



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. S.B. 155 of the 128th G.A.

Date: March 24, 2010

Status: As Reported by House Finance & Appropriations

Sponsor: Sens. Carey and D. Miller

Local Impact Statement Procedure Required: No — No local cost

Contents: Allocates a portion of scrap tire fee revenue for soil and water conservation districts, makes changes to other state programs, and adjusts certain operating and capital appropriations

State Fiscal Highlights

STATE FUND	FY 2010	FY 2011	FUTURE YEARS
General Revenue Fund			
Department of Education			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase for GRADS funding	Potential increase for GRADS funding	- 0 -
Department of Taxation			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Possible decrease in tax return processing costs	Possible decrease in tax return processing costs
Scrap Tire Management Fund (Fund 4R50) – Environmental Protection Agency			
Revenues	- 0 -	Loss of approximately \$3 million	Continuing unknown loss
Expenditures	- 0 -	Decrease in expenses for scrap tire regulation and recycling	Decrease in expenses for scrap tire regulation and recycling
Soil and Water Conservation District Assistance Fund (Fund 5BV0) – Department of Natural Resources			
Revenues	Gain of \$3 million	Gain of approximately \$3 million	Continuing unknown gain
Expenditures	Increase in maximum subsidy amount to soil and water districts	Increase in maximum subsidy amount to soil and water districts	Increase in maximum subsidy amount to soil and water districts

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

GRADS formula modification

- The Ohio Department of Education (ODE) may incur increased expenditures in FY 2010 and FY 2011 as a result of a modification to the school funding formula to include graduation, reality, and dual-role skills (GRADS) funding for certain school districts.

Use of tax refunds for college tuition

- The bill permits an individual taxpayer to direct the state to transmit an income tax refund to a preexisting account with the Ohio Tuition Trust Authority, when the taxpayer files electronically.
- If additional taxpayers respond to this inducement by filing electronically, Department of Taxation costs to process tax returns may be reduced.

State funding for Soil and Water Conservation Districts

- The bill changes the distribution of the current \$1 fee collected on each new tire sale and deposited into the Scrap Tire Management Fund (Fund 4R50) used by the Ohio Environmental Protection Agency (EPA). The fund supports oversight of scrap tire disposal, abatement, and removal efforts, as well as recycling program grants.
- Under the bill, starting in FY 2011, 50 cents per tire would be deposited into the Soil and Water Conservation District Assistance Fund (Fund 5BV0) used by the Department of Natural Resources to provide subsidies to soil and water conservation districts. This new revenue would be used to provide additional subsidies.
- The bill increases the maximum flat subsidy amount for each soil and water conservation district from \$30,000 annually to \$40,000 annually.
- This change in the distribution of the scrap tire fee will result in an approximate \$3.0 million loss in fee income deposited into Fund 4R50 and a corresponding gain in fee income deposited into Fund 5BV0 in FY 2011. The impact in future years is uncertain.

Changes to eTech earmarks

- The bill eliminates the \$2.0 million earmark in FY 2010 in appropriation item 935409, Technology Operations, for eTech Ohio for online advanced placement courses and instead earmarks \$1.0 million for this purpose in FY 2011.
- The bill also earmarks \$1.0 million in FY 2010 in appropriation item 935409, Technology Operations, for maintenance of the distance-learning clearinghouse in addition to the existing \$1.0 million earmark for this purpose in FY 2011.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2010	FY 2011	FUTURE YEARS
Soil and Water Conservation Districts			
Revenues	Gain of \$10,000 annually	Gain of \$10,000 annually	Gain of \$10,000 annually
Expenditures	- 0 -	- 0 -	- 0 -
School Districts			
Revenues	Potential gain in GRADS funding to certain districts	Potential gain in GRADS funding to certain districts	- 0 -
Expenditures	- 0 -	Potential savings due to prohibition of clearinghouse fees	- 0 -

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

Soil and Water Conservation Districts

- Each county soil and water conservation district would receive an additional \$10,000 annually under the bill as a result of an increase in the maximum state subsidy amount from \$30,000 to \$40,000.

School districts

- School districts with students participating in the distance-learning clearinghouse may experience a savings due to the prohibition of fees in FY 2011.
- City, local, and exempted village school districts that received graduation, reality, and dual-role skills (GRADS) funding in FY 2009 may receive additional revenue in FY 2010 and FY 2011 as a result of a modification to the school funding formula to include GRADS funding.

Detailed Fiscal Analysis

GRADS funding for career-technical programs

In FY 2010 and FY 2011, city, local, and exempted village school districts are provided state aid for career-technical education programs equal to 100.75% of the amount received in the prior year. However, current law does not include graduation, reality, and dual-role skills (GRADS) funding in the amount of career-technical funding calculated for FY 2009. The bill modifies the calculation to include this funding. Accordingly, the bill requires the Ohio Department of Education (ODE) to recompute each school district's funding for FY 2010 and to adjust each district's remaining payments in FY 2010 to take into account the addition of GRADS funding. In FY 2009, 18 school districts received a total of about \$370,000 in GRADS funding. However, due to the guarantee in the formula, total state aid is not likely to increase by this full amount. GRADS is a Work and Family Studies instructional and intervention program for grades 7-12 pregnant and parenting students. Districts are required to spend state career-technical funding for FY 2010 and FY 2011, including funding resulting from the inclusion of GRADS, on career-technical education expenses.

Use of income tax refunds for college tuition

The bill permits an individual taxpayer to direct the state to transmit an income tax refund to a checking account or preexisting college savings plan or program account offered by the Ohio Tuition Trust Authority, when the taxpayer files electronically.

The Department of Taxation currently permits taxpayers to direct that their refunds be direct deposited to checking accounts, but only if they file electronically. Processing costs for the Department are reduced by electronic filing, and the opportunity for taxpayers to receive their refunds promptly and conveniently, by direct deposit to such an account, serves as an inducement to taxpayers to file electronically. An additional program, giving taxpayers an opportunity to deposit refunds in their accounts with the Ohio Tuition Trust Authority, might induce additional taxpayers to file electronically, increasing the Department's savings. LSC does not have an estimate of any such savings.

Soil and water conservation districts

Distribution of scrap tire fee

Under current law, the Environmental Protection Agency (EPA) charges a total fee of \$1 (comprised of two separate 50-cent fees) on each new tire sold in Ohio. The proceeds of these fees are deposited in the Scrap Tire Management Fund (Fund 4R50) managed by EPA for scrap tire regulatory and recycling activities. H.B. 1, the main operating budget act for FY 2010 and FY 2011, appropriated approximately \$5.1 million in each fiscal year for these purposes.

The bill specifies that beginning July 2, 2010, all proceeds from the second of the two 50-cent fees, which is currently used to conduct removal operations and provide grants to county boards of health, are to be deposited into the Soil and Water Conservation Assistance Fund (Fund 5BV0), managed by the Department of Natural Resources (DNR). Fund 5BV0 currently consists of receipts from fees assessed on the disposal of construction and demolition debris. DNR uses Fund 5BV0 in conjunction with GRF moneys to provide subsidy assistance to Ohio's 88 soil and water conservation districts (SWCDs) for activities such as soil erosion control, water quality protection, technical assistance, and other purposes. Fund 5BV0 appropriations for this purpose under H.B. 1 are \$10.9 million in FY 2010 and \$18.1 million in FY 2011.

EPA estimates that the current \$1 scrap tire fee will generate approximately \$6.0 million annually during the FY 2010-FY 2011 biennium, all of which would be deposited into Fund 4R50 under current law. Under the bill, 50 cents per tire would instead be deposited into Fund 5BV0. Using EPA's estimates as a guide, this reduces the available funding for scrap tire programs by approximately \$3 million in FY 2011 and increases the available funding for SWCDs by the same amount.

Increase in SWCD subsidy

Under current law, the state makes payments to SWCDs in an amount not to exceed one dollar for every dollar raised by the SWCD's local tax levy. Existing temporary law caps state payments in excess of this amount at \$30,000 per year. The bill increases the cap on additional payments to \$40,000 per year.

Changes to eTech earmarks

The bill eliminates the \$2.0 million earmark in FY 2010 in appropriation item 935409, Technology Operations, for eTech Ohio for online advanced placement courses and instead earmarks \$1.0 million for this purpose in FY 2011. The bill also earmarks \$1.0 million in FY 2010 in appropriation item 935409, Technology Operations, for maintenance of the distance-learning clearinghouse in addition to the existing \$1.0 million earmark for this purpose in FY 2011.

State extended unemployment benefits

Am. Sub. H.B. 2 (the transportation budget of the 128th General Assembly) authorizes the state to issue state extended unemployment benefits through May 29, 2010. The bill removes the reference to May 29, 2010, to allow the state to pay those benefits as long as federal legislation provides 100% federal funding. There may be a minimal increase in administrative costs for the Ohio Department of Job and Family Services to process extended claims. Administrative costs are paid by the federal government from the federal unemployment tax on employers.

Hazardous Materials Program

The bill permits GRF appropriation item 235596, Hazardous Materials Program, under the Board of Regents, to be used to support the Center for the Interdisciplinary

Study of Education and Leadership in Public Service at Cleveland State University in addition to its current use to make awards for the establishment or continued development and support of hazardous materials education, studies, or programs at Ohio institutions of higher education.

H.B. 1 Uniform Public Securities Law amendments

The bill clarifies that amendments made by Am. Sub. H.B. 1 of the 128th General Assembly to various sections of Chapter 133. of the Revised Code, the Uniform Public Securities Law, apply to certain actions that were pending, in progress, or completed on the effective date of the amendments. This clarification insures that state and local governments, including school districts, may issue lower cost American Recovery and Reinvestment Act of 2009 (ARRA) bonds for issuances approved by voters in November 2009.

Maturity date of port authority revenue bonds

The bill modifies the final maturity for a port authority revenue bond, from not later than 40 years to not later than 45 years. This change may increase the port authority's total cost of debt service payments. The payments will spread over the entire lifetime of the bonds. Generally, a cost of bond issuance will depend on the interest rates that will be paid on a bond and the number of years over which it is paid off.

Redirection of capital reappropriations

The bill redirects a number of capital reappropriations made in H.B. 462 of the 128th General Assembly. Specifically, the bill redirects three earmarks within line item C725E2, Local Parks Projects, in the Department of Natural Resources (DNR), and also redirects funding from one capital project at Rio Grande Community College to another project at Ohio University. These redirected capital appropriations do not change the overall amounts being reappropriated for capital projects in FY 2011 and FY 2012 under H.B. 462.

Concerning earmarks in DNR line item C725E2, Local Parks Projects, the bill (1) redirects the \$500,000 set aside for the Columbus Crew Facility in Hilliard to the Hilliard First Responders Park, (2) redirects the \$500,000 set aside for the Green Township Legacy Place Park to the Green Township Bicentennial Park and Unnewehr Home Grounds Restoration Project, and (3) redirects the \$100,000 set aside for the Youngstown City Park to the Wick Park Playground.

Additionally, the bill requires the Director of Budget and Management to transfer any unexpended, unencumbered portion (as of July 15, 2010) of line item C35606, Louvee Theater Project, appropriated to Rio Grande Community College, to line item C30082, Louvee Theater Project, appropriated to Ohio University.

State agency audit costs

The bill requires that all audit costs be charged to the state agency being audited. This differs from the previous arrangement under which the Department of Administrative Services (DAS) paid the audit costs for all state boards and commissions, statewide elected officials, and the General Assembly through GRF appropriation item 100405, Agency Audit Expenses. These costs amounted to \$353,028 in FY 2008 and \$294,904 in FY 2009. H.B. 1, the main operating budget for the FY 2010-FY 2011 biennium, eliminated the DAS appropriation for this purpose. Because of this change in funding and the conforming adjustment in statute made in this bill, agencies are now required to pay the costs of these audits. These payments are deposited into the Auditor of State's Public Audit Expense – Intrastate Fund (Fund 1090).

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