

Fiscal Note & Local Impact Statement

122nd General Assembly of Ohio

BILL: Sub. S.B. 7 DATE: June 4, 1997

STATUS: As Reported by House Housing & Public Lands SPONSOR: Sen. Kearns

LOCAL IMPACT STATEMENT REQUIRED: No — Permissive

CONTENTS: Authorizes the conveyance of state-owned land in Greene County known as the Ohio Veterans' Children's Home to the Board of County Commissioners of Greene County

State Fiscal Highlights

STATE FUND	FY 1997	FY 1998	FUTURE YEARS
General Revenue Fund			
Revenues	Loss of asset priced at \$1.3 million	- 0 -	- 0 -
Expenditures	- 0 -	Net decrease of approximately \$1,225,000 plus potential increase of approximately \$100,000 per month*	- 0 -
Veterans' Plaza Fund, 4Z0			
Revenues	Gain of \$435,956	Gain of \$435,956	Gain of \$435,956 in FY 1999
Expenditures	- 0 -	- 0 -	- 0 -

* Under Section 4 of the bill, the Department of Administrative Services (DAS) will be required to assume the business and financial functions of the Home starting in FY 1998. An agreement between the state and Greene County, to be discussed in detail below, could eliminate DAS' expenses of \$100,000 per month.

- Greene County to make three annual payments of \$435,956 for a total of \$1,307,868 which will be deposited to the credit of Fund 4Z0, Veterans' Plaza Fund.
- Main costs to the state involve the loss of the asset and unemployment and early retirement costs of about \$280,000.
- The value of the property takes into account various environmental abatement costs to be undertaken by Greene County.
- State will save building and property maintenance expenses.



Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1997	FY 1998	FUTURE YEARS
Counties			
Revenues	Gain of \$1.3 million asset	Potential indeterminate increase	Potential indeterminate increase
Expenditures	Increase up to \$3 million	Likely annual net increase of \$1 million or more	Likely annual net increase of \$1 million or more

- Greene County to make three annual payments to the state of \$435,956 for a total of \$1,307,868.
- The value of the property takes into account various environmental abatement costs to be undertaken by Greene County. The county is liable for all maintenance on the property, including asbestos removal.
- The county, at its own expense, may enhance the deed of consolidation prior to recordation
- Future county revenue from leases on the property is a possibility.

Detailed Fiscal Analysis

Value of the Property

The Ohio Veterans' Children's Home is located on approximately 440 acres in Greene County. The property is divided into three parcels. The first parcel, on which the campus of the Home is located, is 156.84 acres. Parcel two, which is mainly agricultural, measures 117.19 acres. The final parcel, which lies south of U.S. Route 35, between Union Road and State Route 380, measures 165 acres. This parcel is also agricultural, but does have two family residences located on the land. The exact acreage of each parcel is based on courthouse records before the construction of U.S. Route 35.

The November 1996 appraised value of the three parcels is \$4.91 million. The appraised value of parcel one, which has the 38 buildings of the Veterans' Children's Home, is four million dollars. The second and third parcels are valued at \$350,000 and \$560,000, respectively. Any asbestos abatement costs will lessen the value of the \$4 million parcel. DAS originally estimated that addressing the asbestos problem would cost approximately \$2.7 million. The county's original environmental abatement costs differed from those of the state. After agreeing on environmental impact deductions, the state is offering to sell the property to Greene County for a total of \$1,307,868, to be divided into three equal annual installments beginning immediately upon passage of the bill.

The total campus of the Veterans' Children's Home was acquired over a period of more than 150 years through various methods, including purchases and bequests. The standards used to convey property during this period did not meet the specific standards of the 1990s. In an agreement with officials from Greene County, DAS will transfer to Greene County a single deed that will include a legal description of the property and make reference to all previous deeds that reference the boundaries of the property. The deed will then make note of the acres subtracted

from the total property for roads, State Highway Patrol, and Department of Transportation uses, among other things.

This deed of consolidation is comprehensive enough to allow the county to legally accept the transfer of the property. If Greene County officials, including the County Recorder, feel that a more formal survey is needed, one will be performed at the county's expense. Since Greene County has the staff and resources needed for this survey, it will be cheaper than the \$50,000 – \$75,000 DAS estimate.

State Effects

The majority of the property at the Veterans' Children's Home is empty farmland. On the 150 acre campus, there are 38 buildings in a varied state of repair. Most of the buildings have problems with asbestos and lead paint. Additionally, the campus has an old hot water/steam boiler system that is running at 20% efficiency. If the state retained control of the property, estimated costs for keeping the Home viable top \$1.5 million annually. Veterans' Children's Home staff project that unemployment and early retirement costs will total approximately \$277,700. The net savings to the state will be around \$1.2 million.

The two sources of lost revenue to the state are rent payments by the Association of Ex-Pupils and the value of the property. In addition to the loss of asset value, the state will lose \$1 per year in rent payments from the Association of Ex-Pupils.

This bill would also amend Section 139 of Am. Sub. H.B. 117 of the 121st G.A. The current language states that \$1,000,000 of the proceeds from the sale of the Veterans' Children's Home property is to be deposited into State Special Revenue Fund 4Z0, the Veterans' Plaza Fund. The new language will cause all proceeds (approximately \$1.3 million) from the sale of the property to be deposited into Fund 4Z0. According to this bill, Greene County will make three equal annual payments of \$435,956, for a total of \$1,307,868.

Status of Home in FY 1998

If the property is not transferred to Greene County before the beginning of Fiscal Year 1998, the bill states that DAS will assume the business and financial functions of the Home, including any business commenced but not completed by the Home that relates to the closing and disposal of property. DAS shall also assume responsibility related to the layoff of employees and the final disbursement of wages and salaries. Officials from DAS estimate that the department would incur costs of approximately \$100,000 per month if it carries-out the tasks outlined in the bill.

Currently, the state and county are working on an "Early Occupancy Agreement." Under this plan, after June 7, 1997, the county would assume responsibility for the property. No state employees would work at the Home as of that date. DAS is working with the Attorney General's office to craft the agreement that Greene County is willing to sign. Under the emergency provision now included in the bill, the deed can be given to the county immediately on or after June 7 with passage of the bill and a signed early occupancy agreement. This would prevent DAS from using its resources to run the Home, which could have totaled several million dollars in FY 1998 if the sale and transfer did not occur.

Local Effects

The county will purchase the Home for approximately \$1.3 million. Although the county will gain an asset on the books, there are local expenses involved. According to Greene County officials, asbestos removal in all 38 buildings would run about \$2 million. Additional costs arise from the need to encapsulate lead paint in these buildings. The county could save a portion of these costs by sealing off the asbestos in certain cases. Demolition of buildings could possibly pose additional expenses if hazardous waste is exposed. The county will be required to remove any environmental hazards.

Under the proposed "Early Occupancy Agreement," the County could occupy the property by June 7, 1997. The county would prefer early occupancy to allow enough time for renovation work which would allow the property to be in shape to be used next season.

Following conveyance of the Home, Greene County will form a task force to create a long-term plan for the property. This plan may recommend the demolition of some of the buildings on the campus. The county may lease any building or other structure located on the property to persons or entities to permit those persons or entities to run programs, which will increase potential revenues an indeterminate amount. It will also decrease potential program expenditures that the county will contract out to a third party.

Operational costs related to programs created and held on the property are another major area of expense for the county. Although the county couldn't financially afford to reuse the property as it is currently used within five (5) years, the master plan envisions a long period in which programs are phased-in. The county wants to put two projects currently being planned at the Veterans' Children's Home. The first project is a juvenile court justice center, which will include rehabilitation and detention wings. The other program involves the expansion of an MR/DD sponsored school.

Another immediate cost for the county is shutting down the current heating system. There will be costs involved in abandoning the current system and building a new system. Once again, exact costs cannot be determined until after the task force has resolved exactly how many buildings will be kept. Long term upkeep of the property is estimated at \$1 million or more, annually.

□ *LBO staff: Jeffrey M. Rosa, Budget/Policy Analyst*

\fn122\sb0007hr