

Southern Ohio Agricultural and Community Development Trust Fund (Fund K87)			
Revenues	Estimated transfer from Fund 087 of approximately \$22.2 million plus investment earnings	Estimated transfer from Fund 087 of approximately \$17.4 million plus investment earnings	Estimated transfer from Fund 087 of approximately \$189.4 million through FY 2011 plus on-going investment earnings
Expenditures	- 0 -	Up to \$22,194,639	Up to \$206.8 million in total, plus earnings
Ohio's Public Health Priorities Trust Fund (Fund L87)			
Revenues	Estimated transfer from Fund 087 of approximately \$10.0 million plus investment earnings	Estimated transfer from Fund 087 of approximately \$14.4 million plus investment earnings	Estimated transfer from Fund 087 of approximately \$242.9 million through FY 2012 plus investment earnings
Expenditures	- 0 -	Up to \$10,010,574	Up to \$228.5 million in total, plus earnings
Biomedical Research and Technology Transfer Trust Fund (Fund M87)			
Revenues	Estimated transfer from Fund 087 of approximately \$5.0 million plus investment earnings	Estimated transfer from Fund 087 of approximately \$30.1 million plus investment earnings	Estimated transfer from Fund 087 of approximately \$458.4 million through FY 2012 plus investment earnings
Expenditures	- 0 -	Up to \$5,005,288	Up to \$488.5 million in total, plus earnings
Education Facilities Trust Fund (Fund N87)			
Revenues	Estimated transfer from Fund 087 of approximately \$133.1 million plus investment earnings and investment earnings transferred from Fund P87	Estimated transfer from Fund 087 of approximately \$128.9 million plus investment earnings and investment earnings transferred from Fund P87	Estimated transfer from Fund 087 of approximately \$2.16 billion through FY 2012 plus investment earnings and investment earnings transferred from Fund P87
Expenditures	- 0 -	Capital appropriations of \$262,001,238 in FYs 2001-2002 biennium	Capital appropriations of \$262,001,238 in FYs 2001-2002 biennium plus up to \$2.16 billion in total and earnings
Education Facilities Endowment Fund (Fund P87)			
Revenues	Transfer from Fund 087 of \$5.0 million plus investment earnings	Transfer from Fund 087 of \$5.0 million plus investment earnings	Annual transfer from Fund 087 of \$5.0 million through FY 2012 plus investment earnings
Expenditures	Quarterly transfer of investment earnings to Fund N87	Quarterly transfer of investment earnings to Fund N87	Quarterly transfer of investment earnings to Fund N87

Education Technology Trust Fund (Fund S87)			
Revenues	Estimated transfer from Fund 087 of approximately \$13.8 million plus investment earnings	Estimated transfer from Fund 087 of approximately \$12.9 million plus investment earnings	Estimated transfer from Fund 087 of approximately \$192.0 million through FY 2012 plus investment earnings
Expenditures	- 0 -	Up to \$13,764,540	Up to \$204.9 million, plus earnings
Income Tax Reduction Fund (ITRF)			
Revenues	- 0 -	Potential gain depending upon size of actual annual tobacco settlement funds received by the state	Potential gain depending upon size of actual annual tobacco settlement funds received by the state
Expenditures	- 0 -	Potential increase depending upon amount, if any, of tobacco funds transferred to ITRF under the bill	Potential increase depending upon amount, if any, of tobacco funds transferred to ITRF under the bill

Note: The state fiscal year is July 1 through June 30. For example, FY 2000 is July 1, 1999 – June 30, 2000.

*The expenditures listed for FY 2001 represent the appropriations made in those funds in the bill, therefore, the expenditure is listed as “up to \$X”, where \$X equals the amount of the appropriation.

- As part of the Tobacco Master Settlement Agreement (MSA), the State of Ohio is projected to receive approximately \$10.1 billion through FY 2025. Of this total, \$239.5 million is a result of the role the Attorney General played in the tobacco litigation and settlement negotiations. A variety of factors will affect the exact amount received by the state in a given year, and all revenue projections should be viewed as estimated figures. Once received by the state, the MSA funds will be deposited into the state treasury to the credit of the Tobacco Master Settlement Agreement Fund (Fund 087). Although the bill focuses on payments through FY 2012, under the settlement, payments are intended to continue in perpetuity.
- The bill creates the Tobacco Master Settlement Agreement Fund Group (TSF) and eight separate trust funds into which the Director of Budget and Management shall transfer funds from Fund 087 into one of the trust funds. Each trust fund, including Fund 087, will retain all investment earnings accrued by the particular trust fund.
- The Tobacco Use Prevention and Cessation Trust Fund (Fund H87) will receive \$1.26 billion through FY 2012 provided that the annual MSA payments do not greatly decrease from the planned amounts. The amounts in this trust fund represent 12.46 percent of the total tobacco settlement, and 25.38 percent of the total settlement through FY 2012. The funds are to be appropriated in the Department of Health and disbursed to the Tobacco Use Prevention and Control Endowment Fund to be used by the Tobacco Use Prevention and Control Foundation to carry out its duties. The bill includes FY 2001 appropriations totaling \$234,855,223 in line item 440-502, Tobacco Use Prevention and Control Foundation, in the Department of Health.
- The Tobacco Use Prevention and Control Foundation is created in the bill and consists of 20 members. The goals of the Foundation include reducing tobacco use by Ohioans, with emphasis on reduction by youth, minority, and regional populations, pregnant women, and others who may be disproportionately affected by tobacco use. The Foundation shall carry out, or provide funding to other organizations, research and programs related to prevention and cessation.

- No more than five (5) percent of total expenditures made by the Tobacco Use Prevention and Control Foundation in a fiscal year shall be for administrative expenses. In FY 2001 this would total \$11.75 million. Additionally, a recipient of Foundation grant dollars may spend no more than ten (10) percent of the grant award on administrative expenses. These restrictions also apply to the Southern Ohio Agricultural and Community Development Foundation and to the Biomedical Research and Technology Transfer Commission.
- The Law Enforcement Improvements Trust Fund (Fund J87) will receive a total of \$25.0 million through FY 2001. The bill establishes capital line item CAP-716, Lab and Training Facility Improvements, and appropriates \$2.0 million for the FY 2001-2002 biennium to be used by the Attorney General to maintain, upgrade, and modernize law enforcement training and laboratory facilities.
- The Southern Ohio Agricultural and Community Development Trust Fund (Fund K87) will receive five (5) percent of the annual MSA payment through FY 2011. Initial estimates of total revenue received over the 25-year period by Fund K87 are \$229.0 million, or 2.27 percent of the total settlement. Of the total settlement received through FY 2012, Fund K87 will receive approximately 4.61 percent. The funds are to be appropriated in the Department of Agriculture and disbursed to the Southern Ohio Agricultural and Community Development Foundation Endowment Fund to be used by the Southern Ohio Agricultural and Community Development Foundation to carry out its duties. The bill includes FY 2001 appropriations totaling \$22,194,639 in line item 700-502, Southern Ohio Agriculture and Community Development Foundation, in the Department of Agriculture.
- The Southern Ohio Agricultural and Community Development Foundation is created in the bill and consists of 14 members. The goals of the Foundation are to replace the production of tobacco in southern Ohio with the production of other agricultural products and to mitigate the adverse economic impact of reduced tobacco production in the region.
- The Ohio's Public Health Priorities Trust Fund (Fund L87) will receive a portion of the MSA payment totaling \$252.88 million through FY 2025, or 2.50 percent of the total settlement. Of the total settlement received through FY 2012, Fund L87 will receive 5.09 percent of the tobacco moneys. The funds will be appropriated to the Department of Health and shall be disbursed by Health after consultation with the Directors of Rehabilitation and Correction, Alcohol and Drug Addiction Services, the Attorney General, and the Executive Director of the Commission on Minority Health. In each year, not less than 25 percent of the appropriation from Fund L87 must be expended on minority health programs. Other uses include enforcing underage tobacco use laws, alcohol and drug abuse prevention programs, a program funded through DOH to provide assistance to low-income persons whose health has been adversely affected by tobacco use, partial reimbursement, on a county basis, of public hospitals, free medical clinics, and similar organizations or programs that provide free, uncompensated care to the general public, public health programs administered by the Department of Health relating to disease prevention and health promotion, and a program funded by the Department of Human Services to develop and enhance outreach activities for enrolling eligible children and families in Medicaid and the CHIP program. The bill includes FY 2001 appropriations totaling \$10,010,574 in line item 440-403, Ohio's Public Health Priorities Trust Fund, in the Department of Health.
- The bill establishes the 23-member Biomedical Research and Technology Transfer Commission within the Ohio Board of Regents (BOR). BOR shall provide office space and facilities for the Commission with costs to be paid from the Biomedical Research and Technology Transfer Trust Fund (Fund M87). The Commission, under the bill, shall periodically make strategic assessments on the types of state investments in biomedical research in this state that would be likely to create jobs and business opportunities and produce the most beneficial long-term improvements to the public health of Ohioans. When appropriate, the Commission shall coordinate its activities with

those of the Tobacco Use Prevention and Control Foundation. The bill includes FY 2001 appropriations totaling \$5,005,288 in line item 235-405, Biomedical Research and Technology Transfer Commission, in the Board of Regents.

- The Education Facilities Trust Fund (Fund N87) is to be used, in addition to other sources of appropriated moneys, to provide the state’s share of the costs of constructing, renovating, or repairing primary and secondary schools. Through FY 2012, Fund N87 is estimated to receive approximately \$2.42 billion. Over this period, \$65.0 million will be credited to the Education Facilities Endowment Fund (Fund P87). Each quarter, all investment earnings from Fund P87 shall be credited to Fund N87. The bill establishes capital line item CAP-780, Classroom Facilities Assistance Program, in the School Facilities Commission and appropriates \$262,001,238 for the FY 2001-2002 biennium.
- From FY 2000 through FY 2012, the Education Facilities Endowment Fund (Fund P87) will receive \$5.0 million per year with the intent that this fund will serve as a permanent source of revenue for future school facility construction and renovation activities. At the beginning of each quarter, all investment earnings will be transferred to Fund N87. No appropriations for school building assistance funding will be made from Fund P87.
- The Education Technology Trust Fund (Fund S87) shall be used to pay costs of new and innovative technology for primary and secondary education, including chartered nonpublic schools, and higher education. Anticipated revenues to this trust fund total \$218.72 million through FY 2012, or 2.16 percent of the total MSA settlement. For the total settlement received until FY 2012, the amount transferred to Fund S87 is 4.41 percent. Prior to transferring these funds to an appropriate state agency, the Controlling Board must receive an approved plan submitted by the Office of Budget and Management. The bill includes FY 2001 appropriations totaling \$13,764,540 in line item 911-405, Education Technology Trust Fund, in the Controlling Board.
- The bill requires that if the annual tobacco settlement moneys received by the state exceed the estimates determined by the Tobacco Settlement Task Force, the Director of Budget and Management shall credit the excess amount to the Income Tax Reduction Fund (ITRF).
- All funds received by the state pursuant to the Tobacco MSA payments needed to meet current demands must be held in public depositories of the active deposits of public moneys of the state, as outlined in Chapter 135. of the Revised Code.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2000	FY 2001	FUTURE YEARS
School Districts			
Revenues	- 0 -	Gain of \$262.0 million from SFC Fund N87	Gain of \$2.16 billion from SFC Fund N87 through FY 2012
Expenditures	- 0 -	Permissive increase of up to \$45.9 million	Permissive total increase of up to \$540.0 – \$756.0 million through FY 2012
Public Hospitals, Clinics, etc.			
Revenues	- 0 -	Gain of up to \$1.25 million	Gain of up to \$30.36 million through FY 2012
Expenditures	- 0 -	- 0 -	- 0 -

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

- School districts wishing to receive classroom facilities assistance program moneys from the School Facilities Commission (SFC) must first elect to finance a portion of the project with its own bond issue and tax levy. LBO estimates that the local portion of these projects will be approximately 15-20 percent of the total cost of the projects. Using the FYs 2001-2002 capital appropriation of \$262.0 million, LBO estimates that in FY 2001, school districts choosing to participate in the program will face an increase in expenditures of up to \$45.9 million.
- In future years, school districts seeking assistance from SFC will have gradually increasing valuations per pupil. This will have the effect of requiring a larger local share for school building projects. Additionally, the capital appropriations made to the SFC will be able to serve a relatively greater number of school districts, compared to an equal appropriation made in an earlier year. LBO estimates that if the local share of projects increases to 25 percent, the aggregate dollar amount through FY 2012 would be \$540.0 million. If the local share increased to 35 percent, this figure increases to \$756.0 million. This estimate is derived by taking 25 percent and 35 percent, respectively, of the \$2.16 billion in this fund to be appropriated from FYs 2003 through 2012.
- In FY 2001, appropriations out of Fund L87 total \$10.0 million. Of this amount, at least 25 percent must go toward minority health programs. The bill outlines six additional activities that should receive a portion of the Fund L87 appropriations. One of these areas is for partial reimbursement, on a county basis, of public hospitals, free medical clinics, and similar organizations that provide free, uncompensated care to the general public. Assuming that one-sixth of the remaining appropriation goes for this activity, public hospitals stand to receive up to \$1.25 million in FY 2001 from Fund L87.
- For FYs 2002-2012, Fund L87 will receive an estimated \$242.9 million in appropriation authority. Using the same calculation as above, public hospitals could potentially receive up to \$30.36 million during this period from Fund L87.

Detailed Fiscal Analysis

As part of the Tobacco Master Settlement Agreement (MSA), the State of Ohio is projected to receive approximately \$10.1 billion through FY 2025. Of this total, \$239.5 million is a result of the role the Attorney General played in the tobacco litigation and settlement negotiations. A variety of factors will affect the exact amount received by the state in a given year, and all revenue projections should be viewed as estimated figures. Once received by the state, the MSA funds will be deposited into the state treasury to the credit of the Tobacco Master Settlement Agreement Fund (Fund 087). Although the bill focuses on payments through FY 2012, under the settlement, payments are intended to continue in perpetuity.

The bill creates the Tobacco Master Settlement Agreement Fund Group (TSF) and eight separate trust funds into which the Director of Budget and Management shall transfer funds from Fund 087 into one of the trust funds. Each trust fund, including Fund 087, will retain all investment earnings accrued by the particular trust fund. The following entities house or administer the various trust funds.

The current version of Sub. S.B. 192 allocates the tobacco settlement funds through FY 2012, covering a period of 13 years. Members of future General Assemblies will have the responsibility of determining the uses and allocations of funds received in years following FY 2012.

Department of Agriculture (AGR)

Through FY 2011, the Southern Ohio Agricultural and Community Trust Fund is expected to receive a total of \$229 million. Each of the 13 installments totals 5% of the total Tobacco Master Settlement Agreement (MSA) revenue received by the state each year through 2011.

A 14-member governing board titled the Southern Ohio Agricultural and Community Development Foundation is established to appropriate these funds. The purpose of the trust fund and mission of the Foundation is to provide economic alternatives for tobacco growers. The Foundation and trust fund will explore strategies to have tobacco growers change agricultural products voluntarily, while preserving the land and soils in the tobacco-growing region of the state. The Foundation is permitted to use funds for training assistance and community investment activities. The Department of Agriculture simply serves as an administrative home for the fund.

The Foundation may spend no more than five (5) percent of the total appropriation in a given fiscal year on administrative expenses. For recipients of grants awarded by the Foundation, no more than ten (10) percent of the award may be used for administrative costs.

Attorney General (AGO)

The Law Enforcement Trust Fund is anticipated to receive \$25 million in three installments. The first two installments of \$10,000,000 each will be received in FY 2000, and the final installment of \$5,000,000 will be received in FY 2001.

These moneys will be used by the Attorney General's Office to make capital improvements for the Ohio Peace Officer Training Academy (OPOTA) and Bureau of Criminal Identification (BCI&I) and Investigation laboratory facilities. Under the bill, \$2,000,000 in FY 2000 is appropriated in CAP-716, Lab and Training Facility Improvements, for these purposes. OPOTA is located in London, as is the central BCI&I laboratory. Additional regional laboratory sites are located in Richfield and Bowling Green.

In each subsequent biennial budget request, the Attorney General is required to submit a proposal for the spending of these moneys to the Governor and the General Assembly.

Controlling Board (CEB)

The bill appropriates \$13.8 million in fiscal year 2001 to the Education Technology Trust Fund. These moneys are placed in appropriation line item 911-405, Education Technology Trust Fund, under the supervision of the state Controlling Board and authorizes the Board to transfer these funds to the agencies to be identified upon receipt of an approved plan from the Director of the Office of Budget and Management (OBM). According to the bill, Education Technology Trust Fund dollars shall be used to "pay costs of new and innovative technology" at institutions of primary and secondary education, including chartered nonpublic schools, and public colleges and universities or private nonprofit institutions of higher education.

Department of Health (DOH)

Tobacco Use Prevention and Control Foundation

Two new line items are established within the Department of Health in this bill. The first line item, 440-502, Tobacco Use Prevention and Control Foundation, is to be disbursed to the Tobacco Use Prevention and Control Endowment Fund to be used by the Tobacco Use Prevention and Control Foundation to carry out its duties. Through FY 2012, the trust fund supporting the activities of this Foundation (Fund H87) is scheduled to receive \$1.26 billion. For FY 2001, the bill appropriates \$234.9 million.

The goals of the 20-member Foundation include reducing tobacco use by Ohioans, with emphasis on reduction of use by youth, minority, and regional populations, and others who may be disproportionately affected by tobacco use. Additionally, the Foundation shall carry out, or provide funding to other organizations to carry out, research and programs related to tobacco use prevention and cessation.

The bill outlines some guidelines for the Foundation to use when awarding grants for youth smoking prevention programs, as well as the requirement that funding for an annual statewide school-based survey to measure cigarette use and behaviors be included. Finally, the bill prohibits using any portion of the Tobacco Use Prevention and Control Endowment Fund for political activity or lobbying. The Foundation may spend no more than five (5) percent of the total appropriation in a given fiscal year on administrative expenses. For recipients of grants awarded by the Foundation, no more than ten (10) percent of the award may be used for administrative costs.

Ohio's Public Health Priorities Trust Fund

In addition to the new line item discussed above, the Department of Health will also receive appropriations of \$10.0 million in FY 2001 in the new line item 440-403, Ohio's Public Health Priorities Trust Fund. This trust fund (Fund L87) is scheduled to receive approximately \$252.88 million through FY 2012. Prior to disbursing these funds, the Director of Health is required to consult with the Directors of Rehabilitation and Correction, Alcohol and Drug Addiction Services, the Attorney General, and the Executive Director of the Commission on Minority Health.

The uses of this fund are outlined in section 183.18 of the Revised Code, as created by this bill. These activities include the following five areas:

- 1) Not less than 25 percent of the annual appropriations from this trust fund must be spent on minority health programs;
- 2) Enforcing ORC 2927.02: the underage tobacco use laws;
- 3) Alcohol and drug abuse prevention programs, including programs for adult and juvenile offenders in state institutions and aftercare programs;
- 4) A program funded through the Department of Health to provide assistance to low-income persons whose health has been adversely affected by tobacco use;
- 5) Partial reimbursement, on a county basis, of public hospitals, free medical clinics, and similar organizations or programs that provide free, uncompensated care to the general public;

- 6) Public health programs administered by the Department of Health relating to disease prevention and health promotion; and
- 7) A program funded through the Department of Human Services to develop and enhance outreach activities for enrolling eligible children and families in Medicaid and the Children's Health Insurance Program (CHIP).

Board of Regents (BOR)

The bill establishes both the Biomedical Research and Technology Transfer Trust Fund and its related Commission, which is created "within the Ohio Board of Regents". The Commission will be funded by a new line item, M87 235-405, Biomedical Research and Technology Transfer Commission, within the Board of Regents budget, with appropriations of \$5,005,288 in FY 2001. The trust fund will keep its own investment earnings.

From the funds appropriated in the line item, the 23-member unpaid Commission will provide competitive grants to public and private parties in Ohio for "any of a broad range of activities" related to biomedical research and technology transfer. For guidance, the Commission will conduct assessments to determine the kinds of grant opportunities that would be likely to create jobs and business opportunities and benefit public health. A required focus of the assessments will be initiatives that address tobacco-related illnesses. Priority will be given to proposals that "leverage additional private and public funding resources."

The Board of Regents will provide office space and facilities for the Commission, which will appoint an executive director and other employees and will meet its administrative expenses from the fund's line item appropriations. The Commission may spend no more than five (5) percent of the total appropriation in a given fiscal year on administrative expenses. For private agencies awarded grants by the Commission, no more than ten (10) percent of the award may be used for administrative costs.

School Facilities Commission (SFC)

The bill appropriates \$262.0 million for capital expenditures over the course of fiscal years 2001 and 2002 from the newly created Education Facilities Trust Fund (Fund N87) to support the state's Classroom Facilities Assistance Program (CFAP). This appropriation is consistent with the recommendations of the Governor's Tobacco Task Force. These recommendations also support appropriating \$2.2 billion from Fund N87 between fiscal years 2002 and 2012. An examination of estimates for the thirty-eight districts conditionally approved for participation in CFAP in August 1999 revealed a median estimated total project cost of \$19.7 million each, with the median state share of those costs projected at \$16.7 million. Assuming that this snapshot of district needs remains constant, the moneys appropriated in the bill would support the state share of total project costs for about fifteen districts.

Since LBO assumes that the funds appropriated to SFC with the tobacco settlement dollars would be used in the same manner as other classroom facilities assistance dollars used by SFC, a brief

explanation of how the state and local share is determined will follow, as excerpted from LBO's Am. Sub. H.B. 850 analysis¹.

Under the classroom facilities assistance program, a qualifying school district is generally responsible for financing a portion of the project with its own bond issue and tax levy and must contribute the greater amount yielded by the following formulas:

- a) The amount necessary to increase the net bonded indebtedness of the school district to within \$5,000 of its required level of indebtedness. Depending on the district's adjusted valuation per pupil, the required level of indebtedness is determined as follows:

RANK ACCORDING TO DISTRICT'S VALUATION PER PUPIL	REQUIRED LEVEL OF INDEBTEDNESS AS A PERCENTAGE OF VALUATION
First Percentile	5%
Subsequent Percentiles	.05 + (.0002 x {[District Percentile Rank] - 1})

- b) The district's required percent of the basic project cost. Depending on the district's percentile ranking in terms of relative wealth as measured by the adjusted valuation per pupil, the required percent of the local share of the basic project cost is computed as follows:

$$\text{Local Share} = .01 \times (\text{District Percentile Rank})$$

Two Examples

Two examples are provided below to demonstrate the calculation of the local share and the amount two specific districts would be required to pay.

Example A – School District A

School District A has an adjusted valuation per pupil of \$42,622, ranking it 63rd in the state and placing it in the 11th percentile. The district's total assessed valuation is \$74,282,950.

TOTAL ASSESSED VALUATION	\$74,282,950
Hypothetical Cost – New Building	\$10,000,000

Local Share Equals the Greater of:

a) Required level of indebtedness	5.2% of assessed valuation	\$3.9 million
b) Required percentage of program cost	11.0% of project costs	\$1.1 million

Example B – School District B

School District B has an adjusted valuation per pupil of \$52,539, ranking it 129th in the state and placing it in the 21st percentile. The district's total assessed valuation is \$64,548,017.

¹ Analysis of Amended Substitute House Bill 850: The Capital Appropriations Bill 1999-2000, Ohio Legislative Budget Office, 1999. pp. 156-160

TOTAL ASSESSED VALUATION	\$64,548,017
Hypothetical Cost – New Building	\$10,000,000

Local Share Equals the Greater of:

a) Required level of indebtedness	5.4% of assessed valuation	\$3.5 million
b) Required percentage of program cost	21.0% of project costs	\$2.1 million

While both districts detailed in the examples above would be responsible for a local share based on the required level of indebtedness, both examples assume a district with no outstanding debt. As a result, if either district is currently at or near its required level of indebtedness, the amount of the local share could actually be what appears as the much lower figure generated by the required percentage of program costs.

Priority List

Currently, a district’s priority in receiving state assistance for school building projects is determined by the district’s adjusted valuation per pupil and the assessed need for improving or replacing classroom facilities. As mentioned above, of the 38 districts conditionally approved for participation in the CFAP in August 1999, the median state share of each project’s costs was estimated to be \$16.7 million.

According to LBO estimates, the local share of projects is currently about 15-20 percent. It is important to note, however, that in the future, as the poorer districts receive assistance, districts with higher valuation per pupil would be seeking assistance from the CFAP. This would mean that the local portion for projects would increase, which would allow the state classroom assistance appropriations to meet the needs of an increasing number of school districts.

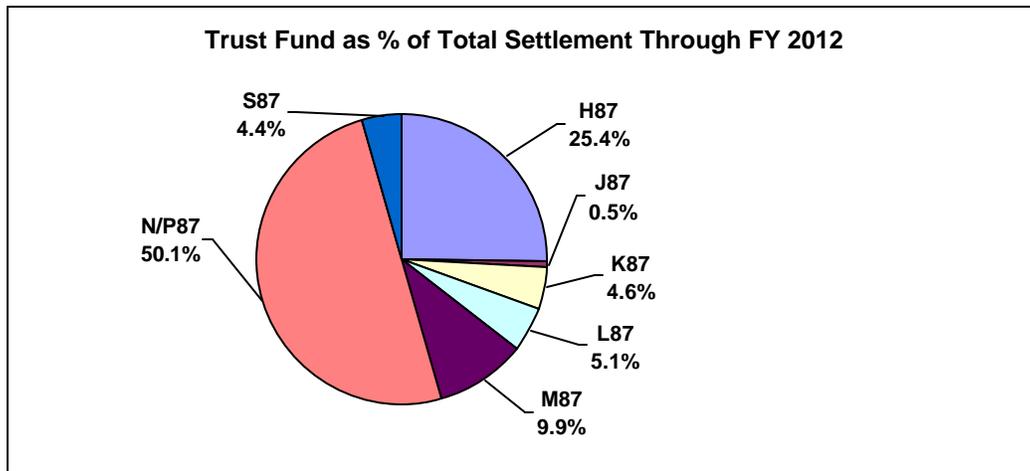
Phased-In Funding for Large Projects

Prior to the enactment of Am. Sub. H.B. 850 of the 122nd General Assembly, once a district was conditionally approved for assistance, the full amount of funding deemed necessary to cover the state share of the basic project costs was required to be encumbered. Recognizing the fact that a number of larger school districts with projects with estimated state shares in excess of \$40 million were being considered for assistance, the program was amended to provide SFC with the flexibility to encumber the state share of the basic project costs in phases over the life of that project. Specifically, under this provision contained in Am. Sub. H.B. 850, if the state share of the basic cost for any project exceeds \$40 million, the School Facilities Commission may authorize that the amount of the state funds encumbered be limited to reflect funding necessities as dictated by construction schedules for the biennium in question. During subsequent years, projects whose funding was impacted by the mechanism would have priority in the receipt of state funds over those for which initial funding is being sought.

Distribution of Settlement Dollars

As discussed above, the substitute version of S.B. 192 only deals with FYs 2000 through 2012. One effect of the reductions from the payment schedule outlined in the As Introduced version of the bill is the decision of the Tobacco Task Force to front-load some of the trust funds and to back-load others. The

ultimate effect of this change is to modify the percentage of total award that each trust fund was slated to receive under the initial plan.



Income Tax Reduction Fund (ITRF)

The bill provides that in any year in which tobacco payments to the state exceed the amounts estimated by the Office of Budget and Management in the final report of the Governor’s Tobacco Task Force, the excess is to be credited to the Income Tax Reduction Fund (ITRF).

Moneys in the Income Tax Reduction Fund are used to fund temporary income tax reductions in the subsequent calendar year. The amount of money in the fund on July 31 of each year is used to determine the tax reduction for the next year. In order to trigger a tax cut, the amount of money in the fund must equal at least 0.35% of the projected state income tax revenue for the ongoing fiscal year.

Any moneys deposited in the income tax reduction fund after July 31 of FY 2000 would be used to fund income tax reductions in tax year 2001 (i.e., calendar year 2001) or beyond. The state personal income tax revenue is currently projected to be \$7,615.0 million in fiscal year 2001. In order to trigger an income tax reduction in tax year 2001, the balance in the Income Tax Reduction Fund would therefore need to be at least \$26.7 million. If the balance in the ITRF were insufficient to trigger a tax reduction, the moneys would remain in the fund until the balance in the fund was sufficient – as of July 31st of any year – to trigger a tax cut for the following year.

Potential Future Effects of Federal Actions

Federal actions may affect the revenue stream. An increase in the federal cigarette tax would lead to increases in cigarette prices and decreases in consumption. A federal lawsuit against the tobacco industry and the settlement of the suit could act to reduce cigarette consumption. Reduced consumption will lead, through the volume adjustment, to reduced payments to the states. Federal actions that raise cigarette prices operate across the board and raise prices generally, but do not exacerbate cross-state price differentials. The price elasticity of demand for cigarettes is about -0.4, meaning that a 10 percent increase in cigarette prices will result in a 4 percent decrease in cigarette consumption.

Inflation Adjustment

The settlement payments will be subject to an annual inflation adjustment. The adjustment is the greater of the percentage change in the Consumer Price Index or 3 percent, compounded annually. The effect of the minimum 3 percent adjustment is depicted in the following table.

Payment	FY Received	Total Estimated Payments (Without Adjustment)	Inflation	Adjustment Factor	Total Estimated Payments (With Inflation Adjustment)
1	2000	\$ 120,900,235	0.00%	1.00	\$ 120,900,235
2	2000	322,992,533	0.00%	1.00	322,992,533
3	2001	348,780,049	3.00%	1.03	359,243,451
4	2002	418,783,038	3.00%	1.06	444,286,925
5	2003	422,746,367	3.00%	1.09	461,946,369
6	2004	352,827,185	3.00%	1.13	397,110,105
7	2005	352,827,185	3.00%	1.16	409,023,408
8	2006	352,827,185	3.00%	1.19	421,294,110
9	2007	352,827,185	3.00%	1.23	433,932,933
10	2008	383,779,323	3.00%	1.27	486,160,164
11	2009	383,779,323	3.00%	1.30	500,744,969
12	2010	383,779,323	3.00%	1.34	515,767,318
13	2011	383,779,323	3.00%	1.38	531,240,338
14	2012	383,779,323	3.00%	1.43	547,177,548
15	2013	383,779,323	3.00%	1.47	563,592,875
16	2014	383,779,323	3.00%	1.51	580,500,661
17	2015	383,779,323	3.00%	1.56	597,915,681
18	2016	383,779,323	3.00%	1.60	615,853,151
19	2017	383,779,323	3.00%	1.65	634,328,746
20	2018	403,202,282	3.00%	1.70	686,424,896
21	2019	403,202,282	3.00%	1.75	707,017,642
22	2020	403,202,282	3.00%	1.81	728,228,172
23	2021	403,202,282	3.00%	1.86	750,075,017
24	2022	403,202,282	3.00%	1.92	772,577,267
25	2023	403,202,282	3.00%	1.97	795,754,585
26	2024	403,202,282	3.00%	2.03	819,627,223
27	2025	403,202,282	3.00%	2.09	844,216,040
Total		\$ 10,108,922,448			15,047,932,360

The following tables illustrate how certain factors could affect the total amount of the tobacco settlement received by the state. The first table lists how various annual inflation rates would affect the total amount of the state's settlement dollars. The second table illustrates how an annual decline in tobacco industry sales could affect the state's award. For example, a 1.00 percent decrease per year through FY 2025 would decrease Ohio's settlement from \$10.1 billion to \$8.9 billion.

Annual Inflation Rate	Total
0.00%	\$10,108,922,448
3.00%	15,047,932,360
3.25%	15,580,892,691
3.50%	16,136,562,320
3.75%	16,715,955,193
4.00%	17,320,130,730
4.25%	17,950,195,829
4.50%	18,607,306,965
4.75%	19,292,672,373
5.00%	20,007,554,321

Decline Rate (annual decline in sales in industry)	Total
0.00%	\$10,108,922,448
0.50%	9,496,268,366
1.00%	8,930,912,669
1.50%	8,408,932,379
2.00%	7,926,736,540
2.50%	7,481,038,218
3.00%	7,068,828,823
3.50%	6,687,354,559
4.00%	6,334,094,844
4.50%	6,006,742,516
5.00%	5,703,185,714
6.00%	5,159,889,452
7.00%	4,690,619,893
8.00%	4,283,988,016
9.00%	3,930,442,667
10.00%	3,621,969,662

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Health and Safety

Estimated Revenues for the Trust Funds as Contained in the Final Report of the Governor's Tobacco Task Force

MSA Base Payment	Payment from Strategic Contribution Fund	Total Estimated Payments (087)	Fiscal Year Received	Tobacco Use Prevention and Cessation Trust Fund (H87)	Ohio's Public Health Priorities Trust Fund (L87)	Biomedical Research and Technology Transfer Trust Fund (M87)	Education Facilities Trust Fund and Endowment Fund (N87 and P87)	Education Technologies Trust Fund (S87)	Law Enforcement Improvements Trust Fund (J87)	Southern Ohio Agricultural and Community Development Trust Fund (K87)
\$120,900,234.58		\$120,900,234.58	2000	\$104,855,222.85					\$10,000,000.00	\$6,045,011.73
\$322,992,532.93		\$322,992,532.93	2000	\$130,000,000.00	\$10,010,574.38	\$5,005,287.19	\$138,062,504.95	\$13,764,539.77	\$10,000,000.00	\$16,149,626.65
\$348,780,049.22		\$348,780,049.22	2001	\$135,000,000.00	\$14,350,578.51	\$30,136,214.86	\$133,938,732.73	\$12,915,520.66	\$5,000,000.00	\$17,439,002.46
\$418,783,038.09		\$418,783,038.09	2002	\$140,000,000.00	\$15,470,633.17	\$30,296,656.63	\$190,804,475.78	\$21,272,120.61		\$20,939,151.90
\$422,746,366.61		\$422,746,366.61	2003	\$150,000,000.00	\$16,354,588.14	\$30,193,085.79	\$185,561,673.11	\$19,499,701.24		\$21,137,318.33
\$352,827,184.57		\$352,827,184.57	2004	\$150,000,000.00	\$17,592,653.41	\$31,018,625.74	\$127,778,219.49	\$8,796,326.70		\$17,641,359.23
\$352,827,184.57		\$352,827,184.57	2005	\$150,000,000.00	\$18,518,582.53	\$32,407,519.43	\$126,389,325.80	\$7,870,397.58		\$17,641,359.23
\$352,827,184.57		\$352,827,184.57	2006	\$150,000,000.00	\$19,444,511.66	\$33,333,448.56	\$125,463,396.67	\$6,944,468.45		\$17,641,359.23
\$352,827,184.57		\$352,827,184.57	2007		\$20,111,149.52	\$50,277,873.80	\$251,389,369.01	\$13,407,433.01		\$17,641,359.23
\$359,829,323.15	\$23,950,000.00	\$383,779,323.15	2008		\$21,875,421.42	\$50,131,174.09	\$272,531,291.85	\$20,052,469.63		\$19,188,966.16
\$359,829,323.15	\$23,950,000.00	\$383,779,323.15	2009		\$22,786,897.31	\$50,131,174.09	\$272,531,291.85	\$19,140,993.74		\$19,188,966.16
\$359,829,323.15	\$23,950,000.00	\$383,779,323.15	2010		\$23,698,373.20	\$50,131,174.09	\$272,531,291.85	\$18,229,517.85		\$19,188,966.16
\$359,829,323.15	\$23,950,000.00	\$383,779,323.15	2011		\$24,609,849.10	\$50,131,174.09	\$272,531,291.85	\$17,318,041.96		\$19,188,966.16
\$359,829,323.15	\$23,950,000.00	\$383,779,323.15	2012	\$150,000,000.00	\$28,053,518.78	\$50,262,554.48	\$115,954,544.28	\$39,508,705.61		
\$359,829,323.15	\$23,950,000.00	\$383,779,323.15	2013	\$150,000,000.00	\$29,222,415.39	\$50,262,554.48	\$115,954,544.28	\$38,339,809.00		
\$359,829,323.15	\$23,950,000.00	\$383,779,323.15	2014	\$90,144,777.15	\$42,870,643.72	\$76,344,981.96	\$128,024,662.06	\$46,394,258.27		
\$359,829,323.15	\$23,950,000.00	\$383,779,323.15	2015		\$60,829,022.72	\$103,620,417.25	\$156,965,743.17	\$62,364,140.01		
\$359,829,323.15	\$23,950,000.00	\$383,779,323.15	2016		\$60,829,022.72	\$103,620,417.25	\$156,965,743.17	\$62,364,140.01		
\$359,829,323.15	\$23,950,000.00	\$383,779,323.15	2017		\$60,829,022.72	\$103,620,417.25	\$156,965,743.17	\$62,364,140.01		
\$403,202,282.16		\$403,202,282.16	2018		\$63,907,561.72	\$108,864,616.18	\$164,909,733.40	\$65,520,370.85		
\$403,202,282.16		\$403,202,282.16	2019		\$63,907,561.72	\$108,864,616.18	\$164,909,733.40	\$65,520,370.85		
\$403,202,282.16		\$403,202,282.16	2020		\$63,907,561.72	\$108,864,616.18	\$164,909,733.40	\$65,520,370.85		
\$403,202,282.16		\$403,202,282.16	2021		\$63,907,561.72	\$108,864,616.18	\$164,909,733.40	\$65,520,370.85		
\$403,202,282.16		\$403,202,282.16	2022		\$63,907,561.72	\$108,864,616.18	\$164,909,733.40	\$65,520,370.85		
\$403,202,282.16		\$403,202,282.16	2023		\$63,907,561.72	\$108,864,616.18	\$164,909,733.40	\$65,520,370.85		
\$403,202,282.16		\$403,202,282.16	2024		\$63,907,561.72	\$108,864,616.18	\$164,909,733.40	\$65,520,370.85		
\$403,202,282.16		\$403,202,282.16	2025		\$63,907,561.72	\$108,864,616.18	\$164,909,733.40	\$65,520,370.85		
\$9,869,422,448.49	\$239,500,000.00	\$10,108,922,448.49	TOTAL	\$1,500,000,000.00	\$1,018,717,952.17	\$1,801,841,680.49	\$4,519,621,712.28	\$1,014,709,690.93	\$25,000,000.00	\$229,031,412.62
			% Of Total	14.84%	10.08%	17.82%	44.71%	10.04%	0.25%	2.27%

Estimated Revenues for FYs 2000 – 2012

MSA Base Payment	Payment from Strategic Contribution Fund	Total Estimated Payments (087)	Fiscal Year Received	Tobacco Use Prevention and Cessation Trust Fund (H87)	Ohio's Public Health Priorities Trust Fund (L87)	Biomedical Research and Technology Transfer Trust Fund (M87)	Education Facilities Trust Fund and Endowment Fund (N87 and P87)	Education Technologies Trust Fund (S87)	Law Enforcement Improvements Trust Fund (J87)	Southern Ohio Agricultural and Community Development Trust Fund (K87)	
\$120,900,234.58		\$120,900,234.58	2000	\$104,855,222.85					\$10,000,000.00	\$6,045,011.73	
\$322,992,532.93		\$322,992,532.93	2000	\$130,000,000.00	\$10,010,574.38	\$5,005,287.19	\$138,062,504.95	\$13,764,539.77	\$10,000,000.00	\$16,149,626.65	
\$348,780,049.22		\$348,780,049.22	2001	\$135,000,000.00	\$14,350,578.51	\$30,136,214.86	\$133,938,732.73	\$12,915,520.66	\$5,000,000.00	\$17,439,002.46	
\$418,783,038.09		\$418,783,038.09	2002	\$140,000,000.00	\$15,470,633.17	\$30,296,656.63	\$190,804,475.78	\$21,272,120.61		\$20,939,151.90	
\$422,746,366.61		\$422,746,366.61	2003	\$150,000,000.00	\$16,354,588.14	\$30,193,085.79	\$185,561,673.11	\$19,499,701.24		\$21,137,318.33	
\$352,827,184.57		\$352,827,184.57	2004	\$150,000,000.00	\$17,592,653.41	\$31,018,625.74	\$127,778,219.49	\$8,796,326.70		\$17,641,359.23	
\$352,827,184.57		\$352,827,184.57	2005	\$150,000,000.00	\$18,518,582.53	\$32,407,519.43	\$126,389,325.80	\$7,870,397.58		\$17,641,359.23	
\$352,827,184.57		\$352,827,184.57	2006	\$150,000,000.00	\$19,444,511.66	\$33,333,448.56	\$125,463,396.67	\$6,944,468.45		\$17,641,359.23	
\$352,827,184.57		\$352,827,184.57	2007		\$20,111,149.52	\$50,277,873.80	\$251,389,369.01	\$13,407,433.01		\$17,641,359.23	
\$359,829,323.15	\$23,950,000.00	\$383,779,323.15	2008		\$21,875,421.42	\$50,131,174.09	\$272,531,291.85	\$20,052,469.63		\$19,188,966.16	
\$359,829,323.15	\$23,950,000.00	\$383,779,323.15	2009		\$22,786,897.31	\$50,131,174.09	\$272,531,291.85	\$19,140,993.74		\$19,188,966.16	
\$359,829,323.15	\$23,950,000.00	\$383,779,323.15	2010		\$23,698,373.20	\$50,131,174.09	\$272,531,291.85	\$18,229,517.85		\$19,188,966.16	
\$359,829,323.15	\$23,950,000.00	\$383,779,323.15	2011		\$24,609,849.10	\$50,131,174.09	\$272,531,291.85	\$17,318,041.96		\$19,188,966.16	
\$359,829,323.15	\$23,950,000.00	\$383,779,323.15	2012	\$150,000,000.00	\$28,053,518.78	\$50,262,554.48	\$115,954,544.28	\$39,508,705.61			
\$4,844,657,575.46	\$119,750,000.00	\$4,964,407,575.46	TOTAL	\$1,259,855,222.85	\$252,877,331.13	\$493,455,962.84	\$2,485,467,409.21	\$218,720,236.82	\$25,000,000.00	\$229,031,412.62	
				FYs 2013-2025 TOTAL	\$5,125,091,914.02						
				TOTAL – FY 2000 - 2025	\$10,108,922,448.49						
				% Of Total (2000- 2025)	12.46%	2.50%	4.88%	24.59%	2.16%	0.25%	2.27%
				% Of Total (2000-2012)	25.38%	5.09%	9.94%	50.07%	4.41%	0.50%	4.61%