Fiscal Note & Local Impact Statement

126 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **Am. Sub. H.B. 699** DATE: **December 20, 2006**

STATUS: **As Passed by the Senate** SPONSOR: **Rep. Calvert**

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

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

State Fiscal Highlights – Capital Appropriations

STATE FUND – Appropriations/Expenditures	FY 2007-FY2008 Biennium
Wildlife Fund (Fund 015)	$4,000,000
Public Schools Building Fund (Fund 021)	$158,632,362
Highway Safety Fund (Fund 036)	$1,500,000
State Capital Improvements Revolving Loan Fund (Fund 040)	$25,300,000
Waterways Safety Fund (Fund 086)	$12,140,000
Army National Guard Service Contract Fund (Fund 342)	$877,275
Special Administrative Fund (Fund 4A9)	$2,000,000
State Fire Marshal Fund (Fund 546)	$4,120,000
Veterans' Home Improvement Fund (Fund 604)	$2,700,000
Job Ready Site Development Fund (Fund 012)	$30,000,000
Administrative Building Fund (Fund 026)	$75,073,131
Adult Correctional Building Fund (Fund 027)	$36,175,010
Juvenile Correctional Building Fund (Fund 028)	$18,241,831
Cultural and Sports Facilities Building Fund (Fund 030)	$55,296,000
Ohio Parks and Natural Resources Fund (Fund 031)	$16,482,400
School Building Program Assistance Fund (Fund 032)	$540,000,000
Mental Health Facilities Improvement Fund (Fund 033)	$44,407,373
Higher Education Improvement Fund (Fund 034)	$579,946,534
Parks and Recreation Improvement Fund (Fund 035)	$40,109,300
State Capital Improvement Fund (Fund 038)	$120,000,000
TOTAL	**$1,767,001,216**

Summary of Capital Appropriations

- The bill appropriates $1,767,001,216 for capital projects for the FY 2007-2008 biennium. This amount is 15.7% greater than the $1,526,955,118 appropriated in Am. Sub. H.B. 16 of the 126th General Assembly, the capital bill for the FY 2005-2006 biennium.

- Capital projects may be funded either from current cash revenues or from future revenues through the sale of bonds. Current cash revenue will fund projects through the Wildlife Fund (Fund 015), the Public School Building Fund (Fund 021), the Highway Safety Fund (Fund 036), the State Capital Improvements Revolving Loan Fund (Fund 040), the Waterways Safety Fund (Fund 086), the Army National Guard Service Contract Fund (Fund 342), the Special Administrative Fund (Fund 4A9), the State Fire Marshal Fund (Fund 546), and the Veterans' Home Improvement Fund (Fund 604). Approximately 11.9% of the capital projects are funded through current cash revenues. The rest of the projects are funded through the sale of bonds issued by the Ohio Building Authority, the Ohio Public Facilities Commission, or the Treasurer of State. The bonds are to be repaid in 5 years, 15 years, or 20 years, depending on the issuance.

- Of the total amount appropriated for capital projects, $211,269,637 is appropriated from the cash funds listed above. This compares to the $56,004,956 appropriated from cash funds in Am. Sub. H.B. 16, the previous capital budget.

- The bulk of the funding—$1,555,731,579—is appropriated for capital projects from debt-supported funds. This amount is 5.7% greater than the $1,470,950,162 appropriated from various debt-supported funds in Am. Sub. H.B. 16.

- The total amount of debt authorized by this bill is $1,493,000,000 which is 6.4% greater than the $1,402,000,000 of debt issued in the previous capital budget.

Fiscal Effects of Other Provisions

Development

State Fiscal Highlights

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

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

Cultural Facilities Commission

- ***Executive Director's Authority.*** The bill authorizes the Cultural Facilities Commission to delegate certain authority to its executive director when cultural, historical, or sports projects receive a state appropriation of $50,000 or less. Because most of these projects (over three quarters of the projects in this capital bill) receive appropriations of over $50,000, this is unlikely to create additional administrative costs that are anything more than minimal.

- ***Tennis Facilities Eligible for Funding.*** The bill adds professional tennis facilities to the definition of sports facilities for the Commission's financing purposes. The Mason ATP Tennis Center (Cultural Facilities Commission capital line item CAP-927) was added to this bill under the new definition and is funded at $1.3 million for the biennium. In the future, this could result in further increases in expenditures from the Cultural and Sports Facilities Building Fund if tennis facilities that previously did not meet the definition are now eligible for funding.

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

Department of Development

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

Job and Family Services

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

Detailed Fiscal Analysis

Cultural Facilities Commission

Delegation of Authority to Executive Director

This bill allows the Cultural Facilities Commission to delegate a number of duties associated with approving aspects of cultural, historical, or sports facilities projects when the state appropriation for those projects is $50,000 or less. These include approving construction services providers and general building services providers, as well as determining the regional need for a project, and determining the adequacy of local financial and development plans and contribution agreements for sports projects. The executive director is explicitly denied the authority to disapprove a provider of construction or general building services, and must make any determinations regarding regional need or local plan and contribution adequacy in the affirmative. The Commission's GRF operating expenses line item (371-321) may experience a minimal increase due to additional administrative costs associated with making the determinations allowed under the bill, but since the bill permits these duties to be transferred from the Commission itself to the executive director, it is unlikely that any significant cost increase will be incurred as a result.

Tennis Facilities Eligible for Funding

The bill amends the definition of sports facilities to include tennis facilities with a primary purpose of providing a site or venue for the presentation of professional tennis tournaments. The inclusion of these facilities as qualifying sports facilities could potentially increase expenditures from the Cultural and Sports Facilities Fund (Fund 030) if these facilities were not previously eligible for funding from that source. This bill includes a new capital line item (CAP-927) in Fund 030 for the Mason ATP Tennis Center in Hamilton County, funded at $1,300,000 for the 2007-08 capital biennium.

Reappropriations Transfer

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

Department of Development

Third Frontier Research and Development Taxable Bond Fund

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

Job and Family Services

Earmarks for TANF Initiatives

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

Education

State Fiscal Highlights

STATE FUND	FY 2007	FY 2008	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase of up to $100.0 million from transfer to School Facilities Commission's Fund 021	Potential increase due to addition of autistic preschool children in Autism Scholarship Program	Potential increase due to addition of autistic preschool children in Autism Scholarship Program
	Increase of $1.75 million related to additional Board of Regents Access Challenge appropriation; Increase of $25,000 related to additional Board of Regents Operating Expenses appropriation; Increase of $234,097 related to additional Board of Regents Shawnee State Supplement appropriation	Potential increase due to additional war orphans scholarships	Potential increase due to additional war orphans scholarships
	Potential gain of $340,020 related to various property sales, of which $240,000 is to be credited to the Department of Mental Health	- 0 -	- 0 -
Public School Building Fund (Fund 021) – School Facilities Commission			
Revenues	Potential gain of up to $160.0 million from GRF and Department of Education Fund 5BJ transfers	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
Mental Health Improvement Fund (Fund 033) – Department of MRDD			
Revenues	Potential gain of $420,000 related to property sale	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
Service and Agricultural Fund (Fund 148) – Department of Rehabilitation and Corrections			
Revenues	Potential gain of $910 related to property sale	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
Armory Improvement Fund (Fund 534) – Adjutant General			
Revenues	Potential gain related to sale of armory property		
Expenditures	- 0 -	- 0 -	- 0 -

Half-Mill Equalization Fund (Fund 5BJ) – Department of Education			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase of up to $60.0 million related to transfer to Fund 021	- 0 -	- 0 -
General Funds of Central State University and Shawnee State University			
Revenues	Gain of $1.75 million – Central State University; Gain of $234,097 – Shawnee State University	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
General Fund and Endowment Fund – The Ohio State University			
Revenues	Potential gain of more than $240,575 related to various property sales	- 0 -	- 0 -
Expenditures	Potential increase related to real estate purchase	- 0 -	- 0 -

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

Department of Education

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

Board of Regents

- ***Operating Expenses.*** The bill increases the appropriations for GRF appropriation item 235-321, Operating Expenses, by $25,000 in FY 2007 and earmarks the same amount for the activities of the North East Ohio Universities Collaboration and Innovation Study Commission, which is to be created by the bill.

- ***Operating Expenses.*** The bill allows the Board of Regents to use up to $50,000 of GRF appropriation item 235-321, Operating Expenses, in FY 2007 for the implementation of a system of pre-college stackable certificates and college-level certificates.

- ***Shawnee State Supplement.*** The bill increases the appropriations for GRF appropriation item 235-520, Shawnee State Supplement, by $234,097 in FY 2007.

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

- ***War Orphans Scholarship.*** The bill increases the maximum age to apply for a war orphans scholarship from 21 years as under current law to 25 years. The Board of Regents may incur higher expenditures if more scholarships are awarded as a result of this eligibility change.

School Facilities Commission

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

Land Conveyances – Adjutant General and Related

- ***General Revenue Fund.*** The state General Revenue Fund may experience a revenue gain of $100,020 from the sale of various properties, including $10 from the City of Columbus, $100,000 from O'Bleness Memorial Hospital (Athens County), and $10 from the Warren County Historical Society. The GRF also may experience an additional revenue gain from the sale of real estate in the City of Toledo (Lucas County).

- ***Adjutant General.*** The Adjutant General's Armory Improvement Fund (Fund 534) may experience a gain in revenue from the sale of various armory properties. The properties are no longer needed for armory or military purposes.

- ***Department of Mental Health.*** The Department of Mental Health (DMH) may experience a revenue gain of $240,000 from property sold to O'Bleness Memorial Hospital. The money will be used to offset the cost of services provided by O'Bleness Memorial Hospital to the DMH.

- ***Department of Mental Retardation and Developmental Disabilities.*** The Department of Mental Retardation and Developmental Disabilities' Mental Health Improvement Fund (Fund 033) may experience a gain in revenue of $420,000 from the sale of real estate associated with the Apple Creek Development Center.

- ***Department of Rehabilitation and Correction.*** The Department of Rehabilitation and Correction's Services and Agricultural Fund (Fund 148) may experience a revenue gain of $910 from the sale of state-owned property to the City of Columbus. The proceeds from this sale is to be used to offset the loss of the Department's agricultural croplands. The DRC may also gain revenue from the sale of property in Allen County.

- ***The Ohio State University.*** The general and endowment funds of The Ohio State University (OSU) may experience a revenue gain of approximately $240,575 or more from the sale of various properties. The OSU also may potentially incur costs to purchase real estate from the Adjutant General.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2006	FY 2007	FUTURE YEARS
Various Counties, Municipalities, Townships			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase as a result of real estate purchases		
City of Columbus			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase of $1,491,495 related to real estate purchases	- 0 -	- 0 -
Three Rivers Fire Districts (Coshocton County)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase related to real estate purchase	- 0 -	- 0 -
Village of Apple Creek and Union Township (Wayne County)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase of $420,000 related to real estate purchase	- 0 -	- 0 -
Warren County Historical Society			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase of $10 related to real estate purchase	- 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.

School Districts

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

Counties, Cities, Townships, and Villages – Land Conveyance

- Various cities, townships, and counties that are interested in purchasing certain state-owned real estate will potentially increase expenditures for purchasing real estate.

- The City of Columbus would incur a potential cost of $1,491,495 to purchase land from various state agencies, including $10 to the state, $910 to the Ohio Department of Rehabilitation and Correction, $10,575 to The Ohio State University, and $1,480,000 to the state. This $1,480,000 payment, however, is to be made in certain roadway enhancements instead of cash.

- The Warren County Historical Society will incur a potential cost of $10 for the purchase of a parcel of state-owned real estate located in Warren County.

- The Village of Apple Creek and Union Township will incur a potential cost of $420,000 from the purchase of land from the Ohio Department of Mental Retardation and Developmental Disabilities.

- The Three Rivers Fire District may potentially incur the cost of purchasing a parcel of state-owned real estate.

Detailed Fiscal Analysis

Adjutant General

Life Insurance Premium Reimbursement

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

Department of Education

Autism Scholarship Program

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

Based upon data provided by the Department of Education for 2005, approximately 3.1% of special education students in grades kindergarten through twelfth are autistic. Applying this percentage to the number of preschool children with disabilities in 2005 results in approximately 700 preschool children potentially eligible for the scholarships under the bill. Only a fraction of the children eligible, however, will choose to receive a scholarship. Approximately 6.0% of eligible students received a scholarship in FY 2006. If this same percentage holds for preschool children, the bill will result in approximately 42 scholarships being awarded to preschool children.

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

The state funds a portion of special education weighted costs based on each district's state share percentage of base cost funding. For some districts with relatively high wealth, the state aid generated by the student will be less than the scholarship amount and the district will need to

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

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

Reimbursements for Tax Losses Due to Deregulation

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

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

The statutes define state education aid as "the sum of state aid amounts computed under Chapter 3317. of the Revised Code." The bill clarifies and modifies the term state education aid

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

Board of Regents

The Ohio State University Feed Mill Replacement Project

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

War Orphans Scholarship Eligibility

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

Central State University

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

Shawnee State Supplement

The bill increases the appropriations for GRF appropriation item 235-520, Shawnee State Supplement, by $234,097 in FY 2007.

North East Ohio Universities Collaboration and Innovation Study Commission

The bill creates the North East Ohio Universities Collaboration and Innovation Study Commission to recommend further collaborations among certain state institutions of higher education and to develop a more coordinated approach to the delivery of higher education in Northeast Ohio. It increases the appropriations for GRF appropriation item 235-321, Operating

Expenses, by $25,000 in FY 2007 and earmarks the same amount for the activities of the Commission.

Pre-College Stackable and College-Level Certificates

The bill requires the Board of Regents, in conjunction with the Department of Education, to create a system of pre-college stackable certificates and college-level certificates. It allows the Board of Regents to use up to $50,000 of GRF appropriation item 235-321, Operating Expenses, in FY 2007 for the implementation of such a system.

School Facilities Commission

Transfer to the Public School Building Fund (Fund 021)

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

Land Sale and Conveyances

Adjutant General

The bill authorizes the Adjutant General (ADJ) to convey five parcels of real estate that are no longer being used for armory or military purposes. These five parcels of real estate are located in the Township of Ashtabula (Ashtabula County), City of Columbus (Franklin County), City of Mount Vernon (Knox County), Township of Springfield (Clark County), and City of Urbana (Champagne County), respectively. The ADJ is required to first offer the sale of each parcel at its appraised value to the municipal corporation or township in which it is located and then to the county in which it is located. Net proceeds from the parcel sale are to be deposited into the Armory Improvements Fund (Fund 534) of the ADJ. Municipalities, townships, and counties opting to purchase these parcels of real estate will incur one-time expenditures as a result.

The bill authorizes the ADJ to convey a parcel of real estate, located in Perry Township (Franklin County), to The Ohio State University for a purchase price acceptable to the ADJ, based on the real estate's fair market value. The ADJ has determined that this parcel of real estate is no longer needed for armory or military purposes.

The bill authorizes the ADJ to allow four parcels of real estate that the ADJ has determined are no longer needed for armory or military purposes to revert back to their former owners. Three of the parcels are in the City of Mount Vernon (Knox County) and will revert to the City of Mount Vernon. The fourth parcel is in the City of Urbana (Champaign County) and will revert to the City of Urbana.

Department of Administrative Services

The bill authorizes the state to convey a parcel of real estate located in the City of Columbus (Franklin County) to the City of Columbus for a purchase price of $10.

The bill authorizes the state to convey three parcels of real estate, located in the Village of Lebanon (Warren County), to the Warren County Historical Society for a purchase price of $10.

The bill authorizes the state to convey four parcels of real estate, located in the City of Columbus (Franklin County), to the City of Columbus for a combined purchase price of $1,480,000. However, instead of paying cash, the City of Columbus is to pay in certain roadway enhancements as described in a real estate purchase contract dated May 12, 2003.

The bill authorizes the state to convey a parcel of real estate, located in the City of Columbus (Franklin County) and unintentionally omitted from a previous conveyance, to the Columbus City School District.

The bill authorizes the state to convey a parcel of real estate, located in the City of Toledo (Lucas County) to a purchaser or purchasers at a price to be determined by the Board of Trustees of the University of Toledo. The net proceeds of the sale will be paid into the General Revenue Fund.

Department of Mental Health

The bill authorizes the state to convey a parcel of real estate, located in the City of Athens (Athens County), to O'Bleness Memorial Hospital for a purchase price of $340,000. O'Bleness Memorial Hospital is to pay the state $100,000 at the time of closing and then pay the remaining $240,000 based on a mutually accepted agreement. The $240,000 is to be credited to the Department of Mental Health.

Department of Mental Retardation and Developmental Disabilities

The bill authorizes the state to convey two parcels of real estate, located in East Union Township (Wayne County) to Apple Creek Village and East Union Township, both in Wayne County, for a combined purchase price of $420,000. The net proceeds of the sale are to be deposited in MRDD's Mental Health Improvement Fund (Fund 033) to offset bond indebtedness for Apple Creek Center capital projects.

Department of Rehabilitation and Correction

The bill authorizes the state to convey a parcel of real estate, located in the City of Columbus (Franklin County), to the City of Columbus for a purchase price of $910. The net proceeds of the sale are to be credited to the Department of Rehabilitation and Correction's Services and Agricultural Fund (Fund 148), appropriation item 501-602.

The bill authorizes the state to convey a parcel of real estate located in Bath Township (Allen County), which has been used by the Department of Rehabilitation and Correction (DRC). The Department of Administrative Services (DAS) is to first offer this parcel of real estate to a state entity. If no state entity is interested in this parcel of land, the DRC is to have it appraised. The DAS will then offer it, at the appraised value, first to Allen County, then to the City of Lima. If neither entity accepts the offer, DAS will offer it for sale at a public auction.

The Ohio State University

The bill authorizes the state to convey a parcel of real estate, located in the City of Columbus (Franklin County), to the City of Columbus for a purchase price of $10,575. These funds are to be deposited into the general fund of The Ohio State University.

The bill authorizes the state to convey a parcel of real estate, located in Paris Township (Union County) to a purchaser or purchasers for a purchase price of $230,000. These funds are to be deposited into the general fund of The Ohio State University.

The bill authorizes the state to convey a parcel of real estate, located in the City of Columbus (Franklin County) to a purchaser or purchasers at a fair market value. The net proceeds of the sale are to be deposited into the general fund of The Ohio State University.

The bill authorizes the state to convey a parcel of real estate, located in Keene Township (Coshocton County), to the Three Rivers Fire District. The purchase price needs to be approved by The Ohio State University. The net proceeds of the sale will go to The OSU's Endowment Fund for the Ohio Agricultural Research and Development Center.

General Government

State Fiscal Highlights

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

Canal Lands (Fund 430) – Department of Natural Resources			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase in administrative, travel, and consulting costs	Potential increase in administrative, travel, and consulting costs	Potential increase in administrative, travel, and consulting costs
Federal Election Reform Fund (Fund 3AA) and other funds - Secretary of State			
Revenues	Gain of up to $6,832,753 transferred from the GRF and in investment and interest earnings to other specified funds	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
Ohio Turnpike Commission Funds			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Minimal increase in administrative and travel expenses	Minimal increase in administrative and travel expenses	Minimal increase in administrative and travel expenses
Ohio Historical Society (Fund 030)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase of roughly $169,000 for Glendower State Memorial repairs	- 0 -	- 0 -
Various State Funds			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Prevailing wage exemption effect dependent on many factors	- 0 -	- 0 -
Highway Operating Fund (Fund 002)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential $500 increase to install suitable markers	Minimal increase to maintain suitable markers	Minimal increase to maintain suitable markers

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

Department of Administrative Services

- ***Residence Advisory Commission—Heritage Garden.*** The bill adds the care of the Ohio Heritage Garden to the oversight responsibilities of the Governor's Residence Advisory Committee. This 11-member board serves without pay, and oversees the maintenance of the Governor's mansion in Bexley. Additional maintenance costs for the Heritage Garden, if any, would likely be covered through additional capital appropriations for the Governor's residence.

- ***Fall-back Rights.*** The bill maintains current provisions that permit certain employees in unclassified service of the Bureau of Worker s ' Compensation and departments of Mental Health, Mental Retardation and Developmental Disabilities, and Youth Services to exercise their right to resume a previously held position in the classified service. However, the bill provides that those employees may only exercise their right to resume a prior classified position if their employer demotes them to a lower pay range or revokes their appointment; and forfeit their right to resume a prior classified position if they are removed due to

misconduct or they transfer to another agency. These changes would appear not to have a fiscal impact on the Department of Administrative Services, which administers the state's civil service system.

Department of Agriculture

- ***Cooperative Contracts Fund (Fund 382).*** This bill authorizes the Director of the Office of Budget and Management (OBM) to transfer $111,668.76 in cash from the GRF to the Cooperative Contracts Fund (Fund 382). This transfer will correct wire transfers from the U.S. Department of Agriculture to the Ohio Department of Agriculture that were mistakenly deposited in the GRF.

- ***Security/Emergency Preparedness Supplies.*** This bill makes a GRF appropriation of $634,000 in FY 2007 for the Department of Agriculture to purchase security and emergency preparedness supplies and equipment. To do so, the Department of Agriculture must submit a plan to the Controlling Board for its approval.

Department of Commerce

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

Ethics Commission

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

Historical Society

- ***Glendower State Memorial.*** The bill provides for the conveyance of this historic state-owned site in Warren County to the Warren County Historical Society. The bill requires the Ohio Historical Society to pay for the cost of various capital improvements, estimated to be $169,000. These expenses will be paid from the Cultural and Sports Facilities Fund (Fund 030).

Inspector General

- ***Court Order and Settlement Income.*** The bill requires that any proceeds from court orders or settlements stemming from Inspector General investigations to be deposited in the GRF, resulting in an unknown gain depending on the terms of these orders and agreements.

Department of Natural Resources

- ***Economic Impact Of The Conveyance Of Canal Lands.*** The bill requires the Department of Natural Resources to consider the local government needs and economic development potential when proposing the conveyance of canal lands. The Department may experience an increase in administrative, travel, and consulting costs to carry out these responsibilities.

Currently, it is unknown if the current staff of the Division of Water has the resources and expertise to conduct such studies. If not, the Department may experience an increase in costs to contract out the services to an engineering and consulting firm.

Secretary of State

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

Department of Transportation

- ***Deputy Ethan Collins Memorial Highway.*** The Ohio Department of Transportation (ODOT) may experience costs of $500 or more to install suitable markers on State Route 188 indicating the memorial name of "Deputy Ethan Collins." The Department may experience sign maintenance costs in the future.

Ohio Turnpike Commission

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

Prevailing Wage—Public Housing Projects Exemption

- ***Commercial Prevailing Wage Law Exemption for Public Housing Projects.*** This bill exempts from the commercial prevailing wage law several types of public housing projects that are already exempt from the residential prevailing wage law (R.C. 176.05). The impact of reducing the applicability of the prevailing wage is uncertain, as it is dependent on many factors.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2006	FY 2007	FUTURE YEARS
Political Subdivisions			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Prevailing wage exemption effect dependent on many factors	Prevailing wage exemption effect dependent on many factors	Prevailing wage exemption effect dependent on many factors
Municipalities			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential $500 increase to install suitable markers	Minimal increase to maintain suitable markers	Minimal increase to maintain suitable markers

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

- ***Prevailing Wage Law Exemption.*** This bill exempts from the commercial prevailing wage law (R.C. 4115.03 to 4115.16) several types of public housing projects that are already exempt from the residential prevailing wage law (R.C. 176.05). The impact of reducing the applicability of the prevailing wage is uncertain, as it is dependent on many factors.

- ***Deputy Ethan Collins Memorial Highway.*** If ODOT chooses not to erect the markers indicating the Deputy Ethan Collins Memorial Highway, a municipality in Fairfield County with portions of State Route 188 running through its boundaries may install markers within its municipal boundaries at an estimated cost of $500. Future sign maintenance costs would also have to be considered.

Detailed Fiscal Analysis

Department of Administrative Services

Residence Advisory Commission—Heritage Garden

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

Fall-Back Rights for Specified Employees

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

Department of Agriculture

Cooperative Contracts Fund (Fund 382)

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

Security/Emergency Preparedness Supplies

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

Department of Commerce

Real Estate Appraisal Licensing Requirements

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

Ethics Commission

Financial Disclosure Database and Investigation Costs

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

Historical Society

Glendower State Memorial

The bill provides for the conveyance of this historic state-owned site in Warren County to the Warren County Historical Society. The bill requires the Ohio Historical Society to pay for the cost of various capital improvements, estimated to be $169,000. The repairs involve the replacing of gas and water lines, correcting site drainage, painting trim, and replacing the roof. These expenses will be paid from the Cultural and Sports Facilities Building Fund (Fund 030).

The Warren County Historical Society is to pay for the recordation fee. The mansion is an example of Greek revival architecture.

Inspector General's Office

Court Order Settlements

The bill requires the deposit of money the Inspector General receives pursuant to court order or settlement resulting from investigations into the Bureau of Workers' Compensation investments, as well as other investigations, into the GRF. The potential gain would depend on the scope of the order or settlement.

Department of Natural Resources

Economic Impact of the Conveyance of Canal Lands

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

Secretary of State

Cash Transfer from GRF to Specified Election-Related Funds

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

Department of Transportation

State Route 188 Signage

The Ohio Department of Transportation (ODOT) may experience costs of $500 or more to install suitable markers, such as plaques or signs, on State Route 188 in Fairfield County. Currently, it costs approximately $500 to manufacture, install, and maintain a single set of memorial plaques or signs at one location.

When a bridge or highway is designated as a memorial, the Department's policy[1] is to first install a memorial plaque in a rest area, scenic overlook, recreational area, or other appropriate location. If installation of a plaque is not practical, a sign is installed along the highway or near the bridge instead. At one location two plaques or two signs are usually installed, one in each direction. ODOT installs plaques and signs in areas outside municipal boundaries, but within township boundaries.

If ODOT chooses not to install the plaques or signs, municipalities with portions of State Route 188 running through its boundaries may experience similar costs if they choose to install them. Any costs incurred by municipalities are considered permissive.

Land Conveyances

The bill allows ODOT to convey land to *heirs and assigns, or successors and assigns*, of previous owners as possible grantees of property not needed by ODOT for the U.S. 69 highway relocation project in Champaign County. This clarifies provisions of S.B. 250 of the 123rd General Assembly, which authorized ODOT to sell unneeded property back only to the original *owners or owners of land adjacent* to this property. The sale amount would be for the appraised full market value.

Ohio Turnpike Commission

Oversight Provisions

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

- Allows the chairperson of the Turnpike Oversight Committee to determine the location of Oversight Committee meetings, rather than requiring at least three of the required quarterly meetings to be held at sites located along a turnpike project as determined by the Oversight Committee chairperson. Depending on where the meetings are located, travel costs could increase or decrease for certain members of the Oversight Committee.
- Renames the Turnpike Oversight Committee as the Turnpike Legislative Review Committee. This provision will have no fiscal impact.
- Requires the Turnpike Commission, upon request of the appropriate chairpersons, to appear at least one time before the House and Senate transportation committees during the time the General Assembly is considering the biennial transportation budget and provide testimony concerning the Turnpike budget. The Turnpike

[1] Ohio Manual of Uniform Traffic Control Devices for Streets and Highways, 2003.

Commission may incur minimal travel and administrative expenses associated with this provision.

- Revises the current requirement for the Turnpike Commission to submit its annual proposed budget for executive and legislative review by requiring submission 30 to 60 days before adoption of the budget; also requires the Office of Budget and Management to review the proposed budget of the Turnpike Commission and permits OBM to make recommendations to the Commission for its consideration. This provision may require more dedication from executive and legislative staff to review and provide information related to the Turnpike Commission's annual budget. Such costs are not expected to exceed minimal.
- Requires the Turnpike Commission to notify the Governor and legislative leaders prior to increasing or temporarily decreasing tolls and also prior to acting to expand the sphere of responsibility of the Commission beyond the Ohio Turnpike. This provision may result in potential travel and administrative costs to hold hearings and meetings related to these actions. Any costs will likely be minimal at most.
- Requires the Turnpike Commission to submit to OBM, for the Director's review and approval, specified information regarding any proposed sale of obligations. The Director of OBM and associated staff may incur added costs to dedicate time and resources to perform this added review. Again, such costs are expected to be minimal at most.
- Expands the membership of the Ohio Turnpike Commission to include the Director of Budget and Management and the Director of Development as ex officio, voting members. These added members will bring the total number of members to nine. Any costs associated with this provision will likely be minimal and specific to travel costs.

Other Related Provisions

Prevailing Wage Exemption—Public Housing Projects

This bill exempts from the commercial prevailing wage law (R.C. 4115.03 to 4115.16) several types of public housing projects that are already exempt from the residential prevailing wage law (R.C. 176.05). LSC does not have any data suggesting the number of projects that may be impacted as a result of the exemption. The impact of reducing the applicability of the prevailing wage in the above circumstances is uncertain, as it is dependent on many factors. It is possible that public authorities engaged in prevailing wage construction might spend any savings from the exemption on enhancing the existing project or on other projects. There may also be indirect effects on employment and tax receipts that are not easily quantified.

Meetings and Votes of Nonprofit Corporations by Mail or Authorized Communications Equipment

This bill permits nonprofit corporations to conduct meetings and votes by mail or by the use of authorized communications equipment unless the articles or regulations of the corporation provide otherwise. This authorization addresses a situation arising from H.B. 42 of the 126th General Assembly in which nonprofit corporations were required to amend their by-laws in order to use the authorized communications equipment. There is no apparent fiscal effect on state government or political subdivisions from these provisions.

Electronic Seal for Registered Engineers and Surveyors

This bill allows registered engineers and surveyors to electronically seal and electronically sign plans, specifications, plats, reports, and all other engineering or surveying work. Accordingly, the bill also removes from existing law provisions requiring (1) that computer-generated seals must have a handwritten signature and date placed adjacent to or across from the seal, (2) that plans, specifications, plats, reports, and all other engineering or surveying work that is transmitted electronically to a client or a governmental agency must have the computer-generated seal removed from the electronic file before transmittal, and (3) an electronic transmission with no computer-generated seal must have a specified insert that states that the document is not a sealed document. This provision does not appear to have a discernable fiscal effect on the state or local governments.

Debt Adjusting Company Limitation Revisions

Under current law, a person engaged in debt adjusting generally must disburse funds within 30 days and maintain a separate trust account for the receipt of any funds from debtors and the disbursement of the funds to creditors on behalf of the debtors. This bill additionally requires that a person engaged in debt adjusting also charge or accept only reasonable fees or contributions, and establish and implement a policy that allows, under certain circumstances, for the wavier or discontinuation of fees or contributions if the debtor is unable to pay such fees or contributions. These provisions do not appear to have an impact on the state or local governments.

Health and Human Services

State Fiscal Highlights

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

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

Department of Aging

- ***Ohio Community Service Council Deposit.*** The bill allows the Director of the Ohio Community Service Council, within the Department of Aging, to certify to the Director of the Office of Budget and Management (OBM) the amount of cash posted to the Ohio Community Service Council Programs Fund (Fund 3R7) that should have been deposited to the OCSC Community Support Fund (Fund 624). Subsequently, the bill allows the Director

of OBM to transfer cash up to the amount certified from the Ohio Community Service Council Programs Fund (Fund 3R7) to the OCSC Community Support Fund (Fund 624). According to OBM, the amount that should have been deposited into Fund 624 was approximately $113,000. As a result, Fund 624 may realize a gain in revenues of $113,000 in FY 2007. The transferred funds are appropriated.

Department of Health

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

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

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

Departments of Mental Health and Mental Retardation and Developmental Disabilities

- ***Mental Hygiene and Retardation Capital Facilities for Housing.*** The bill permits the State Treasurer to issue bonds to pay for mental hygiene and retardation patient housing facilities. The bill also allows nonprofit agencies specifically chartered to provide mental health or mental retardation services and able to receive state capital grants to work with certain limited partnerships or limited liability companies to use low-income housing credits.

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

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2007	FY 2008	FUTURE YEARS
County Boards of Mental Retardation and Developmental Disabilities			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Minimal cost increase to publish vacancy notices for MR/DD board member positions	Minimal cost increase to publish vacancy notices for MR/DD board member positions	Minimal cost increase to publish vacancy notices for MR/DD board member positions

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

County MR/DD Boards

- The bill requires that county boards publish notice of a board vacancy on two separate occasions in one or more newspapers in the board's service area. The provision would create a minimal increase in county board costs to publish notice in local newspapers.

Detailed Fiscal Analysis

Department of Aging

Ohio Community Service Council Deposit

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

Departments of Alcohol and Drug Addiction Services and Mental Health

Mental Health Services and Crisis Intervention Services

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

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

According to a spokesperson at the Department of Mental Health, these provisions have no fiscal effect on the state or local ADAMHS boards or the Department of Mental Health

because crisis intervention services are already part of each board's community mental health plan. The bill expressly adds crisis intervention services to the list of services for which county boards can seek assistance from the Department of Mental Health.

Department of Health

Health Emergency Fund

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

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

ICF/MR Pilot Conversion Program

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

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

Medicaid Agency Transition Transfer

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

Departments of Mental Health and Mental Retardation and Developmental Disabilities

Mental Hygiene and Retardation Capital Facilities for Housing

The bill permits the State Treasurer to issue bonds under Sections 2i and 16 of Article VIII of the Ohio Constitution to pay for mental hygiene and retardation patient housing facilities.

The bill also permits nonprofit corporations specifically chartered to provide mental health or mental retardation services and that can receive state capital grants to work with certain limited partnerships or limited liability companies to use low-income housing credits to provide housing facilities for mental hygiene and retardation patients. The bill specifies that nonprofit agencies must obtain written approval from the Director of Mental Retardation and Developmental Disabilities before working with limited partnerships or limited liability companies to provide housing facilities. However, the Director of Mental Retardation and Developmental Disabilities may provide blanket approval for all qualified nonprofit agencies to enter into contract with certain limited partnerships or limited liability companies.

Community Mental Health Services (Department of Mental Health)

The bill limits the Director of Mental Health's authority to certify community mental health services by specifying that services must be for individuals whose treatment focus is a mental disorder according to the Diagnostic and Statistical Manual of Mental Disorders, including services for individuals who have a mental disorder and a co-occurring substance use disorder, substance-induced disorder, chronic dementing organic mental disorder, mental retardation, or developmental disability.

The bill also stipulates that the Department may provide state and federal funding for services included in a board of alcohol, drug addiction, and mental health services' (ADAMHS) community mental health plan if the services are for individuals whose treatment or prevention focus is a mental disorder according to the Diagnostic and Statistical Manual of Mental Disorders, including services for individuals who have a mental disorder and a co-occurring substance use disorder, substance-induced disorder, chronic dementing organic mental disorder, mental retardation, or developmental disability.

According to a spokesperson at the Department of Mental Health, the bill has no fiscal effect on the Department because local ADAMHS boards are already serving the individuals specified.

Fall-Back Rights

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

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

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

because the number of employees who will exercise the right to return to classified service and the amount by which their pay might decrease are unknown.

Department of Mental Retardation and Developmental Disabilities

County MR/DD Boards

The bill outlines a provision barring former employees who ceased working for a county board of mental retardation and developmental disabilities less than one calendar year before from being appointed to the board until one calendar year has passed since the employee worked for the county board. This provision has no direct impact on county boards.

The bill also requires that county boards publish notice of a board vacancy on two separate occasions in one or more newspapers in the board's service area. The provision would create a minimal increase in county board costs to publish notice in local newspapers. The amount of the increase in administrative costs would depend on the number of local newspapers within a county board's service area, the cost of placing the notices in those newspapers and the vacancy frequency of each county board. Placing a legal notice costs approximately $5 per day in *The Cleveland Plain Dealer*. Costs for legal notice in *The Cincinnati Enquirer* is approximately $15 for a four-line ad appearing in the paper between Monday and Saturday. Sunday notices are approximately $6 per line. Thus, the costs of publishing vacancy notices are minimal.

County boards are prohibited from contracting with nongovernmental agencies that have a county commissioner of the county or counties served by the board as a member of the nongovernmental agency's board. This provision has no direct fiscal impact on county boards. However, this provision could limit the number of service providers in some county service areas.

Judiciary

State Fiscal Highlights

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

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

Controlling Board

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

Joint Legislative Ethics Committee

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

Local Fiscal Highlights

Morrow County Court of Common Pleas

- ***Clarifying Jurisdiction Over Probate Division.*** Am. S.B. 128 of the 126th General Assembly added one additional judge for the Morrow County Court of Common Pleas to be elected in 2006, term to begin January 1, 2007. The bill clarifies what might appropriately be termed an oversight in that previously enacted legislation by providing that the judges of the Morrow County Court of Common Pleas also have jurisdiction over

the probate division of the Court. Since the new judge has not yet taken the bench, this provision will not have an effect on Morrow County revenues and expenditures.

Detailed Fiscal Analysis

Controlling Board

Emergency Purposes/Contingency Appropriation Increase

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

Department of Rehabilitation and Correction

State Correctional Facilities

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

Department of Public Safety

Federal Justice Program Funds

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

Joint Legislative Ethics Committee

Joint Legislative Ethics Committee Fund (Fund 4G7)

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

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

Morrow County Court of Common Pleas

Probate Division Jurisdiction

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

Taxation

State Fiscal Highlights

STATE FUND	FY 2007	FY 2008	FUTURE YEARS
General Revenue Fund (GRF)			
Revenues	Potential gain up to $2,100,000	Up to $11.0 million loss from the extension of the job training tax credit; additional loss from the expanded sales and use tax exemption for airline	Potential loss from carryovers from the extension of the job training tax credit; additional losses from the expanded sales and use tax exemption for airlines
Expenditures	Potential increase up to $2,100,000	- 0 -	- 0 -
Public Utilities Fund (Fund 5F6)			
Revenues	Potential gain up to $2,100,000	- 0 -	- 0 -
Expenditures	Potential increase up to $2,100,000	- 0 -	- 0 -
Commercial Vehicle Information Fund (Fund 3V3)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase of $500,000	- 0 -	- 0 -
Civil Forfeitures Fund (Fund 4U8)			
Revenues	Gain of $150,000	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
Hazardous Materials Registration Fund (Fund 4S6)			
Revenues	Gain of $350,000	- 0 -	- 0 -
Expenditures	- 0 -	- 0 -	- 0 -
School District Tangible Property Tax Replacement Fund			
Revenues	- 0 -	Potential loss from the new CAT exemption	Potential loss from the new CAT exemption
Expenditures	- 0 -	- 0 -	- 0 -
Local Government Tangible Property Tax Replacement Fund			
Revenues	- 0 -	Potential loss from the new CAT exemption	Potential loss from the new CAT exemption
Expenditures	- 0 -	- 0 -	- 0 -

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

Department of Insurance

- The bill would establish new exemptions from the foreign insurers' tax, thereby reducing revenue to the GRF. The revenue loss may be up to hundreds of thousands of dollars per year.

- The bill would reduce the tax rate applicable to reciprocal or interinsurance indemnity contracts of insurance from 2.5% to 1.4%, and it would increase the rate for the additional tax imposed on fire insurance from 0.5% to 0.75%. These changes represent codification of

existing practice by the Department, and would not affect revenue to the GRF or to the State Fire Marshal Fund (Fund 546).

Public Utilities Commission

- ***Transfer from GRF to Fund 5F6.*** The bill permits the Director of Budget and Management to transfer up to $2.1 million from the GRF to Fund 5F6 in FY 2007 subject to certain conditions. Specifically, the transfer is permitted if the Chairman of the Public Utilities Commission notifies the Director that a delay in implementing the federal Unified Carrier Registration Program has left insufficient funds in Fund 5F6 to support the FY 2007 appropriation to item 870-625, Motor Transportation Regulation. If the transfer is made, the bill also permits reimbursement of the transfer from Fund 5F6 to the GRF if and when federal funds become available.

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

Department of Taxation

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

Tax Provisions

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

- ***Job Training Tax Credit.*** The bill extends by one year the job training tax credit. The job training tax credit is applied against various taxes. Thus, distributions to the GRF from those taxes will be reduced.

- ***Sales Tax Exemption***. The bill expands the sales and use tax exemption for common airline carriers which will reduce distributions to the GRF from the sales and use tax.

- ***CAT Situsing.*** The bill allows an alternative situsing method for services and creates a new exemption for receipts from hedging transactions under CAT law. These provisions potentially reduce revenues from the CAT, and decrease distributions to the School District Tangible Personal Property Tax Replacement Fund and Local Government Tangible Property Tax Replacement Fund.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2006	FY 2007	FUTURE YEARS
Counties, municipalities, townships, and libraries (LGF, LGRAF, and LLGSF)			
Revenues	- 0 -	Up to $1.0 million loss from the extension of the job training tax credit; additional loss from the expanded sales and use tax exemption for airlines	Potential loss due to conforming Ohio tax law to federal tax law; potential loss from carryovers from the extension of the job training tax credit carryovers; additional loss from the expanded sales and use tax exemption for airlines
Expenditures	- 0 -	- 0 -	- 0 -
Counties, Municipalities, Townships, and School Districts (from multiple provisions; see below)			
Revenues	Potential minimal loss	Potential gain or loss	Potential gain or loss
Expenditures	Potential minimal decrease	Potential increase or decrease	Potential increase or decrease

Tax Provisions—Effects on Various Political Subdivisions

- ***Conforming Ohio Tax Law to Federal Tax Law.*** This will reduce revenues from the individual income tax in FY 2007. Receipts from the individual income tax are distributed to various local government funds. The local government funds freeze for FYs 2006 and 2007 would result in no revenue loss to the local government funds in FYs 2006 and 2007. In subsequent years, the state revenue loss would be shared by the GRF, the Local Government Fund, the Local Government Revenue Assistance Fund, and the Library and Local Government Support Fund according to the Revised Code distribution of income tax receipts.

- ***Removing Current Prohibitions—Exemptions for Property in Joint Economic Development Districts.*** The bill specifies that if all parties to a Joint Economic Development District agreement consent to the granting of a tax exemption, the prohibition in existing law against granting certain tax exemptions on property located in a joint economic development district does not apply. Granting additional tax exemptions may reduce tax revenues.

- ***Oil and Gas Reserves—Real Property Tax Value.*** The bill specifies the method for determining the true value, for real property tax purposes, of oil and gas reserves. Based on estimates done by the Department of Taxation, the effect of these changes would have been a reduction in tax revenues in 2006 of about $2 million, from approximately $5.5 million to around $3.5 million.

- ***Property Tax Exemption—Remediated Property.*** The bill permits an owner of property remediated to the satisfaction of the Director of Environmental Protection to decline the property tax exemption to which that owner is entitled. That property tax exemption would be based on the increase in the value of the real property, and would last ten years. The direct effect of declining the exemption would be an increase in real property taxes owed to units of local government. However, if by declining this exemption, the owner remained eligible for another, more attractive exemption, the net effect could be a reduction in real property taxes owed.

- ***Earnings-Only School District Income Tax.*** The bill permits school districts, with voter approval, to replace a school district income tax with a tax on earnings only. The replacement tax may raise more, less, or the same amount as the existing tax. If the replacement tax is not approved by voters, incomes continue to be subject to taxation under the existing tax.

- ***Lodging Tax.*** The bill permits a board of county commissioners to finance, operate, and maintain an arena and convention center, and to use lodging taxes to support those facilities. Any such facilities are exempt from real and tangible personal property taxes. The only county that satisfies the criteria in the bill for eligibility is Lucas County.

- ***Job Training Tax Credit.*** The bill extends by one year the job training tax credit. The job training tax credit is applied against various taxes. Distributions to various local government funds from those state tax receipts will be also reduced.

- ***Sales Tax Exemption***. The expanded sales and use tax exemption for airlines will decrease distributions from the state sales and use tax to the Local Government Fund (LGF) and the Local Government Revenue Assistance Fund (LGRAF). This provision will also decrease local government revenues from the local permissive sales and use and the transit authority taxes.

Detailed Fiscal Analysis

Air Quality Development Authority

FutureGen Initiative

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

Department of Insurance

The bill would establish two new exemptions from the foreign insurers' tax. The first new exemption would extend an existing exemption for professional and medical liability insurance purchased by hospitals to such insurance purchased by businesses that manufacture, package, and sell pharmaceutical products that are subject to regulation by an agency of the United States. A business is eligible for this exemption only if the pharmaceutical products in question constitute at least 50% of its business. The second would be for sales of insurance with an initial policy period of more than three years and that is procured to cover known events related to environmental remediation that occurred prior to the effective date of the insurance.

The foreign insurers' tax is imposed at a rate of 5% of premiums, with the resulting proceeds deposited into the GRF. These provisions would reduce the tax base of the foreign insurers' tax, thereby reducing revenue to the GRF. Officials at the Department of Insurance are uncertain about the magnitude of the revenue loss due to a lack of historical experience; the

entities being granted an exemption were first subjected to the tax by Am. Sub. H.B. 66 of the 126th General Assembly. However, it is expected that the loss may be up to hundreds of thousands of dollars per year.

Current law imposes a tax of 2.5% on premiums applicable to reciprocal or interinsurance indemnity contracts of insurance, and imposes a tax of 0.5% on the portion of such insurance that may be attributed to insurance for the risk of fire. Revenue from the 2.5% tax is deposited into the GRF and revenue from the 0.5% tax is deposited into the State Fire Marshal Fund (Fund 546). The 2.5% tax rate would be reduced by the bill to 1.4%, and the 0.5% tax rate would be increased to 0.75%. The new tax rates would be the same as the tax rates imposed on domestic and foreign insurance companies authorized to do business in Ohio.

The changes represent codification of existing practice by the Department of Insurance. Am. Sub. H.B. 215 of the 122nd General Assembly changed tax rates imposed on foreign insurance companies authorized to do business in Ohio from the 2.5% and 0.5% tax rates, to the 1.4% and 0.75% rates. Department administration of these taxes was based on the understanding that the H.B. 215 tax changes were intended to apply to reciprocal and interinsurance indemnity contracts as well. These changes would therefore have no effect on revenue currently being collected under the taxes.

Lottery Commission

Lottery Sales Agent License Fee

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

Ohio Building Authority

OBA—Building Operating Payments

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

There is no direct fiscal effect of this provision on state or local governments.

Public Utilities Commission

Fund Transfer—Motor Transportation Regulation Program

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

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

Fund Transfer—Reimbursement for Previous Transfer in FY 2002

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

Ohio Department of Taxation

Enforcement of Certain Tax Liens

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

Tax Provisions

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

The bill changes the definition of taxable gross receipts for certain dealers in intangibles[2] (DIT) under the commercial activity tax (CAT). The bill modifies the existing CAT exemption for gross receipts received from transactions between members of a consolidated single taxpayer group[3] or from an entity exempted from the CAT. Under current CAT law, a consolidated taxpayer group may exclude receipts received from a DIT that is subject to the DIT tax, but only if the dealer is part of a commonly owned company group that also includes an insurance company or a financial institution (a "qualifying" dealer). The consolidated group must pay the CAT on gross receipts received from a nonqualifying dealer even if the nonqualifying dealer is a member of the group. The bill allows a consolidated taxpayer group to exclude gross receipts received from any dealer that is both subject to the DIT tax and a group member, whether the dealer is a "qualifying" or "nonqualifying" dealer. However, the exclusion will not apply if the receipts are received by one group member transferring property to a nonqualifying dealer (and also a group member) and the nonqualifying dealer then delivers the same property to an entity that is not a member of the same group.

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

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

The bill extends from December 1, 2006 to June 1, 2007 the time by which a board of county commissioners may enter into an agreement with a business that proposes to construct an impact facility[4] in the county. Under current law, up to 75% of the county permissive local sales and use taxes collected on retail sales made by the impact facility are returned to it. This provision has no fiscal effect.

Incorporation of Federal Tax Law Changes to the Ohio Revised Code

The bill incorporates changes in federal tax laws that have occurred since March 30, 2006, into the tax title of the Revised Code. The bill also authorizes taxpayers whose taxable year ends in 2006 and before the effective date of the bill to elect to apply the federal tax law

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

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

[4] An "impact facility" is a facility at which retail sales are made; at least 10% of the total square footage of the facility is dedicated to educational and exhibition activities; at least $50 million is invested in land, buildings, infrastructure, and equipment for the site and the facility; an annualized average of at least 150 new full-time equivalent positions are created at the facility; and more than 50% of the visitors to the facility live at least 100 miles from the facility.

provisions that applied before the incorporated changes begin to apply. Changes to the federal law primarily include modification of the pension laws and changes to certain provisions related to charitable contributions to organizations exempt from the federal income tax. These federal law changes decrease the federal adjusted gross income (FAGI), which is the starting point in the computation of Ohio adjusted gross income (OAGI). A reduction in OAGI decreases both the tax liability and tax revenues from the individual income tax. The state revenue loss may be between $2.0 million and $4.0 million per year from FY 2007 through FY 2010. The state revenue loss may be at least $20 million per year starting in FY 2011, according to the Department of Taxation. Revenue from the individual income tax is distributed to the GRF and to several local government funds.

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

Federal H.R. 4, the "Pension Protection Act of 2006" is the primary driver of the Ohio revenue loss. H.R. 4 allows tax-free distributions from Individual Retirement Accounts to certain charities from individuals age 70 1/2 or older, and allows tax-free distributions from certain retirement plans for premiums for health and long-term care insurances. These provisions will create an immediate Ohio revenue loss under the income tax, starting this fiscal year. H.R. 4 also makes permanent pensions and IRA provisions included in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) that were set to expire in federal fiscal year (FFY) 2010.[5] The permanency of the EGTRRA-related tax provisions will create an additional Ohio revenue loss starting in FY 2011.

Joint Economic Development Districts: Prohibition on Tax Exemptions Repealed

The bill specifies that if all parties to a Joint Economic Development District agreement consent to the granting of a tax exemption, the prohibition in existing law against granting certain tax exemptions on property located in a joint economic development district does not apply. The direct effects of granting additional tax exemptions may result in loss of tax revenues.

Property Tax: True Value of Oil and Gas Reserves

The bill specifies how the true value of producing oil and gas real property is to be determined. The effect of implementing these provisions will depend on how the valuations that would be calculated using these procedures compares with the values calculated under the current method. Based on estimates done by the Department of Taxation, the effect of these changes would have been a reduction in tax revenues in 2006 of roughly $2 million, from about

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

$5.5 million to around $3.5 million. Statewide, about two-thirds of real property taxes are paid to school districts and about one-third to other units of local government.

Remediated Property Tax Exemptions

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

Earnings-Only School District Income Tax

The bill permits school districts, with voter approval, to replace a school district income tax with a tax on earnings only. The replacement tax may raise more, less, or the same amount as the existing tax. If the replacement tax is approved by voters, it would go into effect no sooner than January 1 of the year following approval by voters. Consequently, this tax would go into effect no sooner than FY 2008. If the replacement tax is not approved by voters, incomes would continue to be subject to taxation under the existing tax.

Lodging Tax

The bill permits a board of county commissioners to finance, operate, and maintain an arena and convention center, and to use lodging taxes to support those facilities. Any such facilities are exempt from real and tangible personal property taxes. The only county that satisfies the criteria in the bill for eligibility is Lucas County.

Alternative Method for the Situsing of Services under the Commercial Activity Tax

The bill permits a CAT taxpayer to use an alternative to the current statutory method for sourcing gross receipts from the sale of services. This provision assumes that the taxpayer's records do not allow the taxpayer to source the receipts on the basis of where the purchaser uses or receives the benefit of the service. The bill requires the alternative method to be reasonable, consistently and uniformly applied, and supported by the taxpayer's records. Under current law, only receipts sourced to Ohio are taxable under the CAT. The current method for sourcing receipts from services is to source them to Ohio in proportion to the purchaser's use or benefit in Ohio as compared to everywhere the purchaser uses or benefits from the service. Assuming that CAT taxpayers source elsewhere gross receipts from the sale of services that could have been sourced to Ohio, and the taxpayers choose a sourcing method that may decrease their CAT tax liability, this provision potentially decreases CAT revenues. However, this provision may codify new CAT administrative rules adopted by the Department of Taxation. If this provision basically mirrors current tax practice, it may not create an actual revenue loss. Revenues from the CAT are distributed to the School District Tangible Property Tax Replacement Fund (70%) and to the Local Government Tangible Property Tax Replacement Fund (30%).

New Commercial Activity Tax Exemption for Gross Receipts from Hedging Transactions

Under current CAT law, gross receipts from selling "capital assets" as defined in federal law are exempt from the definition of taxable gross receipts. Federal law expressly excludes hedging transactions from the definition of "capital asset,"[6] meaning that gross receipts from hedging transactions are currently taxable under the CAT. The bill creates a new exemption from the CAT for gross receipts arising from hedging transactions, although the exception does not apply if the transactions involve the transfer of title to tangible personal property. Compared to current law, the new exemption will decrease CAT revenues by an undetermined amount. Revenues from the CAT are distributed to the School District Tangible Property Tax Replacement Fund (70%) and to the Local Government Tangible Property Tax Replacement Fund (30%) through FY 2011.

Extension of the Job Training Tax Credit

Under current law, the nonrefundable job training tax credit may be claimed by corporations, financial institutions, dealers in intangibles, individuals, and insurance companies, for certain job skill training costs they incur for qualified employees through December 31, 2006. The tax credit is equal to 50% of the average costs paid or incurred during a designated period for training eligible Ohio employees. The bill extends the job training tax credit for an additional year, to cover training costs paid or incurred on or before December 31, 2007.

The corporate franchise tax, the individual income tax, the dealers in intangibles tax, the domestic insurance premiums tax, and the foreign insurance premiums tax are distributed to the GRF and to various local government funds. State revenue loss from the extension of the job training tax credit may be up to $12.0 million. Revenue loss to local government funds will depend on the extent to which credits are claimed against the corporate franchise tax, dealers in intangibles tax, and the individual income tax. The Revised Code distribution of receipts from the income tax is as follows: 89.5% to the GRF, 5.7% to the Library and Local Government Support Fund (LLGSF), 4.2% to the Local Government Fund (LGF), and 0.6% to the Local Government Revenue Assistance Fund (LGRAF). The Revised Code distribution of receipts from the corporate franchise tax is as follows: 95.2% to the GRF, 4.2% to the LGF, and 0.6% to the LGRAF. Revenues from the insurance premiums taxes (foreign and domestic) are distributed to the GRF.

The dealer in intangibles tax paid by nonqualifying dealers is distributed to the GRF (36.5%) and to the County Undivided Local Government Fund (CULGF, 63.5%). Revenue loss to the CULGF is expected to be small. The tax paid by qualifying[7] dealers is entirely credited the GRF.

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[6] Most often, hedging transactions have the primary purpose of protecting a financial position, including managing the risk of exposure to currency, interest rate, or commodity price fluctuations. The exclusion in federal law means that hedging transactions generally result in ordinary gains or losses, instead of capital gains and losses.

[7] A qualifying dealer is a dealer in intangibles that is a member of a controlled group of which a financial institution or insurance company is also a member.

Revisions to the Job Creation and Job Retention Tax Credits

The bill revises the job creation and retention tax credits. The job creation tax credit (JCTC) is a refundable tax credit against a company's corporate franchise tax, income tax, commercial activity tax, and insurance premiums tax. The JCTC is calculated based on the state income tax withheld from new, full-time employees. The job retention tax credit (JRTC) is a nonrefundable tax credit against the corporate franchise tax, the income tax, and the commercial activity tax. The JRTC is calculated based on the state income tax withheld from eligible existing (retained) employees. The Ohio Tax Credit Authority determines the eligibility and terms of the tax credits.

The bill allows companies that have been awarded the JRTC and the JCTC tax credits to keep them if an employee is transferred or employed by a subsidiary or related member[8] of the firm to which the tax credits were originally offered. The subsidiary must have been a party to the tax credit agreement at the time the employee was first employed with the taxpayer. Companies will also be allowed to keep the credits if the employees are on active duty reserve or Ohio National Guard service.

The change to the job retention tax credit has no fiscal impact. The fiscal impact of this change to the job creation tax credit is expected to be minimal. This assumes that the reassignment of employees by the consolidated business groups that were offered the JCTC would not result in job losses that would have precluded those business groups from using the credits for the tax periods covered by the tax credit agreements. Under current law, state revenue loss from the JRTC is expected to be about $1.0 million in FY 2007. State revenue loss from the JCTC has averaged $36.7 million from TY 2002 through TY 2005.

Expansion of the Sales and Use Tax Exemption for Airlines

Under current law, the use or consumption of anything used or consumed directly in the rendition of a public utility service is exempt from the sales and use tax. This means that purchases of property and certain services, including airplanes and fuel by airlines that operate over regular routes, offer their services to the general public, have public schedules and prices, and provide regular service, are exempt from the sales and use tax.

The bill expands the current sales and use tax exception by providing that all purchases or sales "made in furtherance of foreign or interstate air transportation of passengers or property by aircraft as a common carrier for compensation, or in furtherance of the transportation of mail by aircraft," are exempt from sales and use taxes. This provision broadens the sales and use tax exemption to include that all purchases and sales of property, fuel, services, or power used directly or indirectly by common carriers or by a company transporting mail by aircraft. This implies that certain purchases or sales that were previously taxable will be made tax exempt by the bill. LSC assumes that this provision does not apply to general aviation or business aviation purchases or sales. This provision creates an indeterminate revenue loss under the state sales and use tax.

[8] Ohio Revised Code sections 5733.04 and 5733.042 define a related member under the corporate franchise tax laws.

State sales and use tax revenues are distributed to the GRF (95.2%), the LGF (4.2%) and the LGRAF (0.6%). The expanded sales and use tax exemption will also decrease local government revenues from the local permissive sales and use tax and the transit authority sales and use tax.

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