.1 million annually. However, after November 1, 2017, the magnitude of such revenue loss would depend on OP&F Board decisions regarding adjustments to the contribution rate.
 - The provision that increases employee contribution rates would also decrease school district income taxes, for those school districts that impose them and in which members of the OP&F reside. This occurs for the same reason as the reduction in the state personal income tax.
 - The provision that increases the frequency for remitting employer contributions to the OP&F to monthly rather than quarterly may minimally increase administrative costs for local government employers affected by the provision.
 - Employees of municipalities, counties, and townships typically are members of either the Public Employee Retirement System (PERS) or OP&F.
 - Most provisions would decrease future OP&F pension benefit expenditures, thereby generating savings for the system. The resulting decrease in liabilities is likely to decrease municipalities', counties', and townships' future spending to provide retirement benefits to employees, contingent on an actuary's determination that the savings are sufficient to reduce contribution rates. Due to this contingency, LSC staff consider any such fiscal effects to be indirect.
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Detailed Fiscal Analysis

The bill makes various changes to the law governing the Ohio Police and Fire Pension Fund (OP&F). Most of the provisions have no significant direct fiscal effect on the state and local governments. However, the provision that increases employee contribution rates for members participating in OP&F would reduce receipts from the state personal income tax and from school district income taxes, as described in more detail below.

At a given point in time, state and local contributions to the retirement systems are based on the size of their respective payrolls, which are multiplied by a contribution rate determined by an actuary; for example, the employer contribution rate under OP&F is currently 19.5% for each police officer and 24.0% for each firefighter, and is unchanged by the bill. The bill's provisions generally create savings for the OP&F, and it is likely that those savings will reduce future required contribution rates, but any such reduction is contingent on an actuary's determination. Because of the contingent nature of the savings to the state and to political subdivisions, LSC staff consider such fiscal effects to be indirect.

The LSC bill analysis provides a detailed description of this bill. The following are provisions that have a fiscal effect on the state or on political subdivisions, or a major fiscal effect on the retirement system.

- Increases police officer and firefighter contributions by increments from 10% to 12.25% of salary beginning with the payroll period starting July 2, 2013. Allows the OP&F Board, by rule, to adjust member contribution rates beginning on November 1, 2017, and each quinquennial period thereafter, if the Board's actuary determines that an adjustment is necessary to meet the Board's funding requirements.
- Modifies age and service retirement benefit eligibility criteria for OP&F members hired on or after July 2, 2013. Increases the age requirement for an unreduced retirement benefit with 25 years of service to age 52, rather than 48. Establishes an early (reduced) retirement benefit for members with 25 years of service credit and age 48.
- Authorizes the Board, by rule, to adjust age and service requirements to receive a pension or benefit beginning on November 1, 2017, and quinquennial period thereafter, if the Board's actuary determines that an adjustment is necessary to meet the Board's funding requirements.
- Provides that, in calculating average annual salary (AAS), five years (rather than three) is to be used for members who have less than 15 years of active service on July 2, 2013. Allows the Board to determine what constitutes salary and terminal pay in determining contributions and AAS.
- Delays eligibility for a cost-of-living adjustment (COLA) for a retirement pension or disability benefit recipient.
- Requires that members electing on or after July 2, 2013 to participate in the deferred retirement option plan (DROP) must participate in the plan for five years (rather than three).
- Revises disability benefits coverage and eligibility.
- Requires certain Board reports to be completed triennially (rather than annually).
- Increases the frequency for remitting employer contributions to OP&F to monthly rather than quarterly. The new remittance schedule is effective for payrolls paid on or after the 91st day after the bill's effective date. Allows employers to remit employer contributions, between the effective date of the bill and 90 days after that date, in three installments (one-third each on December 31, of 2013, 2014, and 2015).
- Allows the OP&F Board to ask the Director of Budget and Management to withhold any funds under the director's control that are payable or due to

a public employer, who is delinquent on its liability, and pay the amount withheld to the OP&F.

- Specifies that all provisions in the bill will take effect on January 7, 2013, except for the provisions authorizing the OP&F Board to modify age and years of service credit requirements and employee contribution rates (effective 180 days after the bill's effective date).

Fiscal impact

State and local governments

The provisions that increase employee contribution rates for members participating in OP&F would reduce receipts from the state PIT and from school district income taxes, if the local employer treats such contributions as a salary reduction employer pick-up plan (as the state does under PERS, for example). Table 1 shows proposed member contribution rates and the amount of member contributions. Employees' contributions that are withheld from such employees' paychecks and paid to the retirement system are treated as tax deferred, and thus not taxable income currently. Any increase in employee contribution rates would correspondingly increase total amounts of payroll that are not taxed currently, thereby decreasing income tax receipts.

Using member contributions in Table 1, the estimated amount of payroll that would effectively shift from taxable to nontaxable would be up to \$13.2 million in the first year, increasing each year to up to \$39.6 million per year starting in the third year. Assuming a marginal tax rate of 4.109%,¹⁸ state PIT revenue would decrease by up to \$1.6 million per year after three years. The state GRF would bear up to \$1.5 million of such revenue loss while the LGF and the PLF (combined) would bear about \$0.1 million. Any revenue loss to the LGF and PLF would subsequently reduce the allocations to various local government entities (counties, municipalities, and townships). The provision would also decrease school districts' income tax receipts for those school districts that impose them due to the reduction in Ohio taxable income (which is the tax base of the school district income tax). However, after November 1, 2017, the magnitude of such revenue loss would depend on OP&F Board decisions regarding contribution rate adjustments.

System	Current Member Contribution Rate	Member Contributions (\$ in millions)	Proposed Contribution Rates
OP&F	10.0%	\$175.5	12.25% (increases phased in by 0.75% per year, over three years, beginning on July 1, 2013)

¹⁸ According to data from the most recent OP&F report, the average member's salary is \$66,525 annually.

¹⁹ Amounts for OP&F are as of December 31, 2010.

Table 2: Estimated Revenue Loss, by Fiscal Year			
	FY 2014 (\$ in millions)	FY 2015 (\$ in millions)	FY 2016 (\$ in millions)
PIT revenue loss	\$0.54	\$1.08	\$1.62
GRF revenue loss	\$0.52	\$1.04	\$1.56
LGF and PLF revenue loss	\$0.02	\$0.04	\$0.06

Most of the bill's provisions would have no direct fiscal impact on the state, local governments, and school districts because the bill does not make any changes to employers' contribution rates. Thus, the bill would not directly affect the state's, local governments', and school districts' retirement costs. Retirement benefits for a public employee are funded by a combination of employees' and employers' contributions and investment earnings on those contributions.²⁰ Employee and employer contribution rates are based on a set percentage of employees' payroll. The rates are determined by an actuary as the percentage necessary to fully fund benefit amounts over time, but limited to the maximum rates specified in the Revised Code.²¹

Many of the bill's provisions would decrease OP&F liabilities. By doing so, those provisions would likely permit an actuary to determine, at some point, that employer contribution rates could be reduced, thereby decreasing future costs for municipalities, counties, and townships (and possibly the state). LSC does not employ an actuary, and does not have access to employee-level data with which to estimate the likely magnitude and timing of any such reduction in contribution rates. Also, due to the fact that such reductions are contingent on an actuary's analysis and determination, LSC would consider such reductions to be indirect fiscal effects.

The provision that increases the frequency for remitting employer contributions to OP&F to monthly, rather than quarterly, will decrease local governments' monthly cash flow that may be used for investment or other purposes before the employer contributions are remitted to OP&F. However, the estimated amount of forgone revenue from earnings on investment will depend on several factors, including the amount of funds available for investment and interest rates on the investment. The provisions may also increase local governments' expenditures if they fail to pay the contributions on time, due to penalties that OP&F is required to assess for late payments. The provision would have no fiscal impact on the state because state employees and employers do not contribute to OP&F.

²⁰ In general, investment earnings account for about two-thirds of total revenues to pay for retirement benefits. Thus, investment returns have a significant and direct impact on future contribution rates.

²¹ Currently, a portion of an employer's contributions is used to fund retirees' optional health benefits provided by the systems.

OP&F liabilities

The majority of the bill's provisions, when they begin to take effect, would decrease future OP&F pension benefit expenditures. This in turn would decrease OP&F pension liabilities and the number of years to amortize its unfunded actuarial accrued liabilities (UAAL). A UAAL occurs when the value of the actuarial accrued liabilities exceeds the value of assets. UAAL is calculated by an actuary based on various economic and actuarial assumptions. Because the bill would require OP&F to increase employee contributions, thereby increasing assets over time, the bill provides two approaches to reducing the OP&F UAAL.

Buck Consultants, an actuarial firm hired by OP&F, conducted an actuarial analysis of one of the OP&F 30-year funding plans,²² reporting the results on February 8, 2011. That plan was very similar to the provisions of S.B. 340, with the most significant differences having to do with timing of implementation.²³ Buck Consultants estimated that the plan would reduce employer contributions by 7.72% of payroll as compared with current law, and that the OP&F pension funding period would be within the 30-year funding requirement (assuming all actuarial assumptions were met and the system reduced the allocation of employer and employee contribution rates to fund health care from 6.75% to 4.69%). A more recent analysis by Pension Trustee Advisors, dated July 12, 2012, generally agreed with the Buck Consultants analysis, but found that due to subsequent developments (primarily subsequent investment performance below the assumed level, and the delay in increasing employee contribution rates), the UAAL would not be amortized within the required 30 years. The latter analysis was based on an actuarial report for OP&F as of January 1, 2011, while the original Buck Consultants analysis was based on the January 1, 2010 actuarial report.

Table 3 presents OP&F financial data as of January 1, 2011, the most recent actuarial valuation available. The bill may also increase OP&F's administrative costs, however, any potential cost due to the bill would be offset by savings realized by the system.

²² The Revised Code specifies that in any year a system's funding period exceeds the 30-year requirement, the system is required to submit a report to the Ohio Retirement Study Council outlining its plans to comply with the 30-year funding requirement. The "funding period" is the number of years needed to fully amortize pension liabilities.

²³ Most notably, the earlier plan provided for increases in employee contribution rates phased in from 2012 to 2014, while the bill phases in the increase from FY 2014 to FY 2016.

Table 3: OP&F Financial Data			
System	UAAL (\$ in millions)	Funded Ratio²⁴	Funding Period for Pension
OP&F (as of 1/1/2011)	\$4,703.4	69.4%	Infinite

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²⁴ A funded ratio represents ratio of assets to actuarial accrued liabilities, and is an indicator of the fiscal strength of a retirement system, i.e., its ability to pay benefits when due.



Ohio Legislative Service Commission

Ruhaiza Ridzwan

Fiscal Note & Local Impact Statement

Bill: Sub. S.B. 342 of the 129th G.A.

Date: September 12, 2012

Status: As Enacted

Sponsor: Sens. Niehaus and Kearney

Local Impact Statement Procedure Required: Yes

Contents: To make changes to the law governing the State Teachers Retirement System

State Fiscal Highlights

- The provision that increases employee contribution rates to up to 14% for members participating in the State Teachers Retirement System (STRS) would reduce personal income tax receipts. An employee's contributions that are withheld from the employee's paycheck and paid to STRS are not taxable currently. Thus, this provision would reduce personal income tax (PIT) receipts for several years, by an amount increasing over four years as the rate increases are phased in beginning with compensation earned on July 1, 2013, to approximately \$18.6 million per year starting in the fourth year. The GRF would bear \$18.0 million of this revenue loss beginning in FY 2017. The decrease to PIT receipts would also reduce the amount distributed to the Local Government Fund (LGF) and the Public Library Fund (PLF) by approximately \$0.6 million.²⁵
- Approximately 1.5% of state employees are members of STRS (about 96% are members of the Public Employees Retirement System, and the remaining 2.5% are members in the Highway Patrol Retirement System).
- Most provisions would decrease future STRS pension benefit expenditures, thereby generating savings for the system. The resulting decrease in liabilities is likely to decrease future state spending to provide retirement benefits to employees, contingent on an actuary's determination that the savings are sufficient to reduce contribution rates. Due to this contingency, LSC staff consider any such fiscal effects to be indirect.

²⁵ Under current law, beginning in FY 2014, transfers to the LGF and PLF will be based on a fixed percentage of GRF tax receipts as determined by the Tax Commissioner not later than July 5, 2013. The percentage will be based on the amount transferred to each fund in FY 2013 as a percentage of total GRF tax revenues in FY 2013. In FY 2014, total distribution to the LGF and the PLF is estimated to be about 3.3% of total GRF tax revenue.

Local Fiscal Highlights

- The provision that increases employee contribution rates for members participating in STRS would reduce state personal income tax receipts. The amount of the reduction would increase over the four-year phase-in period, to approximately \$18.6 million per year starting in FY 2017. The state GRF would bear most of the revenue loss, which would begin in FY 2014. Any decrease to the personal income tax would also reduce the amount distributed to the LGF and the PLF, subsequently reducing the allocations to various local government entities. The combined revenue loss to these two funds would grow to about \$0.6 million in FY 2017.
 - The provision that increases employee contribution rates for STRS would also decrease school district income taxes, for those school districts that impose them and in which STRS members reside. This occurs for the same reason as the reduction in the state personal income tax.
 - Most school districts' employees are members of STRS or the School Employees Retirement System (SERS).
 - Most provisions would decrease future STRS pension benefit expenditures, thereby generating savings for the system. The resulting decrease in liabilities is likely to decrease local governments' spending to provide retirement benefits to employees, contingent on an actuary's determination that the savings are sufficient to reduce contribution rates. Due to this contingency, LSC staff consider any such fiscal effects to be indirect.
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Detailed Fiscal Analysis

The bill makes various changes to the law governing the State Teachers Retirement System (STRS). Most of the provisions have no significant direct fiscal effect on the state and local governments. At a given point in time, state and local contributions to STRS are based on the size of their respective payrolls, which are multiplied by a contribution rate determined by an actuary; for example, the employer contribution rate under STRS is currently 14%.

The bill's provisions generally create savings for STRS, and it is likely that those savings will reduce future required contribution rates compared with what the contribution rates would be under current law,²⁶ but any such reduction is contingent on an actuary's determination. Because of the contingent nature of the savings to the state and to political subdivisions, LSC staff consider such fiscal effects to be indirect. However, some provisions requiring public employers to comply with certain

²⁶ This statement does not necessarily imply an actual decrease in contribution rates. It would also describe, for example, a scenario in which an actuary determined that the rate needed to be increased by one-half percentage point under the bill's provisions, when it would have needed to be increased by a full percentage point under current law.

administrative requirements may minimally increase the state and local governments' administrative costs.

The LSC bill analysis provides a detailed description of the bill. The following are provisions that have a fiscal effect on the state or on political subdivisions, or a major fiscal effect on STRS.

- Increases member contributions by 1% of salary per year beginning with compensation earned on July 1, 2013, to a total increase of 4% on July 1, 2016. Currently, STRS Ohio members pay 10% of their salaries to STRS. Provides that the STRS Board may reduce member contribution rates to less than 14% after July 1, 2017, upon its actuary's determination.
- Revises age and service retirement benefit eligibility criteria for STRS members to retire with unreduced benefits beginning August 1, 2015.²⁷ Phases in over several years the requirement for an unreduced retirement benefit from 30 to 35 years of service credit and increases the requirement for early retirement with a reduced benefit from 25 to 30 years of service credit at age 55.
- Increases the number of years used to determine final average salary (FAS), used to calculate a member's benefit, from three to five, beginning August 1, 2015.
- Reduces the benefit multiplier to 2.2% of FAS for each year of service credit beyond 30 years, instead of 2.5% plus an amount increasing by 0.1% of FAS for each year beyond 30, beginning August 1, 2015.
- Eliminates the \$86 minimum benefit calculation and the commuted service calculation, which is an alternative to the FAS method of calculating a retirement allowance effective July 1, 2013.
- Reduces the annual cost-of-living adjustment (COLA) from 3% to 2% effective August 1, 2013. Increases to five years, from one year, the time that must pass before the first COLA is granted unless the allowance or benefit was immediately preceded by a disability benefit that was terminated.
- Specifies that no COLAs will be granted from July 1, 2013, through June 30, 2014, to persons retiring prior to July 1, 2013, or until July 1, 2015, to persons retiring on or after July 1, 2013.²⁸
- Modifies disability and survivor benefits coverage and eligibility requirements for such benefits.
- Revises a member's eligibility and increases the cost to purchase certain service credit. Generally, requires a member or former member who purchases certain credit to pay an amount equal to 100% of the additional liability resulting from the additional credit.

²⁷ The bill allows an STRS member who under current law would be eligible to retire on July 1, 2015 to retire on or after August 1, 2015 under current law's eligibility and benefit provisions.

²⁸ The bill includes a statement of the General Assembly's intention related to COLA changes.

- Excludes certain amounts paid to a teacher by an employer as a payment from compensation for the purpose of STRS contributions and benefits.
- Creates a health care fund, to which amounts allocated by the STRS Board for health care and any earnings are to be credited. Specifies that, if STRS discontinues health care coverage, any remaining surplus funds are to be distributed to employers who have contributed to the health care fund.
- Permits, rather than requires, the STRS Board to reimburse Medicare Part B premiums to benefit recipients and provides that reimbursement may be made only to recipients who are "enrolled in" Medicare Part B.
- Subjects certain retirees who are re-employed in positions covered by STRS to the two-month forfeiture of benefits.
- Permits, rather than requires, STRS to transfer the "mitigating rate" to the STRS defined benefit plan. Under existing law, a percentage of employer contributions made on behalf of STRS defined contribution plan participants, known as the mitigating rate, will be redirected to the defined benefit plan to compensate for any negative financial impact due to such members' participation under the defined contribution plans.
- Requires the Ohio Retirement Study Council (ORSC) to study and make recommendations on the STRS Board's authority to (1) reduce the employee contribution rate to less than 14% for compensation earned on or after July 1, 2017, (2) adjust retirement eligibility requirements, and (3) adjust the COLA. Directs ORSC to prepare and submit a report of such study to the Senate President and House Speaker within 90 days after the bill's effective date.
- Specifies that most provisions in the bill will take effect on January 7, 2013.

Fiscal impact

State and local governments

The provision that increases employee contribution rates to up to 14% for members participating in STRS would reduce receipts from the state personal income tax and from school district income taxes. Table 1 shows STRS proposed member contribution rates and the amount of member contributions in FY 2011, the latest data available. Employees' contributions that are withheld from such employees' paychecks and paid to STRS are treated as tax deferred, and thus not taxable income currently. Any increase in employee contribution rates would correspondingly increase total amounts of payroll that are not taxed currently, thereby decreasing state personal income tax receipts. The state GRF would bear most of any such revenue loss. Any reduction in state personal income tax receipts would also decrease the amount distributed to the Local Government Fund (LGF) and Public Library Fund (PLF), subsequently reducing the allocations to various local government entities.

Using member contributions in Table 1 below, the estimated amount of payroll that would effectively shift from taxable to nontaxable would be up to \$113.0 million in the first year, increasing each year to up to \$452.0 million per year starting in the fourth year. Assuming a marginal tax rate of 4.109%,²⁹ state personal income tax revenue would decrease by up to \$18.6 million per year after four years. The state GRF would bear up to \$18.0 million of such revenue loss while the LGF and the PLF (combined) would bear about \$0.6 million annually.³⁰

Any revenue loss to the LGF and PLF would subsequently reduce the allocations to various local government entities. Because school district income taxes are determined starting with Ohio Taxable Income, the provision would also decrease school districts' income tax receipts.

Table 1: Proposed STRS Employee Contribution Rates			
System	2012 Member Contribution Rate	Member Contributions as of July 1, 2011 (\$ in millions)	Proposed Contribution Rates
STRS	10.0%	\$1,129.9 ³¹	14.0% (increases phased in by 1% per fiscal year, over four years, beginning July 1, 2013)

Table 2: Estimated Revenue Loss, by Fiscal Year				
	FY 2014 (\$ in millions)	FY 2015 (\$ in millions)	FY 2016 (\$ in millions)	FY 2017 (\$ in millions)
PIT revenue loss	\$4.64	\$9.28	\$13.92	\$18.56
GRF revenue loss	\$4.49	\$8.98	\$13.47	\$17.96
LGF and PLF revenue loss	\$0.15	\$0.30	\$0.45	\$0.60

Most of the provisions would have no direct fiscal impact on the state, local governments, and school districts because the bill does not make any changes to employers' contribution rates. Thus, the bill would not directly affect the state's, local governments', and school districts' retirement costs. Retirement benefits for a public employee are funded by a combination of employees' and employers' contributions and investment earnings on those contributions.³² Employee and employer contribution

²⁹ According to data from the most recent STRS annual report, the average member's salary was \$54,018 annually.

³⁰ Under existing law, the amounts of total GRF revenue that will be allocated to the LGF and the PLF after the current biennium would be based on the ratio of LGF distributions to total GRF tax revenue in FY 2013 and the ratio of PLF distributions to total GRF tax revenue in FY 2013, respectively. In FY 2014, total distribution to the LGF and the PLF is estimated to be about 3.3% of total GRF tax revenue.

³¹ In FY 2011, defined benefit (DB) members contributed a total of \$1,081.96 million while defined contribution (DC) members contributed a total of \$47.9 million.

³² In general, investment earnings account for about two-thirds of total revenues to pay for retirement benefits. Thus, investment returns have a significant and direct impact on future contribution rates.

rates are based on a set percentage of employees' payroll. The rates are determined by an actuary as the percentage necessary to fully fund benefit amounts over time, but limited to the maximum rates specified in the Revised Code. In 2012, an employee pays 10% while the employer contributes 14%³³ of payroll into STRS.

Many of the bill's provisions would decrease STRS liabilities. By doing so, those provisions would likely permit an actuary to determine, at some point, that employer contribution rates could be reduced, thereby decreasing future costs for the state and political subdivisions. LSC does not employ an actuary, and does not have access to employee-level data with which to estimate the likely magnitude and timing of any such reduction in contribution rates. Also, due to the fact that such reductions are contingent on an actuary's analysis and determination, LSC would consider such reductions to be indirect fiscal effects.

According to an ORSC staff member, the provision requiring ORSC to study, make recommendations, and prepare a report related to certain authority that the bill grants to the STRS Board would have no significant fiscal impact on the ORSC. The ORSC is funded by a portion of investment earnings made on the assets of the five state retirement systems.

STRS liabilities

The majority of the bill's provisions, when they begin to take effect, would decrease future STRS pension benefit expenditures. This in turn would decrease STRS pension liabilities and the number of years to amortize their unfunded actuarial accrued liabilities (UAAL). A UAAL occurs when the value of the actuarial accrued liabilities exceeds the value of assets. UAAL is calculated by an actuary based on various economic and actuarial assumptions. The bill would require increased employee contributions. Thus, the bill would improve the long-term funding status of STRS. Under current law, STRS is required to amortize its UAAL over a period not to exceed 30 years.³⁴

Based on the STRS actuarial valuation as of July 1, 2011, the actuarial value of net assets set aside to pay its defined benefit (DB) plan benefits (excluding health care assets) was \$58.1 billion. STRS's UAAL for its DB plan was \$40.6 billion, which corresponded to a 58.8% funded ratio. A funded ratio is the ratio of a retirement system's assets to its actuarial accrued liabilities, and is a measure of its financial health (i.e., its ability to pay benefits when due). The valuation results indicated that the STRS DB plan had an infinite funding period,³⁵ which means that STRS total contributions of 24% of payroll will not be able to amortize its UAAL, unless changes are made. The bill

³³ A portion of the employer's contributions is used to pay for optional health benefits provided by STRS.

³⁴ The Revised Code specifies that in any year a system's funding period exceeds the 30-year requirement, the system is required to submit a report to the Ohio Retirement Study Council outlining its plans to comply with the 30-year funding requirement.

³⁵ Funding period represents the number of years needed to fully amortize a plan's pension liabilities.

may also increase STRS's administrative costs, however, any potential cost due to the bill would be offset by savings realized by the system.

According to an actuarial analysis dated May 10, 2012 and prepared by an STRS actuary, PricewaterhouseCoopers, the proposed changes under S.B. 342 (As Introduced) would decrease the STRS funding period to 36 years (from infinity). The analysis is calculated based on July 1, 2011 valuation results and data. The assumptions and methods used in the analysis are based on the results of a three-year experience study ending June 30, 2011, with some modifications to retirement patterns and interest rate assumption of 7.75% per year compounded annually and net of expenses. PricewaterhouseCoopers estimated that the STRS funding period would decrease to 21 years by July 1, 2014 if assets earn a compounded 7.75% annual rate of return and all other assumptions are met as expected.

A study prepared by Pension Trustee Advisors (PTA) dated July 2012 found the bill's provisions would reduce total employer normal cost by 10.84 percentage points (including a 4.31 percentage point decline in the employer normal cost rate and a 6.53 percentage point decline in the UAAL amortization rate), compared to the amount needed to accomplish a 30-year amortization under current law.³⁶ The 10.84 percentage point decline is not from the current 14.0% employer contribution rate, which would not amortize the UAAL within 30 years; it is from the 30.10% rate that would be needed to amortize the UAAL within 30 years under the current program. The PTA study concluded that, while the 30-year funding requirement would not be met initially under the bill's provisions, it would be met by 2016. In order to meet the 30-year funding requirement immediately, the employer contribution would have to be 19.26% (which equals 30.10% minus 10.84%) instead of the current 14.0%.

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³⁶ Normal cost expresses pension costs as a percentage of payroll, so the estimate implies that an employer's pension costs would be reduced by 10.84% of its payroll.

Appendix

All House Bills Enacted in 2012

House Bill	LIS Required?	Subject
14	No	Removes the term "pit bull" from the definition of a vicious dog and establishes a process for the determination and handling of "nuisance," "dangerous," or "vicious" dogs
18	Yes	Authorizes state grants to a business that moves into a vacant facility and increases payroll
20	No	Expands the offense of intimidation of an attorney, victim, or witness in a criminal case
27	No	Modifies the adult guardianship law
32	No	Exempts certain plans and measurements relating to household or small flow on-site sewage treatment systems from the Professional Engineers and Surveyors Law
48	No	Makes certain changes to the law governing corporations
50	No	Creates a municipal income tax exemption that applies under certain circumstances under expedited Type II annexation procedures, and modifies parts of the New Community Authority Law
62	No	Increases the penalty for assaulting specified hospital and justice system personnel
66	No	Requires the Auditor of State to establish a fraud reporting system for filing anonymous complaints of fraud and misuse of public funds by public offices
99	No	Establishes a texting while driving ban
116	No	Requires public school bullying policies to prohibit bullying by electronic means, requires age appropriate instruction on, and parental notification of, the bullying policies, and makes other changes
143	No	Addresses concussions and head injuries in practices for and competition in interscholastic athletics and athletic activities involving youth sports organizations
148	No	Designates March as "Macular Degeneration Awareness Month"
152	No	Exempts from regulations of the Ohio Athletic Commission a boxing, karate, or wrestling event or exhibition conducted under the supervision of the Fraternal Order of Police, the Ohio Association of Professional Firefighters, or the Northern Ohio Firefighters, if the proceeds benefit a charitable organization
158	No	Specifies limits on local zoning of amateur station antenna structures
184	No	Designates March as "Multiple System Atrophy Awareness Month"
185	No	Creates Ohio Aggregates and Industrial Minerals Awareness Week
197	Yes	Makes revisions to processes pertaining to the payment of court costs, fines, and fees and the consideration of military service in sentencing
207	No	Designates the week of Labor Day as Ohio Coal Miners Week
212	No	Extends the exemption of certain adoptive placement requirements to legal custodians
215	No	Designates June 15th as "Elder Abuse Awareness Day"
244	No	Permits authorized paramedics to administer the flu vaccine to firefighters or emergency medical technicians
247	No	Updates the Revised Code to reflect Supreme Court decisions regarding court costs, self-storage facilities, professional licensing board sanctions and discipline, and county prisoner work programs
251	No	Regulates the practice of Oriental medicine and modifies the laws governing the practice of acupuncture
262	Yes	Establishes criminal penalties related to trafficking in persons

House Bill	LIS Required?	Subject
267	No	Adopts the Revised Uniform Unincorporated Nonprofit Association Act and revises the merger and consolidation provisions of the Nonprofit Corporation Law
268	No	Modernizes the jury service law
274	No	Clarifies that transfer fees that apply to lands under agricultural or conservation easements are valid under current law, and authorizes land conveyances in Richland and Wayne counties
275	No	Permits suppliers and consumers to enter into right to cure contracts
276	Yes	Allows agricultural property used for certain forms of energy production to qualify for valuation under the Current Agricultural Use Value Program and makes other changes
278	No	Increases the minimum amounts required for valid proof of financial responsibility, makes certain changes to the law governing automobile insurance policies, prohibits an automobile insurer from enforcing certain intrafamily exclusions, and permits insurance companies to obtain a salvage certificate of title for a motor vehicle in certain circumstances
279	No	Expands the class of persons who may execute a caretaker authorization affidavit or be designated as attorney in fact under a power of attorney for the purpose of exercising authority over the care, custody, and control of a child
280	No	Modifies the Ohio National Guard Scholarship Program and the Ohio War Orphans Scholarship Program and funding related to certain Jon Peterson Special Needs scholarships
284	No	Modifies the laws governing physician assistants and professions of chemical dependency counseling and alcohol and other drug prevention
292	No	Establishes licensure requirements for genetic counselors, modifies certain laws governing the State Medical Board, and creates a visiting clinical professional development certificate for certain physicians who are not licensed in Ohio
303	No	Revises laws governing the Ohio Board of Nursing, establishes a licensure program for pediatric respite care programs, and includes other provisions regarding nursing facilities, intermediate care facilities, methadone clinic licensure, and behavioral health workers
322	No	Permits Ohio financial institutions to charge the same interest rates and other charges under a revolving credit agreement that the respective out-of-state financial institutions may charge Ohio revolving credit account holders
325	No	Designates various memorial highways
326	No	Prohibits a person from using public funds for specified purposes and specifies a first degree misdemeanor for violations
327	No	Includes employees working from home for purposes of the job creation tax credit
331	No	Creates the Cybersecurity, Education, and Economic Development Council
334	No	Modifies pseudoephedrine and ephedrine product sales tracking and controlled substances scheduling
337	No	Makes changes to the law related to commercial drivers' licenses, unemployment benefits, and the Temporary Assistance for Needy Families Program
341	No	Makes changes to the law regulating fraternal benefit societies, insurance company investments, and adverse benefit determinations
347	No	Authorizes nonchartered village councils to be composed of five instead of six members, authorizes council members' terms of office to be nonstaggered, and permits townships to offer premium reimbursements for dependents of employees
349	No	Makes changes in certain provisions relating to road signs and traffic signals for purposes of the Ohio Manual of Uniform Traffic Control Devices
360	Yes	Makes a permanent change to the 9-1-1 charge for all wireless subscribers beginning in 2013, changes the method of collection and the amount of the wireless 9-1-1 charge for prepaid wireless calling services, and declares an emergency

House Bill	LIS Required?	Subject
365	No	Reduces the enhanced federal depreciation add-backs under the personal income tax, based upon withholding growth
379	No	Authorizes regulatory changes and rate adjustments for utilities that are water-works and sewage disposal system companies
380	No	Establishes asbestos bankruptcy trust procedures
383	No	Regulates home construction services
386	No	Makes changes to gaming-related laws, makes appropriations, and declares an emergency
389	No	Establishes and modifies licensing requirements for captive deer propagators and wild animal hunting preserves
408	No	Changes the composition of certain metropolitan housing authorities
415	No	Modifies the Agricultural Linked Deposit Program with respect to the maximum amount the Treasurer of State may invest in agricultural linked deposits, the interest rate at which loans are made under the program, and the maximum loan amount
417	Yes	Makes changes to law regarding responsibility for notifying patients that a physician's employment by a health care entity has been terminated
420	No	Requires licensing of nuisance wild animal removal and control services, makes changes to certain hunting and fishing law provisions, and alters rule-making procedures governing anhydrous ammonia and other fertilizers
423	No	Provides a method for the dissolution of joint recreation districts
436	No	Creates the SiteOhio Certification Program within the Development Services Agency
437	No	Increases the number of miles a school district board may authorize its motor vehicles for out-of-state travel
458	No	Modifies the Call-Before-You-Dig Law
459	No	Declares that Ohio is a "Purple Heart State"
461	No	Establishes the collaborative family law process
472	No	Incorporates changes to the Internal Revenue Code into Ohio law, expands the definition of qualified distribution centers for purposes of the commercial activity tax, makes certain changes regarding the wireless 9-1-1 charge, and declares an emergency
473	No	Establishes a program to regulate the withdrawal and consumptive use of waters from the Lake Erie basin and implements provisions of the Great Lakes – St. Lawrence River Basin Water Resources Compact
479	No	Enacts the Ohio Legacy Trust Act
481	No	Authorizes the Board of Embalmers and Funeral Directors to place licenses on inactive status, issue courtesy cards to funeral directors from bordering states, and makes other changes
482*	No	Makes capital appropriations for the FY 2013-FY 2014 biennium and other changes
487*	No	Makes operating, and other appropriations and provides authorization and conditions for the operation of state programs
490	No	Modifies various laws related to veterans services
491	No	Designates June as "Ohio Wines Month" and allows certain agency liquor stores to sell beer, wine, or mixed beverages for on- and off-premises consumption
492	No	Designates May as "Melanoma and Skin Cancer Detection and Prevention Month" and April 27th as "Emma 'Grandma' Gatewood Day"
495	No	Modifies provisions of the Concealed Carry Law
508	Yes	Makes changes to the laws governing taxes in the state and laws governing public accounting firm peer review

House Bill	LIS Required?	Subject
509	No	Makes changes to laws pertaining to the operations of local governments
510	Yes	Eliminates the corporation franchise tax and the dealers in intangibles tax and creates the financial institutions tax
525	No	Revises the laws regarding levies, teacher evaluations, teacher contracts, and the management of district and community schools in municipal school districts
532	No	Creates the Ohio Military Medal of Distinction Fund, modifies provisions related to the use of sewer and water works funds, and makes other changes
543	No	Requires public schools to train staff in youth suicide awareness prevention
555	No	Creates a new academic performance rating system for public schools, creates a new evaluation process for community school sponsors, and modifies other laws related to education
606	No	Increases the population requirement for a mayor's court from more than 100 to more than 200, abolishes a judgeship of the Youngstown Municipal Court, and provides that texting while driving is an allied offense of similar import

* Not required for budget bills

All Senate Bills Enacted in 2012

Senate Bill	LIS Required?	Subject
19	No	Permits a judge to elect to order the Registrar of Motor Vehicles not to suspend the probationary driver's license of certain juvenile repeat traffic violators
40	No	Designates November as "Complex Regional Pain Syndrome Awareness Month" and to require certain information to be on the Department of Health's web site
70	No	Requires the Attorney General to establish an arson registry
83	No	Modifies the authority of certain advance practice nurses to prescribe schedule II controlled substances
114	No	Establishes conditions for the operation of certain specialized motor vehicles and adds prohibitions related to window tinting, eliminates the current limitation on height of motorcycle handlebars, and makes changes to requirements for insurance allocations across local government funds
130	No	Establishes state licensing and registration requirements for certain dog breeding kennels, retailers, and rescue operators
134	No	Designates March 30 as "Vietnam Veterans' Day" and declares an emergency
135	No	Designates September as "Craniofacial Acceptance Month"
139	No	Modifies reporting requirements for professional employer organizations and makes other changes
141	No	Authorizes a licensed physician, chiropractor, or physical therapist from another state to provide services to an out-of-state athletic team and certain accompanying individuals when the team is participating in a sporting event in Ohio
160	No	Modifies provisions relating to the release of prisoners and victim's rights
165	No	Modifies state academic standards and high school American history and government curriculum to include content on specified historical documents
179	No	Creates the Ohio Geology license plate
193	No	Makes changes to the law governing scrap metal dealers and bulk merchandise container dealers
196	No	Amends the Ohio Business Opportunity Plan Law
199	No	Designates October 13th as Metastatic Breast Cancer Awareness Day
202	No	Specifies property owners responsibility to trespassers
208	No	Makes various revisions to Ohio's Uniform Commercial Code
222	No	Requires certain flags to be displayed at rest areas along the state's interstates and the Ohio Turnpike
223	No	Modifies the penalties associated with telecommunications fraud
224	No	Shortens time periods related to civil actions regarding written contracts
243	No	Makes modifications to the Intrastate Mutual Aid Compact
245	No	Establishes mandatory training for used motor vehicle dealers
247	No	Designates the ninth day of July as "Traumatic Brain Injury Awareness Day"
258	No	Creates the Statewide Blue Alert Program
260	No	Designates May as "Pediatric Stroke Awareness Month"
268	No	Requires DNA testing of individuals charged with a felony offense but not arrested
275	No	Authorizes the conveyance of real estate owned by the state and declares an emergency
289	No	Classifies energy produced by a certain type of cogeneration technology as a renewable energy resource
294	No	Makes environmental protection law changes

Senate Bill	LIS Required?	Subject
295	No	Repeals provisions of H.B. 194 of the 129th General Assembly relating to Election Law changes
298	No	Alters the conditions under which D-5I and F-2 permits may be issued and makes other changes to the issuance of F-2 permits
300	No	Designates the Staff Sergeant James P. Hunter Memorial Bridge and the Trooper George Conn Memorial Highway
301	No	Modifies the law related to health care professional licensing
302	No	Modifies procedures related to criminal background checks related to solid, hazardous, and infectious waste law
304	No	Designates May as "Better Hearing and Speech Month"
305	No	Prohibits hidden compartments in vehicles
309	No	Establishes requirements for creating agricultural commodity marketing agreements and specifies rule-making requirements concerning anhydrous ammonia fertilizer
310	No	Establishes requirements governing the possession of dangerous wild animals and restricted snakes
312*	No	Modifies the Adult and Juvenile Correctional Facilities Bond Retirement Fund, modifies STEM school committee, provides for the creation of a Holocaust Memorial, and makes capital reappropriations for the FY 2013-FY 2014 biennium
314	No	Renames the Department of Development the Development Services Agency and makes other changes affecting state economic development programs
315	No	Makes changes to energy and natural resources laws and programs
316	Yes	Modifies laws related to education, workforce development, and early childhood care
321	No	Authorizes the State Library Board to establish library districts for association libraries, makes other changes to the law concerning public libraries, and declares an emergency
333	No	Allows for the issuance of a temporary loan originator license and a temporary mortgage loan originator license to an out-of-state applicant who meets certain criteria, and makes other changes
337	Yes	Establishes processes related to collateral sanctions
340	Yes	Makes changes to the law governing the Ohio Police and Fire Pension Fund
341	No	Makes changes to the law governing the School Employees Retirement System
342	Yes	Makes changes to the law governing the State Teachers Retirement System
343	No	Makes changes to the law governing the Public Employees Retirement System
345	No	Makes changes to the law governing the State Highway Patrol Retirement System

* Not required for capital reappropriation bills.