

# *Fiscal Note & Local Impact Statement*

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

Ohio Legislative Service Commission  
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BILL: **Sub. H.B. 554**

DATE: **May 21, 2008**

STATUS: **As Passed by the House**

SPONSOR: **Rep. Hottinger**

LOCAL IMPACT STATEMENT REQUIRED: **No — No local cost**

CONTENTS: **Provides new and expanded incentives for economic development and job creation, and makes capital and operating appropriations**

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## *Introduction*

The bill provides new and expanded incentives for economic development and job creation, and makes capital and operating appropriations for these purposes. Because the bill contains provisions affecting a number of subjects, this fiscal note is divided into the following five sections:

1. Summary of Appropriations
2. Development and Advanced Energy
3. Transportation and Public Works
4. Choose Ohio First Co-op/Internship Program
5. Historical Rehabilitation Tax Credit



## *Section One: Summary of Appropriations*

### *Summary of Capital Appropriations*

STATE FUND	FY 2009-FY 2010 Biennium	FY 2011-FY 2012 Biennium
Advanced Energy R&D Taxable Fund (Fund 7004)	\$9,000,000	Up to \$56,000,000 subject to General Assembly appropriations
Advanced Energy R&D Fund (Fund 7005)	\$19,000,000	
State Capital Improvements Fund (Fund 7038)	\$120,000,000	- 0 -
Local Infrastructure Development Fund (Fund 7039)	\$80,000,000 subject to General Assembly appropriations	- 0 -
<b>TOTAL</b>	<b>\$228,000,000</b>	<b>\$56,000,000</b>

- The bill makes capital appropriations of \$148 million for the FY 2009-FY 2010 biennium through the proceeds of bonds issued by the Public Works Commission and the Treasurer of State for local infrastructure projects, state capital improvements, and advanced energy projects.
- The bill declares the intent of the Governor to propose and the intent of the General Assembly to make future capital appropriations of up to \$56 million in FY 2011 and FY 2012 from the Advanced Energy Research & Development Fund (Fund 7004) and the Advanced Energy Research & Development Taxable Fund (Fund 7005).
- The bill declares the intent of the Governor to propose and the intent of the General Assembly to make a future capital appropriation of \$80 million in FY 2010 from the Local Infrastructure Development Fund (Fund 7039). This appropriation is to be supported by a cash transfer of \$80 million from the Jobs Fund (Fund 5Z30).

### *Summary of Operating Appropriations*

STATE FUND	FY 2009	FY 2010	FY 2011
Third Frontier Coal R&D Fund (Fund 5CS0)	\$66,000,000	- 0 -	- 0 -
Jobs Fund (Fund 5Z30)	\$60,000,000	\$60,000,000 subject to General Assembly appropriations	\$30,000,000 subject to General Assembly appropriations
Logistics and Distribution Infrastructure Fund (Fund 7008)	\$50,000,000	\$25,000,000 subject to General Assembly appropriations	\$25,000,000 subject to General Assembly appropriations
<b>TOTAL</b>	<b>\$176,000,000</b>	<b>\$85,000,000</b>	<b>\$55,000,000</b>

- The bill makes supplemental operating appropriations of \$176 million in FY 2009 using the proceeds of bonds issued by the Public Facilities Commission and the Treasurer of State to fund the activities of the Third Frontier Coal R&D Fund (Fund 5CS0) and the Logistics and Distribution Infrastructure Fund (Fund 7008), and cash from the liquidation of the Ohio Tobacco Prevention Foundation Endowment Fund to support the Jobs Fund (Fund 5Z30).

- The bill declares the intent of the Governor to propose and the intent of the General Assembly to make operating appropriations totaling \$85 million in FY 2010 and \$55 million in FY 2011 from the Jobs Fund and the Logistics and Distribution Infrastructure Fund.

## Section Two: Development and Advanced Energy

### State Fiscal Highlights

STATE FUND	FY 2009	FY 2010	FUTURE YEARS
<b>General Revenue Fund</b>			
Revenues	- 0 -	Potential loss of \$7.2 million from reduced liquor profit transfers	Potential loss of \$12.2 million in FY 2011 and up to \$17.1 million annually thereafter from reduced liquor profit transfers
Expenditures	- 0 -	- 0 -	- 0 -
<b>Liquor Control Fund (Fund 7043) – Department of Commerce</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential increase of \$7.2 million for debt service	Potential increase of \$12.2 million in FY 2011 and up to \$17.1 million annually thereafter for debt service
<b>Jobs Fund (Fund 5Z30) – Department of Development</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	\$60 million for bioproducts and biomedical development	Potential increase of \$60 million, subject to General Assembly appropriations	Potential increase of \$30 million in FY 2011, subject to General Assembly appropriations
		Transfer-out of \$80 million to the Local Infrastructure Development Fund in FY 2010	- 0 -
<b>Logistics and Distribution Infrastructure Fund (Fund 7008 – New Fund) – Department of Development</b>			
Revenues	Gain of \$50 million	Potential gain of \$25 million or more, subject to General Assembly appropriations and loan repayments	Potential gain of \$25 million or more in FY 2011, subject to General Assembly appropriations and loan repayments
Expenditures	Increase for loans to eligible projects	Potential increase of \$25 million or more, subject to General Assembly appropriations	Potential increase of \$25 million or more in FY 2011, subject to General Assembly appropriations
<b>Economic Development Financing Operating Fund (Fund 4510) – Department of Development</b>			
<b>Third Frontier Research and Development Fund (Fund 7011)</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase in administrative costs	Increase in administrative costs	Increase in administrative costs

<b>Facilities Establishment Fund (Fund 7037) – Department of Development</b>			
Revenues	Gain from advanced energy loan repayments	Gain from advanced energy loan repayments	Gain from advanced energy loan repayments through FY 2011
Expenditures	- 0 -	- 0 -	- 0 -
<b>Third Frontier Coal R&amp;D Fund (Fund 5CS0) – Department of Development</b>			
Revenues	Gain of up to \$66 million	- 0 -	- 0 -
Expenditures	Increase of up to \$66 million	- 0 -	- 0 -
<b>Advanced Energy Research &amp; Development Taxable Fund (Fund 7004 – New Fund) – Department of Development</b>			
Revenues	Gain of up to \$9 million		Potential gain, subject to General Assembly appropriations
Expenditures	Increase of up to \$9 million		Potential gain, subject to General Assembly appropriations
<b>Advanced Energy Research &amp; Development Fund (Fund 7005 – New Fund) – Department of Development</b>			
Revenues	Gain of up to \$19 million		Potential gain, subject to General Assembly appropriations
Expenditures	Increase of up to \$19 million		Potential gain, subject to General Assembly appropriations

Note: The state fiscal year is July 1 through June 30. For example, FY 2009 is July 1, 2008 – June 30, 2009.

## **Department of Development**

### **Logistics and Distribution Infrastructure Fund (Fund 7008)**

- The bill establishes the Logistics and Distribution Infrastructure Fund (Fund 7008) with an appropriation of \$50 million in FY 2009 from proceeds of bonds issued by the Treasurer of State.
- The Logistics and Distribution Infrastructure Fund will provide loans and loan guarantees to eligible transportation logistics and distribution infrastructure projects.
- The bill declares the intent of the Governor to propose and the General Assembly to approve appropriations of \$25 million each in FY 2010 and FY 2011 to the Logistics and Distribution Infrastructure Fund.

### **Jobs Fund (Fund 5Z30)**

- The bill appropriates \$60 million in FY 2009 for the Ohio Bioproducts Development Program and the Ohio Biomedical Development Program.
- The bill declares the intent of the Governor to propose and the General Assembly to approve appropriations of \$60 million in FY 2010 and \$30 million in FY 2011 for the bioproducts and biomedical development programs.

- The bill declares the intent of the Governor to propose and the General Assembly to appropriate \$80 million from the Local Infrastructure Development Fund (Fund 7039) in FY 2010 for use by the Public Works Commission for capital improvement projects under Chapter 164. of the Revised Code.
- The bill abolishes the Jobs Fund by requiring a transfer of any remaining cash balance to the GRF at the end of FY 2011.

**Advanced energy research & development funds**

- The bill creates the Advanced Energy Research & Development Taxable Fund (Fund 7004) with an appropriation of \$9 million for the FY 2009-FY 2010 capital biennium, and the Advanced Energy Research & Development Fund (Fund 7005) with an appropriation of \$19 million for the FY 2009-FY 2010 capital biennium.
- The bill states the intent of the Governor to propose and the General Assembly to approve up to \$56 million across both Fund 7004 and Fund 7005 for the FY 2011-FY 2012 capital biennium.
- The bill authorizes the Ohio Public Facilities Commission (OPFC) to issue up to \$66 million of general obligation bonds with the proceeds appropriated to the Third Frontier Coal R&D Fund (Fund 5CS0).

**Other Department of Development funds**

- The Economic Development Financing Operating Fund (Fund 4510) may incur minimal additional administrative costs related to the Logistics and Distribution Infrastructure Fund loan program.
- The Third Frontier Research and Development Fund (Fund 7011) may incur minimal additional administrative costs related to the Third Frontier Economic Stimulus Advisory Board, the Ohio Bioproducts Development Program, and the Ohio Biomedical Development Program.
- The Facilities Establishment Fund (Fund 7037) may gain revenues from repayment of loans issued under the Advanced Energy Research and Development Taxable Fund (Fund 7004).

**Debt Service—Liquor Profits**

- Backing the bonds issued for advanced energy and logistics distribution infrastructure projects using liquor profits will reduce the amounts available for transfer to the GRF by an estimated \$7.2 million in FY 2010, \$12.2 million in FY 2011, and up to \$17.1 million annually thereafter. The increased debt service will be paid from the Liquor Control Fund (Fund 7043).

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## *Detailed Fiscal Analysis*

### **Department of Development**

#### **Logistics and Distribution Infrastructure Fund (Fund 7008)**

The bill adds eligible logistics and distribution projects to the list of activities qualified for funding using the proceeds from bonds issued by the Treasurer of State under Chapter 166. of the Revised Code. Eligible projects are defined as those that involve establishing, expanding, or making certain improvements to the logistics and distribution infrastructure for ground, air, and water transportation systems. The bill creates the Logistics and Distribution Infrastructure Fund (Fund 7008) to receive these bond proceeds and provide loans and loan guarantees to eligible entities. The bill also specifies that loan repayments and recovery of loan guarantees are to be credited to the fund.

The bill grants the Department of Development (DOD) the authority to issue loans from the Logistics and Distribution Infrastructure Fund to entities for allowable logistics and distribution infrastructure costs. The bill requires the Director of Development to submit the terms of proposed loans to the Development Financing Advisory Council (DFAC) for recommendations, and requires Controlling Board approval before the loans are issued.

Of the \$184 million in Chapter 166. bond proceeds contemplated under the bill, the bill limits the amount to be used for eligible logistics and distribution infrastructure projects to \$100 million between FY 2009 and FY 2011. The bill establishes appropriation item 195698, Logistics and Distribution Infrastructure, in Fund 7008 with an appropriation of \$50 million in FY 2009 for the purposes of the Logistics and Distribution Infrastructure loan program. The bill also states the intent of the Governor to propose, and the General Assembly to enact, future appropriations to the Logistics and Distribution Infrastructure Fund of \$25 million in FY 2010 and \$25 million in FY 2011.

DOD may incur some new costs for administering the Logistics and Distribution Infrastructure loan program, with these expenses paid from the Economic Development Financing Operating Fund (Fund 4510). Moneys are placed in this fund through transfers from the Facilities Establishment Fund (Fund 7037) and are used for the administrative costs of all Chapter 166. programs. The existing FY 2009 appropriation for this purpose is approximately \$2.5 million.

#### **Third Frontier Commission**

##### **Third Frontier Economic Stimulus Advisory Board**

The bill creates the Third Frontier Economic Stimulus Advisory Board to provide advice to the Third Frontier Commission on issues of advanced energy, bioproducts, and biomedical technology. The Board is to consist of ten members who are experts in the advanced energy, bioproducts, and biomedical fields to be appointed by the Governor and the leadership of the General Assembly. The bill requires the members of the Board to serve without compensation,

but provides for them to be reimbursed for expenses incurred in their capacity as Board members. The bill also requires DOD to provide office space for the Board.

**Jobs Fund (Fund 5Z30) – bioproduct and biomedical development programs**

The bill lays out the allowable uses for the Jobs Fund (Fund 5Z30), created in Sub. H.B. 544 of the 127th General Assembly. Sub. H.B. 544 requires the Treasurer of State to liquidate the Tobacco Prevention Foundation Endowment Fund and deposit the proceeds of approximately \$230 million from the liquidation into the newly established Jobs Fund. Of this total, the bill appropriates \$60 million in FY 2009 and states the intent of the General Assembly to appropriate an additional \$60 million in FY 2010 and \$30 million in FY 2011 for the Ohio Bioproducts Development Program and the Ohio Biomedical Development Program, both of which will be administered by the Third Frontier Commission within the Department of Development. These programs will provide loans, loan guarantees, and grants to nonprofit or for-profit entities to develop and commercialize products in their respective sectors through their own efforts or by collaborating with other entities. The bill requires Controlling Board approval of all awards under these programs.

The bill provides funding for the Ohio Bioproducts Development Program by establishing appropriation item 195694, JF Bioproducts, in the Jobs Fund at a level of \$20 million in FY 2009. These funds will provide financial assistance to eligible entities for the innovation, development, and commercialization of products such as biopolymers, chemicals, and advanced materials that use biomaterials and renewable agricultural resources. The bill declares the intent of the Governor to propose and the General Assembly to approve appropriations of an additional \$20.0 million in FY 2010 and \$10 million in FY 2011 for the Bioproducts Development Program.

The bill provides funding for the Ohio Biomedical Development Program by establishing appropriation item 195695, JF Biomedical, in the Jobs Fund at a level of \$40 million in FY 2009. These funds will provide financial assistance to eligible entities for the innovation, development, and commercialization in the biomedical and biotechnological arena, including developing medical devices, diagnostics and informatics applications, and new therapies and drugs. The bill declares the intent of the Governor to propose and the General Assembly to approve appropriations of an additional \$40.0 million in FY 2010 and \$20 million in FY 2011 for the Biomedical Development Program.

The bill requires that the Jobs Fund be abolished by June 30, 2011, and requires the Director of Budget and Management to transfer any remaining cash balance to the GRF at that time.

**Advanced energy research & development funds**

The bill creates two new funds, the Advanced Energy Research & Development Taxable Fund (Fund 7004) and the Advanced Energy Research & Development Fund (Fund 7005), to receive the proceeds of obligations issued pursuant to section 166.08 of the Revised Code. Appropriation amounts for the FY 2009-FY 2010 biennium are \$9 million for Fund 7004 and \$19 million for Fund 7005. Moneys in these two funds are to be used by the Third Frontier Commission to provide loans and grants for purposes of paying allowable costs of eligible advanced energy projects. Any repayment of loans made from Fund 7004 is to be credited to the

Facilities Establishment Fund (Fund 7037) in the Department of Development. The bill also includes intent language declaring the intent to appropriate up to \$56 million for the FY 2011-FY 2012 biennium for advanced energy projects and projects that use sustainable energy resources. The bill limits the total principal amount of obligations to be issued for eligible advanced energy projects to \$84 million.

**Third Frontier Coal R&D Fund (Fund 5CS0)**

The bill authorizes the Ohio Public Facilities Commission to sell up to \$66 million in general obligation bonds. The proceeds of the bond sale are to be credited to the Third Frontier Coal R&D Fund (Fund 5CS0). The funds are to be used by the Third Frontier Commission to make loans, guarantee loans, and grants for coal research and development projects.

**Administrative costs**

As the Ohio Bioproducts Development Program, the Ohio Biomedical Development Program, the two advisory boards, the Advanced Energy Research & Development Fund, the Advanced Energy Research & Development Taxable Fund, and the Third Frontier Coal R&D Fund are under the control of the Third Frontier Commission, their associated administrative costs will presumably be paid out of the Third Frontier Research and Development Fund (Fund 7011), through DOD appropriation item 195686, Third Frontier Operating. This line item currently provides funding for the costs of administering the various Third Frontier programs using a portion of the proceeds of nontaxable bonds issued by the Ohio Public Facilities Commission. The FY 2009 appropriation for line item 195686 is approximately \$1.9 million.

**Debt service – reduced GRF transfers from excess liquor profits**

The debt service for the bonds issued to fund the advanced energy and logistics and distribution infrastructure projects will be paid for by excess liquor profits. Liquor profits currently pay for state liquor law enforcement, alcoholism treatment, alcohol testing, and the retirement of economic development and Clean Ohio revitalization bonds. After these expenses have been paid, the excess is transferred to the GRF. Such GRF transfers are estimated to total \$165 million for FY 2008. The debt service, which will be paid out of the Department of Commerce's Liquor Control Fund (Fund 7043), will reduce the amounts available for transfer to the GRF.

According to Office of Budget and Management (OBM) estimates, the added debt service costs for bonds issued for advanced energy and logistics and distribution infrastructure projects will be approximately \$7.2 million in FY 2010, \$12.2 million in FY 2011, and up to \$17.1 million annually thereafter, reducing the annual GRF transfers by these amounts. Because of the additional debt that will be incurred and retired using liquor profits, the bill increases the amount of liquor profits that may be used for such purposes each fiscal year from \$45 million to \$63 million. Current debt service appropriations for economic development loan programs are \$33.7 million for FY 2008 and \$38.6 million for FY 2009.

## Section Three: Transportation and Public Works

### State Fiscal Highlights

STATE FUND	FY 2009	FY 2010	FUTURE YEARS
<b>Highway Capital Improvement Fund (Fund 7042) – Department of Transportation</b>			
Revenues	- 0 -	Potential gain of \$20 million from bond proceeds	Potential gain of \$100 million in FY 2011 and \$80 million in FY 2012 from bond proceeds
Expenditures	- 0 -	Potential increase of \$20 million, subject to General Assembly appropriations	Potential increase of \$100 million in FY 2011 and \$80 million in FY 2012, subject to General Assembly appropriations
<b>Highway Operating Fund (Fund 7002) – Department of Transportation</b>			
Revenues	- 0 -	Potential gain of up to \$20 million from the cash deposit made by the Ohio Turnpike Commission and transfers from the Motorist Service Sign Fund (Fund 5Z20)	Potential gain of up to \$20 million annually from the cash deposits made by the Ohio Turnpike Commission and transfers from the Motorist Service Sign Fund (Fund 5Z20)
Expenditures	- 0 -	Potential increase of \$20 million for transfers to PWC, subject to General Assembly appropriations	Potential increase of \$100 million in FY 2011 and \$80 million for FY 2012 for transfers to PWC, subject to General Assembly appropriations
<b>Ohio Turnpike Commission</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential increase of up to \$20 million for deposit to the state treasury to the credit of Highway Operating Fund (Fund 7002)	Potential increase of up to \$20 million annually for deposits to the state treasury to the credit of Highway Operating Fund (Fund 7002)
<b>Local Transportation Improvement Program Fund (Fund 7052) – Public Works Commission</b>			
Revenues	- 0 -	Potential gain of \$20 million from ODOT transfers, subject to General Assembly appropriations	Potential gain of \$100 million in FY 2011 and \$80 million in FY 2012 from ODOT transfers, subject to General Assembly appropriations
Expenditures	- 0 -	Potential increase of \$20 million for local road and bridge costs, subject to General Assembly appropriations	Potential increase of \$100 million in FY 2011 and \$80 million in FY 2012 for local road and bridge costs, subject to General Assembly appropriations

<b>Local Infrastructure Development Fund (Fund 7039 – New Fund) – Public Works Commission</b>			
Revenues	- 0 -	Potential gain of \$80 million, subject to General Assembly appropriations	- 0 -
Expenditures	- 0 -	Potential increase of \$80 million for local infrastructure projects, subject to General Assembly appropriations	- 0 -
<b>State Capital Improvements Fund (Fund 7038) – Public Works Commission</b>			
Revenues	Gain of up to \$120 million		- 0 -
Expenditures	Increase of up to \$120 million		- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2009 is July 1, 2008 – June 30, 2009.

### **Local capital improvement projects**

- The bill provides \$120 million in capital bond funding for the FY 2009-FY 2010 biennium in the Public Works Commission's (PWC's) State Capital Improvements Fund (Fund 7038) for the State Capital Improvement Program, which finances or assists in the financing of local subdivision capital improvement projects.

### **Local infrastructure development**

- The bill creates the Local Infrastructure Development Fund (Fund 7039) to be used by PWC to provide grants for local infrastructure development and capital improvement projects. Revenue for the fund is intended to come from cash transfers from the Jobs Fund (Fund 5Z30) totaling \$80 million, subject to appropriation by the General Assembly in FY 2010.

### **Road and bridge projects**

- The bill declares the intent of the Governor to propose and the intent of the General Assembly to appropriate \$20 million in FY 2010, \$100 million in FY 2011, and \$80 million in FY 2012 for PWC's Local Transportation Improvement Program, which provides direct grants from the Local Transportation Improvement Program Fund (Fund 7042) for local road and bridge projects. These appropriations are to be supported by periodic transfers of cash from the Highway Operating Fund (Fund 7002).

### **ODOT highway capital facilities and projects**

- To replace the funding lost through the transfers to PWC, the bill declares the intent of the Governor to propose and the intent of the General Assembly to appropriate \$20 million in FY 2010, \$100 million in FY 2011, and \$80 million from the Highway Capital Improvement Fund (Fund 7042) for ODOT highway capital facilities and projects. These appropriations are supported by the proceeds of general obligation bonds issued under Article VIII, section 2m of the Ohio Constitution.

### **Motor Service Sign Fund transfers and Ohio Turnpike Commission payments**

- The bill creates the Motorist Service Sign Fund (Fund 5Z20) and requires periodic transfers of cash in the fund to the Highway Operating Fund in order to offset ODOT's increased debt service costs. To the extent that revenue from Fund 5Z20 is not sufficient to offset ODOT's debt service cost increases, the bill stipulates that the Ohio Turnpike Commission (OTC) is to deposit an amount up to \$20 million annually,

less the annual amount of cash transfers from the Motorist Service Sign Fund, to the state treasury to the credit of the Highway Operating Fund via an agreement between OTC, OBM, and ODOT. The agreement must be entered into by September 30, 2008 and terminate by December 31, 2030. The bill further requires that revenue from Fund 5Z20 be expended before any Turnpike revenues are used.

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## *Detailed Fiscal Analysis*

### **Additional State Capital Improvement Program bonding authority**

The bill authorizes the issuance of an additional \$120 million in bonds for the Public Works Commission (PWC) to finance or assist in the financing of local subdivision capital improvement projects through the State Capital Improvement Program (SCIP) in the FY 2009-FY 2010 biennium. SCIP uses infrastructure bond proceeds to provide grants and loans to local governments for improvement of their infrastructure systems. Each year approximately \$120 million in bonds are issued to provide funding for the grants and loans. Eligible projects include improvements to roads, bridges, culverts, water supply systems, wastewater systems, storm water collection systems, and solid waste disposal systems.

Section 2m, Article VIII of the Ohio Constitution provides the bonding authority for SCIP. The last issuance in the fall of 2007 exhausted all the bonding authority under that section. The bill provides additional SCIP funding by designating unused bonding authority under Section 2p of Article VIII of the Ohio Constitution, which was passed by voters in November 2005. Section 2p allows for the issuance of obligations that could have been issued in prior fiscal years, but were not.

### **Local Infrastructure Development Fund**

The bill creates the Local Infrastructure Development Fund (Fund 7039) to be used by PWC to provide grants for local infrastructure development as well as for eligible local capital improvement projects under SCIP, which are outlined above. The bill declares the intent of the Governor to propose and the intent of the General Assembly to appropriate \$80 million in FY 2010 from Fund 7039. Revenue for the fund is intended to come from cash transfers totaling \$80 million from the Jobs Fund (Fund 5Z30). By the end of FY 2011, or as soon as possible thereafter, the Director of the Public Works Commission must notify the Director of Budget and Management that all projects funded by the Local Infrastructure Development Fund have been completed. Once this notification has occurred, the Director of Budget and Management is to transfer the cash balance remaining in the Local Infrastructure Development Fund to the GRF, after which the Local Infrastructure Development Fund is abolished.

### **Local Transportation Improvement Program**

The bill declares the intent of the Governor to propose and the intent of the General Assembly to appropriate \$20 million in FY 2010, \$100 million in FY 2011, and \$80 million in FY 2012 for use by PWC for the Local Transportation Improvement Program (LTIP), which provides direct grants for local road and bridge costs. The normal source of funding for LTIP is one cent of the motor fuel tax, which generates approximately \$65 million to \$67 million per year. Periodic transfers of cash from the Highway Operating Fund (Fund 7002) to the Local

Transportation Improvement Program Fund (Fund 7052) support the new intended appropriations.

In order to prevent Ohio Department of Transportation (ODOT) operations from being impacted by the transfer of funds out of the Highway Operating Fund, the bill declares the intent of the Governor to propose and the intent of the General Assembly to appropriate \$20 million in FY 2010, \$100 million in FY 2011, and \$80 million in FY 2012 for highway capital facilities and projects from the Highway Capital Improvement Fund (Fund 7042). These intended appropriations are to be supported by the issuance of general obligation bonds, which are retired with state motor fuel tax revenues.

To offset ODOT's debt service cost increases for these bonds, the bill creates the Motorist Service Sign Fund (Fund 5Z20) and requires periodic transfers of the cash in the fund to the Highway Operating Fund. This fund receives or retains any excess revenue from fees paid by businesses participating in the business sign logo program after the direct and indirect costs of the program are paid and an entity awarded the contract to run the program earns any reasonable profit. The cash transferred must be used by ODOT for transportation purposes across the state. However, the amount allocated each year must be on a per capita basis using PWC's 19 public works integrating committee districts as a geographic guide to distribute project funds.

To the extent that revenue from Fund 5Z20 is not sufficient to offset ODOT's debt service cost increases, the bill requires the Ohio Turnpike Commission (OTC) to deposit into the state treasury to the credit of the Highway Operating Fund an annual amount to be determined by OBM, but not exceeding \$20 million, less the annual amount of cash transfers from the Motorist Service Sign Fund, in each calendar year. The obligation to make those payments is to be established by an agreement between OTC, OBM, and ODOT. The agreement must be entered into by September 30, 2008 and must terminate no later than December 31, 2030. An additional requirement is that any money received by ODOT from OTC is to be used for transportation purposes within public works integrating committee districts one, five, six, seven, eight, nine, and twelve, which surround the Ohio Turnpike, and must be allocated each year on a per capita basis for projects in those districts according to the most recent decennial census statistics. Furthermore, the bill stipulates that revenue from Fund 5Z20 must be expended before any Turnpike revenues are used for these purposes.

**Section Four: Choose Ohio First  
Co-op/Internship Program**

**State Fiscal Highlights**

STATE FUND	FY 2009	FY 2010	FUTURE YEARS
<b>General Revenue Fund</b>			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential increase of \$50 million per fiscal year from FY 2010 to FY 2014 for the Choose Ohio First Co-op/Internship Program, subject to General Assembly appropriations	
<b>General Funds of State Institutions of Higher Education</b>			
Revenues	- 0 -	Potential gain of \$50 million per fiscal year from FY 2010 to FY 2014 for awards under the Choose Ohio First Co-op/Internship Program, subject to General Assembly appropriations	
Expenditures	- 0 -	- 0 -	- 0 -

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

- The bill states the intent of the Governor to propose and the intent of the General Assembly to appropriate a minimum of \$50 million in each fiscal year from FY 2010 through FY 2014 for the Choose Ohio First Co-op/Internship Program. The Program awards grants to higher education institutions for cooperative education and internship programs. Establishment and administration of the Program as well as support of the Co-op/Internship Program Advisory Committee, created by the bill, may increase the Board of Regents' administrative costs.

***Detailed Fiscal Analysis***

**Choose Ohio First Co-op/Internship Program**

The bill requires that the Chancellor of the Board of Regents (BOR) establish and administer the Co-op/Internship Program. Under this program, the Chancellor awards grants to Ohio higher education institutions to support cooperative (co-op) education and internship programs, which are partnerships between students, higher education institutions, and employers that include both academic and work or community service experiences. As part of the establishment and administration of the Program, the bill requires the Chancellor to adopt rules; establish a competitive process for making awards; determine, subject to approval of the Controlling Board, which proposals receive awards and the amount of each award each fiscal year; monitor each awardee for fiscal accountability, operating progress, and desired outcomes; and report to the General Assembly annually beginning on December 31, 2010, on the academic and economic impact of the Program. These requirements may increase BOR's administrative costs.

The bill requires that state institutions of higher education wishing to participate in the Program submit proposals to the Chancellor. Proposed programs may be implemented in collaboration with other higher education institutions, both public and nonpublic. The bill requires a 100% match of private funds for undergraduate programs and a 150% match for graduate programs, although the Chancellor may waive this requirement under certain conditions. Program awardees must enter into agreements with the Chancellor and the Chancellor may require the awardees to repay the award plus interest if it violates the agreement.

The bill creates the Co-op/Internship Program Advisory Committee, consisting of 16 members. The committee is responsible for advising the Chancellor on various aspects of the Program. Under the bill, committee members serve without compensation, the Chancellor provides meeting space for the committee, and the Chancellor's staff assists the committee in its duties. This provision of the bill may increase BOR's administrative costs.

The bill states the intent of the Governor to propose and the intent of the General Assembly to appropriate a minimum of \$50 million in each fiscal year from FY 2010 through FY 2014 for the program.

## *Section Five: Historic Rehabilitation Tax Credit*

### *State and Local Fiscal Highlights*

- The bill eliminates the July 1, 2008 through June 30, 2009 application period for the historic rehabilitation tax credit and adds two additional application periods: July 1, 2009 through June 20, 2010 and July 1, 2010 through June 30, 2011.
  - The bill limits the aggregate amount of tax credits approved to \$60 million for each application period, replacing the current limit of 100 applications per application period.
  - The bill limits the amount of tax credit allowed for a certificate owner under the corporate franchise tax, personal income tax, and dealers in intangibles tax to \$5 million per taxpayer.
  - The GRF will share 94.1% of any change in revenues from the personal income tax and corporate franchise tax, 37.5% of any change in revenue from the dealers in intangibles tax paid by nonqualifying dealers, and all of any change in revenue from the dealers in intangibles tax paid by qualifying dealers.
  - The Local Government Fund will share 3.68% of any change in revenues from the personal income tax and corporate franchise tax and the Library and Local Government Support Fund will share 2.22% of any change in revenues from the personal income tax and corporate franchise tax.
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### *Detailed Fiscal Analysis*

Under current law (Am. Sub. H.B. 149, 126th General Assembly), a refundable tax credit is available against the corporate franchise tax, personal income tax, and the dealers in intangibles tax for rehabilitating historic buildings. In order to qualify for the tax credit for rehabilitating historic buildings, the building must be either listed on the national register of historic places, or it must be located in a certified historic district. Taxpayers may apply for credits during two credit application periods: from July 1, 2007 through June 30, 2008 and from July 1, 2008 through June 30, 2009. The number of applications approved is limited to 100 per application period.

The bill eliminates the July 1, 2008 through June 30, 2009 application period for the historic rehabilitation tax credit and adds two new application periods: July 1, 2009 through June 20, 2010 and July 1, 2010 through June 30, 2011. The aggregate amount of tax credits approved is limited to \$60 million for each of the two new application periods, replacing the current limit of 100 applications per application period. The amount of tax credit allowed for a certificate owner under the three taxes is limited to \$5 million per taxpayer.

The credit applied against the corporate franchise tax remains refundable. Credits applied to the personal income tax and dealers in intangibles tax are partially refundable. The sum of the amount of credit applied to reduce the tax liability plus any amount refunded is limited to \$3 million for the year claimed. Any unused credit may be carried forward for not more than five years. Additionally, the bill requires the Director of Development to consider the potential economic impact and the regional distributive balance of the credits throughout the

state and specifies that state agencies and political subdivisions cannot apply for or receive tax credits.

Eliminating the tax credit for the second application period may increase tax revenues compared to current law and establishing new application periods may decrease tax revenues. Any change in revenue from the personal income tax and the corporate franchise tax will be shared by the GRF and the two local government funds supported by the GRF. The GRF will share 94.1% of any change in personal income or corporate franchise tax revenue, the Local Government Fund (LGF) will share 3.68%, and the Library and Local Government Support Fund (LLGSF) will share 2.22%. The GRF will share 37.5% (three-eighths) of any change in revenue from the dealers in intangibles tax on nonqualifying dealers and will bear all of any change in revenue from the dealers in intangibles tax on qualifying dealers.<sup>1</sup> The dealers in intangibles tax paid by nonqualifying dealers is distributed to the GRF and the County Undivided Local Government Fund (CULGF). The CULGF generally receives 62.5% of revenues from the tax on nonqualifying dealers in intangibles. However, the tax credits will not reduce the amounts credited to the CULGF, so the tax credits will only be applied against amounts credited to the GRF. Thus, local governments will not incur losses from tax credits applied against the dealers in intangibles tax.

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<sup>1</sup> 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. The dealers in intangibles tax paid by qualifying dealers is credited to the General Revenue Fund.