



Local Impact Statement Report

For Bills Enacted in 2007

SEPTEMBER 2008

Legislative Service Commission
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www.lsc.state.oh.us

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Introduction

R.C. 103.143 requires the Legislative Service Commission (LSC) to determine whether a local impact statement (LIS) is required for each bill that is introduced and referred to committee. An LIS may be required when a bill could result in net additional costs beyond a minimal amount to school districts, counties, municipalities, or townships. An LIS is not required for budget bills or joint resolutions. It is also not required when the bill is permissive or when the bill's potential local costs are offset by additional revenues, offset by additional savings, or caused by a federal mandate. The LIS determination is based solely on the "As Introduced" version of the bill.

R.C. 103.143 also requires LSC to annually compile the final local impact statements completed for laws enacted in the preceding year. The report is to be completed by September 30 each year. This 2008 report covers all legislation enacted in calendar year 2007. In 2007, 43 bills were enacted, of which four required an LIS. The LIS requirement is met through the detailed analysis of local fiscal effects included in LSC's fiscal notes. The fiscal notes for the enacted versions of those four bills requiring an LIS are included in this report.

Regardless of whether a bill requires an LIS, the fiscal note for a bill analyzes the bill's fiscal effects on both the state and local government. The difference is that, under R.C. 103.143, when a bill requiring an LIS is amended in a committee, the bill may be voted out of the committee by a simple majority vote with a revised LIS (i.e., an updated fiscal note) or by a two-thirds vote without a revised LIS. Because various bills are exempted from the LIS requirement, this report does not include every bill enacted in 2007 that may have fiscal effects on local government. It should also be noted that the fiscal notes in this report were prepared for the General Assembly's deliberations on legislation. Cost estimates included in fiscal notes may thus differ from the actual costs of implementing these laws as the estimations were made before the enacted legislation was implemented. For those who are interested in the local fiscal effects of all legislation enacted in 2007, please see the LSC fiscal notes for those laws, which are available on the LSC web site (www.lsc.state.oh.us). A list of all bills enacted in 2007 can be found in the appendix to this report.

Beyond this introduction, the report contains two sections and an appendix. First are comments on the report from the County Commissioners Association of Ohio, the Ohio Municipal League, the Ohio Township Association, and the Ohio School Boards Association. LSC is required to circulate the draft report to these associations for comment and to include their responses in the final report. The second, main section of the report consists of the final version of the fiscal notes for the bills enacted in 2007 that required an LIS. Finally, the appendix lists all House and Senate bills enacted in 2007.

This report may be viewed online at www.lsc.state.oh.us by clicking on *Publications, Annual & Biennial Reports*, and then *Local Impact Statements*. Alternatively, the report may be purchased at a cost of \$12 per copy, including postage and handling. Please call 614-995-9995 to order a hard copy of this report. For any other inquiries regarding this report, please contact Terry Steele, LSC Budget Analyst, who may be reached by phone at 614-387-3319 or by e-mail at tsteele@lsc.state.oh.us.

**LOCAL GOVERNMENT ASSOCIATION
COMMENTS**



Unfortunately the 2007 Local Impact Statement Report inadequately represents the burden of unfunded mandates placed upon county government by the General Assembly during 2007.

Unfunded mandates continue to plague all units of local government. Their impact becomes more severe, however, when coupled with the current economic climate. The demands for county government service, most of which the county delivers on the state's behalf, continue to increase while revenue sources for county governments have stagnated or declined. Unfunded mandates continue to erode the foundation of a viable state/county partnership-county fiscal security.

The Local Impact Statement process also does not give a comprehensive and accurate view of unfunded mandates from the perspective of counties because the General Assembly has exempted budget bills from the LIS process and, thus, this Report.

This Report fails to reflect the effects upon county government contained within H.B. 119, the state biennial budget for fiscal years 2008 and 2009, which was also enacted in 2007. A reader of this Report would "miss" the provisions of H.B. 119 that failed to address the already woefully inadequate level of funding for indigent defense reimbursement to the counties; included additional earmarking of Title XX and TANF funds which reduced the counties' flexibility to meet local needs with these funding sources; placed greater reliance upon the counties for child support enforcement, child protective services, adult protective services; and raised the fee collected by the Department of Taxation to underwrite its costs for administration of property taxes which reduced the amount of property tax distributions to the local taxing districts.

CCAO feels that the General Assembly would do itself a greater service and bring to itself a greater awareness of how their decisions have financial implications to counties and other local governments by eliminating the current provisions which exempt certain legislation from the LIS process. A review of all legislation enacted for its impact upon Ohio's local governments would be more appropriate. Only then, will the General Assembly and the public receive the true picture of the impacts of unfunded mandates on local governments.

Irrespective of the concerns CCAO raises regarding the LIS process, we wish to acknowledge the professionalism and extreme competence of the LSC staff. We have always found the work of LSC to be fair and objective even under what is often challenging circumstances. CCAO wishes to thank the Legislative Service Commission for the opportunity to comment on this report.



Ohio Municipal League

Our Cities and Villages ★ Bringing Ohio to Life

The Ohio Municipal League has reviewed the draft of the Local Impact Statement Report for Bills Enacted in 2007 and would like to make the following comments.

The report has improved with each passing session. The same can be said for the actual fiscal notes and local impact statements.

The report provides helpful information to organization representing local governments, their respective members and the public: information that would otherwise be difficult to compile. It shows that numerous pieces of legislation have a potential negative impact on local government whose officials are already faced with declining revenues.

An area that still needs to be addressed is the section of law that exempts LSC from having to update a local impact statement for the biennial budget, capital appropriation bill or any other budget corrections bill. The League would support legislation that would allow the General Assembly to include these bills that are now exempted in Division (F) of RC 103.143 from these local impact statements. OML also believes that local impact statements should be required at each phase of the legislative process. This is particularly important as substitute versions and amended substitute versions of bills are enacted. Legislation can have a huge fiscal impact upon local government and should be known to all as these bills progress through the legislature.

We are always optimistic that this document will gain a larger recognition with state decision makers as they consider imposing additional programs or duties on local government or reducing limiting funding.

The Ohio Municipal League commends the staff of the Legislative Service Commission for the time and effort they put into the individual statements and to this report.



The Ohio Township Association (OTA) would like to thank the Ohio Legislative Service Commission (LSC) for the opportunity to comment on the 2007 Local Impact Statement (LIS) Report. The LSC Local Impact Statement Report is an important educational resource for our members and the members of the General Assembly as it highlights the effect certain legislation will have on townships' budgets and keeps legislators and local officials aware of any unfunded mandates created in legislation.

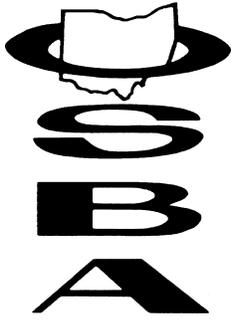
The most notable piece of legislation passed in 2007 with a direct impact on local governments is Substitute H.B. 372. While the intent of the legislation is noble, as it exempts military retirement pay from the income tax, the bill will result in lower income tax revenue collected by the state and lower Local Government Fund (LGF) revenues. The Local Government Fund receives 3.68% of the general revenue fund tax receipts in total collected by the state. A reduction in income tax revenues directly impacts the LGF percentage.

Moneys from the LGF are used in every community across the state and therefore affect every resident in Ohio. For most townships, the LGF is the second highest source of revenue for townships behind property tax collection of inside and outside millage. Townships do not have the ability to make up the lost LGF revenue by passing other taxes such as the income or sales tax. Any lost LGF revenue will require additional property tax levies. In a time when it is increasingly difficult to pass levies, this could mean reductions in services provided by the township or financial troubles.

The fiscal impact legislation may have on townships often is underestimated but the Legislative Service Commission has done a nice job of recognizing the impacts on local governments, specifically townships. For example, at first glance you would not think that S.B. 16 (adult entertainment establishments) or S.B. 20 (increased adoption tax credit) would have a fiscal impact on townships. However, due to the state's potential expenditure increase (S.B. 16) and increased tax credit (S.B. 20) which would result in the use of or loss of moneys from the state's general fund, townships could potentially see a decrease in revenue collected through the LGF.

While the 2008 Local Impact Statement Report offers an analysis of legislation passed in 2007, it is not comprehensive. State budget bills are exempted from local impact statement requirements and, therefore, are not included in this report. The budget bill (H.B. 119) was passed in June of 2007 and includes several provisions with fiscal implications for townships. The OTA encourages the General Assembly to include budget bills in the LIS report in order to provide a more comprehensive look at how legislation passed affects local governments. A procedure should be established by which local governments can contest new laws that are not fully funded, yet give the General Assembly adequate time to modify or fund the mandates they impose.

Although the actual impact these new laws will have on townships will not be known until the laws are put into practice, the fiscal analyses provide a base for our townships to determine how a new law may affect their budgets. The Ohio Township Association appreciates the opportunity to provide our input and thanks the Legislative Service Commission for all of their hard work in compiling this data, as it is truly beneficial to legislators and local government groups.



The Ohio School Boards Association believes that the 2008 Local Impact Statement Report is a valuable tool provided by the Ohio Legislative Service Commission (LSC) to the members of the Ohio General Assembly and to all Ohioans.

The 2008 Local Impact Statement Report shows that 17 Senate bills and 26 House bills passed in 2007 and became law. Of those bills, three were reported as having a fiscal impact upon school districts in the “As Introduced” versions. OSBA believes it is important to note the fiscal impact that bills have upon school districts here in the state. School districts have faced many unfunded and underfunded mandates from both federal and state passed legislation and making sure these are known throughout the legislative process is important.

An area that still needs to be addressed is the section of law that exempts LSC from having to update a local impact statement for the biennial budget, capital appropriation bill or any other budget corrections bill. OSBA would support legislation that would allow the General Assembly to include these bills that are now exempted in Division (F) of RC 103.143 from these local impact statements. OSBA also believes that local impact statements should be required at each phase of the legislative process. This is particularly important as substitute versions and amended substitute versions of bills are enacted. Legislation can have a huge fiscal impact upon local school districts and this should be known to all as these bills progress through the legislature.

OSBA would like to salute the Legislative Service Commission on another job well done and we look forward to working with you in the future.

**FISCAL NOTES FOR BILLS ENACTED
IN 2007 REQUIRING
LOCAL IMPACT STATEMENTS**

Summary

Of the 43 bills that passed in 2007, four required an LIS. These four bills and their subjects are as follows:

- H.B. 372 – exempts military retirement pay from the income tax and the estates of armed forces members who died while serving in a combat zone from probate fees
- S.B. 16 – regulates sexually oriented businesses
- S.B. 20 – increases the adoption tax credit from \$500 to \$1,500
- S.B. 155 – creates a Domestic Relations-Juvenile-Probate Division of the Champaign County Court of Common Pleas and adds a judge to that division, makes the Hamilton County Drug Court permanent, and makes other changes

The table below lists political subdivisions affected by these bills. The final version of the fiscal note for each of these four bills is presented in the following pages.

Bill	Counties	Municipalities	Townships	School Districts
H.B. 372	✓	✓	✓	✓
S.B. 16	✓	✓	✓	✓
S.B. 20	✓	✓	✓	✓
S.B. 155	✓	✓		

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
General Revenue Fund (GRF) – Civil Rights Commission			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	(1) Up to \$20,000 in one-time publication updates; (2) Potential increase of up to \$59,186 or more for additional Civil Rights Commission staff; (3) Potential increase of up to between \$47,600 and \$61,500 for one additional Attorney General staff member*	(1) Potential increase of up to \$59,186 or more for additional Civil Rights Commission staff; (2) Potential increase of up to between \$47,600 and \$61,500 for one additional Attorney General staff member*	(1) Potential increase of up to \$59,186 or more for additional Civil Rights Commission staff; (2) Potential increase of up to between \$47,600 and \$61,500 for one additional Attorney General staff member*
Consumer Protection Enforcement Fund (Fund 631) – Attorney General			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase of up to between \$47,600 and \$61,500 for one additional Attorney General staff member*	Potential increase of up to between \$47,600 and \$61,500 for one additional Attorney General staff member*	Potential increase of up to between \$47,600 and \$61,500 for one additional Attorney General staff member*
Highway Operating Fund (Fund 002)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	\$500 or more depending on the number of plaques or signs erected	Minimal increase to maintain plaques or signs	Minimal increase to maintain plaques or signs
Fund 3V0 (Workforce Investment Act funds) – Department of Job and Family Services			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Increase of at least \$6 million for Incumbent Worker Training	Increase of at least \$9 million for Incumbent Worker Training	Potential future increase for Incumbent Worker Training
Unspecified Operating Funds – Department of Development			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase in administrative costs	Potential increase in administrative costs	Potential increase in administrative costs

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

* Presumably, the potential additional staffing costs for the Attorney General would be covered by funds appropriated from the GRF, the Consumer Protection Enforcement Fund (Fund 631), or some mix of both revenue streams.

- **Income tax exemption.** Exempting military retirement pay from the state income tax will reduce the tax base and therefore reduce income tax revenues. However, exempting military retirement pay may reduce the amount claimed for the retirement income credit, partially offsetting the revenue reduction from the exemption. The GRF would bear 94.1% of the revenue loss.
- **State Bureau of Motor Vehicles Fund.** The bill allows any person who has been awarded the Purple Heart to be issued Purple Heart license plates at no charge. Depending on the number of Purple Heart license plates issued in a given year, there would likely be a loss in related registration fee revenues deposited in the state treasury to the credit of the State Bureau of Motor Vehicles Fund (Fund 4W4). The magnitude of that likely annual revenue loss is, as of this writing, uncertain.

- **State Bureau of Motor Vehicles Fund – Combat Battle Star License Plates.** As of this writing, LSC fiscal staff is unable to estimate the demand and production costs for the combat star license plates. Thus, the potential magnitude of any related increase in the Department of Public Safety's Bureau of Motor Vehicles (BMV) workload and its operating expenses financed by the State Bureau of Motor Vehicles Fund (Fund 4W4) is uncertain. No additional Fund 4W4 revenues will be generated, as the bill does not authorize the BMV to collect an additional fee to compensate the Bureau for the additional services required in the issuing of such license plates.
- **State Bureau of Motor Vehicles Fund – Civil Air Patrol License Plates.** The bill requires the state's BMV to charge an additional fee of \$10 to compensate the Bureau for additional services required in the issuing of Civil Air Patrol license plates, and to deposit all such fees in the state treasury to the credit of the existing State Bureau of Motor Vehicles Fund (Fund 4W4). As of this writing, LSC fiscal staff is unable to estimate the demand and production costs for these license plates. This means that the magnitude of the potential gain in BMV's Fund 4W4 annual license plate revenues and any related increase in operating expenses is uncertain.
- **State Highway Safety Fund.** Under current law, an \$11 fee is added to every vehicle registration and subsequent to its collection is forwarded for deposit in the state treasury to the credit of the State Highway Safety Fund (Fund 036). Under the bill, a person being issued Purple Heart license plates would not pay this \$11 fee. Depending on the number of Purple Heart license plates issued in a given year, there would likely be a loss in related registration fee revenues credited to Fund 036. The magnitude of that likely annual revenue loss is, as of this writing, uncertain.
- **State Highway Operating Fund.** The Ohio Department of Transportation may experience costs of \$500 or more to install plaques or signs along I-70 and I-71. Due to the length of these interstate highways it is unknown how many may actually be installed. There may also be future maintenance costs.
- **Civil Rights Commission.** As a result of the duties imposed under the bill, the Commission estimates that it will: (1) need to hire at least one investigator, at a total annual cost of \$59,186 in salary and benefits, and (2) alter or replace various public awareness and education materials at a one-time cost of no more than \$20,000.
- **Office of the Attorney General.** The bill requires the Attorney General to appoint a member of the staff of the Consumer Protection Division to expedite cases or issues raised by a person, or the immediate family of the person, who is deployed on active duty, which cases or issues relate to Ohio laws regulating consumer protection. If an additional staff person were hired to perform those duties, it would be as a complaint specialist at an annual cost in salary and benefits of between \$47,600 and \$61,500. Presumably, those annual costs would be covered by funds appropriated from the GRF, the Consumer Protection Enforcement Fund (Fund 631), or some mix of both revenue streams.
- **Probate fees.** The bill's probate fee exemption does not appear to have any direct and readily discernible effect on state revenues and expenditures.
- **Licensing board impacts.** Requiring state licensing boards to defer late fees and penalties for National Guard or reserve members for up to six months after they have completed service might result in some foregone licensing revenue. It would depend on the number of licensees who fit into this category.
- **Incumbent Worker Training.** Under the bill, the Department of Job and Family Services would transfer at least \$6 million in FY 2008 and at least \$9 million in FY 2009 from Fund 3V0 to the Department of

Development (DOD) for the newly created Incumbent Worker Training Program. These funds are federal Workforce Investment Act dollars and would be received by DOD to provide grants to businesses and training organizations for training for incumbent employees.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
Counties, municipalities, townships, and libraries (LGF and LLGSF)			
Revenues	- 0 -	\$800,000 to \$1.3 million loss	\$800,000 to \$1.3 million loss
Expenditures	- 0 -	- 0 -	- 0 -
School districts			
Revenues	- 0 -	\$1.2 million loss	\$1.2 million loss
Expenditures	- 0 -	- 0 -	- 0 -
Counties – due to exemption of estates from probate fees			
Revenues	- 0 -	Potential probate fees loss, likely to be minimal at most	Potential probate fees loss, likely to be minimal at most
Expenditures	- 0 -	No apparent fiscal effect on probate court operations	No apparent fiscal effect on probate court operations
Political subdivisions with licensing responsibilities			
Revenues	Potential small loss	Potential small loss	Potential small loss
Expenditures	- 0 -	- 0 -	- 0 -
Counties, Municipalities, and Townships – levying permissive motor vehicle license taxes			
Revenues	Motor vehicle license tax loss, magnitude dependent on number of Purple Heart license plates issued	Motor vehicle license tax loss, magnitude dependent on number of Purple Heart license plates issued	Motor vehicle license tax loss, magnitude dependent on number of Purple Heart license plates issued
Expenditures	- 0 -	- 0 -	- 0 -
Counties and Municipalities – discrimination actions			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase for courts to adjudicate civil actions alleging discrimination, magnitude uncertain	Potential increase for courts to adjudicate civil actions alleging discrimination, magnitude uncertain	Potential increase for courts to adjudicate civil actions alleging discrimination, magnitude uncertain
Municipalities – Purple Heart Trail designations			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	\$500 to install a single plaque or set of signs	Minimal increase to maintain plaques or signs	Minimal increase to maintain plaques or signs

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

- **Income tax exemption.** Exempting military retirement pay from the state income tax will reduce the tax base and therefore reduce income tax revenues. However, exempting military retirement pay may reduce the amount claimed for the retirement income credit, partially offsetting the revenue reduction from the exemption. The Local Government Fund (LGF) would bear 3.68% of the revenue loss and the Library and Local Government Support Fund (LLGSF) would bear 2.22% of the revenue loss.
- **School district income tax.** School district income tax revenues would be reduced due to a reduction in the tax base.

- **Local permissive motor vehicle license taxes.** The bill's provision that allows a person who has been awarded the Purple Heart to apply for a Purple Heart license plate at no charge means that person will not have to pay any permissive local motor vehicle license taxes. The total permissive tax levy paid by a person cannot exceed \$20 per taxing district (the combination of all county, municipality, and township levies). Thus, as a result of the bill, it is likely that some taxing districts will lose motor vehicle license tax revenues that would otherwise have been collected. The magnitude of that likely annual revenue loss for any affected taxing district (county, municipality, or township) is, as of this writing, uncertain.
- **Civil actions filed in courts of common pleas, municipal courts, and county courts.** As a result of the bill, it is possible that additional civil actions alleging discrimination, in this case based on a person's military status, will be filed in various courts of common pleas, municipal courts, and county courts around the state. As of this writing, the number of those additional civil actions that might be filed statewide, or even in a given local jurisdiction, is uncertain. Thus, the effect of the bill on any given court's workload and associated annual operating expenses is also uncertain.
- **Probate fees.** Based on conversations that LSC fiscal staff had with certain probate judges, it does not appear that, generally speaking, the number of estates potentially exempted in any affected probate court from paying certain court service fees will be very large in any given year. Assuming that were true, it seems unlikely that the magnitude of probate court service fees lost in any affected county will exceed minimal on an ongoing basis. For the purposes of this fiscal analysis, "minimal" means an estimated revenue loss of no more than \$5,000 for any affected county per year. The bill's fee exemption provision does not appear to directly affect the annual operating expenses of any county, in particular those of the probate division of its court of common pleas.
- **Licensing board impacts.** Requiring political subdivisions involved with professional or occupational licensing to defer late fees and penalties for National Guard or reserve members for up to six months after military service is completed might result in some foregone licensing revenue. It would depend on the number of licensees who fit into this category.
- **Redistributed Public Safety revenues.** Whenever the state BMV's Fund 4W4 cash flow changes, local governments may also be affected in some manner. As BMV's expenses or revenues increase or decrease, moneys available for redistribution to local governments may increase or decrease. As of this writing, however, the manner in which the bill may affect that cash flow dynamic, if at all, is uncertain. That said, LSC fiscal staff has not gathered any information suggesting that the potential magnitude of the annual fiscal effect on any local government would be more than minimal, if that. In this context, "minimal" means an estimated annual revenue gain or loss of: (1) no more than \$5,000 for any affected county, city, or township with a population of 5,000 or more, and (2) no more than \$1,000 for any affected village or township with a population of less than 5,000.
- **Purple Heart Trail designations.** A municipality may experience permissive costs of \$500 to install a single plaque or set of signs with portions of I-70 and I-71 running through its boundaries. There may also be future maintenance costs.

Detailed Fiscal Analysis

The bill exempts military retirement pay from the income tax, exempts estates of armed forces members who died while serving in a combat zone from probate fees, provides that reservists and National Guard members may renew their professional licenses within six months after active duty service, and extends continuing education reporting periods for National Guard members ordered to duty by the Governor. It also provides for eligible veterans to be issued Purple Heart license plates at no charge. In addition to these changes, the bill prohibits discrimination on the basis of military status and affords greater oversight of consumer protection issues involving active duty personnel. More detail on provisions without fiscal effect can be found in the LSC analysis of this bill.

Exemption of military retirement pay

The proposal to exempt military retirement benefits from the personal income tax would exempt the retirement benefits of approximately 39,371 retired military personnel in Ohio. The table below shows the breakdown of retired military personnel in Ohio and the benefits they received in federal fiscal year 2006 (the data include national guard retirees receiving pensions from the Department of Defense (DOD)).¹

	Retirees (paid by DOD)	Retirement Benefits	Average Benefit
Army	11,065	\$185,076,000	\$16,726
Navy/Marines	9,638	\$170,028,000	\$17,641
Air Force	18,096	\$398,040,000	\$21,996
Coast Guard	572	\$10,140,000	\$17,727
Total	39,371	\$763,284,000	\$19,387

Military retirees in Ohio received a total of \$763 million in benefit payments. The average retiree received approximately \$19,390. At an effective tax rate of 2.87%, Ohio would lose approximately \$21.9 million in revenues from the personal income tax each year that military retirement benefits are exempted. Excluding military retirement benefit payments from a taxpayer's Ohio adjusted gross income (OAGI) may reduce the amount the taxpayer could claim for the retirement income credit. If 39,371 taxpayers claiming the \$200 maximum credit were no longer able to claim the credit, then the aggregate amount of the credit claimed would fall by \$7.9 million. Depending on other credits these taxpayers may claim, tax revenue may increase by up to this amount. This would reduce the net cost of exempting military retirement benefits from the income tax. The net revenue loss may be between \$14.0 million and \$21.9 million. The GRF would bear 94.1% of the loss, the Local Government Fund would bear 3.68%, and the Library and Local Government Support Fund would bear 2.22%.

In view of the income tax rate reductions in H.B. 66 of the 126th General Assembly for fiscal years 2005 and beyond, the revenue loss due to the proposed exemption of military

¹ Source: Department of Defense – Office of the Actuary – DOD Statistical Report on the Military Retirement System Fiscal Year 2006.

retirement benefits from income tax may likely reduce in the future. Increases in the number of retirees and the benefits they receive would act to increase the size of the revenue loss.

The exemption would also reduce the tax base for some school district income taxes. The revenue loss would depend on the school districts in which the military retirees reside, the school district income tax rates for those districts, and the value of the exemptions claimed.² If an individual were in a district without a school district income tax, there would be no revenue loss due to that individual's exemption. The federal adjusted gross income (FAGI) of taxpayers in school districts with a school district income tax is approximately 10.4% of statewide FAGI and the (weighted) average school district income tax rate is approximately 1.44%.³ This percentage of income and average tax rate yield an estimated statewide school district income tax revenue loss of \$1.2 million.

Income tax deduction for retired pay based on credit for military service

The bill also provides an income tax deduction for federal service that includes military service. The revenue loss depends on the number of individuals eligible for the deduction and the amount they are able to deduct. The state revenue loss is estimated to be between \$420,000 and \$2.4 million. School district income tax revenues may fall between \$2,000 and \$14,000.

Under federal law, military retirees may opt for taking credit for their military service toward federal civilian retirement systems, but when they do so, they have to waive their military retirement pay. Out of the total of 42,734 military retirees in Ohio for FY 2006,⁴ approximately 1.75% are estimated to have opted for taking credit for their military service according to an official from the Department of Defense who provided this information in response to a request from LSC. Based on the average benefit of Ohio military retirees (\$19,387) the amount of retirement pay that this subgroup of military retirees could claim as a tax deduction is estimated at \$14.5 million. The revenue loss from this level of deduction is estimated at \$420,000.

Exemption of estates from probate fees

The bill's probate fee exemption does not appear to have any direct and readily discernible effect on state revenues and expenditures. Based on conversations that LSC fiscal staff had with certain probate judges, it does not appear that, generally speaking, the number of estates potentially exempted in any affected probate court from paying certain court service fees will be very large in any given year. Assuming that were true, it seems unlikely that the magnitude of probate court service fees lost in any affected county will exceed minimal on an ongoing basis. For the purposes of this fiscal analysis, "minimal" means an estimated revenue loss of no more than \$5,000 for any affected county per year. The bill's fee exemption provision

² There is no tax rate limit. The only stipulation by law is that the tax rate must be in increments of a quarter percent (0.25%). Currently, the minimum tax rate levied by a district is 0.50%, the maximum tax rate is 2.00%, the median tax rate is 1.00%, and the most frequently charged tax rate is 1.00%.

³ The percentage of FAGI in districts with a school district income tax and the average tax rate were calculated using information from 2004 Ohio income tax returns and 2006 school district income tax rates.

⁴ *DOD Statistical Report on the Military Retirement System, Fiscal Year 2006*. The report presents both the number of retirees (all living military retirees) and the number of retirees being paid by DOD (whose net retirement pay is greater than \$0.00).

does not appear to directly affect the annual operating expenses of any county, in particular those of the probate division of the court of common pleas.

Expired license exemptions – National Guard and reserve members

Requiring state licensing boards and political subdivisions involved with professional or occupational licensing to defer late fees and penalties for National Guard or reserve members for up to six months after military service is completed might result in some foregone late fee revenue. It would depend on the number of licensees who fit into this category.

State fiscal effects – License plates

Purple Heart License Plates: The bill allows any person who has been awarded the Purple Heart to be issued Purple Heart license plates at no charge. Depending on the number of Purple Heart license plates issued in a given year, there would likely be a loss in related registration fee revenues deposited in the state treasury to the credit of the State Bureau of Motor Vehicles Fund (Fund 4W4). The magnitude of that likely annual revenue loss is, as of this writing, uncertain.

Combat Battle Star License Plates: The fiscal effects on the state, in particular the Department of Public Safety's Bureau of Motor Vehicles (BMV) and its primary source of operating moneys (Fund 4W4), will be dependent on the number of special combat or military license plates with a combat battle star actually issued. As of this writing, LSC fiscal staff is unable to estimate the demand and production costs for the combat star license plates. This means that the potential magnitude of any related increase in operating expenses is uncertain.

The issuance of combat battle star license plates will not generate any additional state revenues, in particular registration-related revenues that would be deposited to the credit of Fund 4W4, as the bill does not authorize the BMV to collect an additional fee to compensate the Bureau for the additional services required in the issuing of such license plates.

Civil Air Patrol License Plates: The fiscal effects on the state, in particular the Department of Public Safety's Bureau of Motor Vehicles and its primary source of operating moneys (Fund 4W4), will be dependent on the number of Civil Air Patrol license plates actually issued. As of this writing, LSC fiscal staff is unable to estimate the demand and production costs for these license plates. This means that the magnitude of the potential gain in BMV's Fund 4W4 annual license plate revenues and any related increase in operating expenses is uncertain.

Local fiscal effects for Combat Battle Star and Civil Air Patrol license plates

Redistributed Public Safety revenues

Whenever BMV's Fund 4W4 cash flow changes, local governments may also be affected in some manner. Most collected local and state motor vehicle license taxes are deposited into a Department of Public Safety holding account. Monthly, an assessment of Fund 4W4 occurs and cash is transferred from the holding account to Fund 4W4 in order to cover BMV's monthly operating expenses. Any remaining funds in the holding account are then forwarded to local governments (counties, municipalities, and townships) to use for transportation-related needs

such as roads and bridges. As BMV's expenses or revenues increase or decrease, moneys available for redistribution to local governments may increase or decrease.

As of this writing, however, the manner in which the bill may affect that cash flow dynamic, if at all, is uncertain. That said, LSC fiscal staff has not gathered any information suggesting that the potential magnitude of the annual fiscal effect on any local government would be more than minimal, if that. In this context, "minimal" means an estimated annual revenue gain or loss of: (1) no more than \$5,000 for any affected county, city, or township with a population of 5,000 or more, and (2) no more than \$1,000 for any affected village or township with a population of less than 5,000.

State Highway Safety Fund (Fund 036)

Under current law, an \$11 fee is added to every vehicle registration and subsequent to its collection is forwarded for deposit in the state treasury to the credit of the State Highway Safety Fund (Fund 036). Under the bill, a person being issued Purple Heart license plates would not pay this \$11 fee. Depending on the number of Purple Heart license plates issued in a given year, there would likely be a loss in related registration fee revenues credited to Fund 036. The magnitude of that likely annual revenue loss is, as of this writing, uncertain.

This fee, which became effective January 1, 2004, is imposed for the purpose of defraying the Department of Public Safety's costs associated with the administration and enforcement of motor vehicle and traffic laws.

Local permissive motor vehicle license taxes

The bill's provision that allows a person who has been awarded the Purple Heart to apply for a Purple Heart license plate at no charge means that person will not have to pay any permissive local motor vehicle license taxes. The total permissive tax levy paid by a person cannot exceed \$20 per taxing district (the combination of all county, municipality, and township levies). Thus, as a result of the bill, it is likely that some taxing districts will lose motor vehicle license tax revenues that would otherwise have been collected. The magnitude of that likely annual revenue loss for any affected taxing district (county, municipality, or township) is, as of this writing, uncertain.

Under current law, a county, municipality, or township is permitted to levy local motor vehicle license taxes for the purpose of planning, construction, and maintenance of public highways, roads, streets, or bridges. Counties have the authority to enact up to \$15 in motor vehicle license taxes in three separate increments of \$5 each. If the county has not enacted a motor vehicle license tax, then the municipality has the authority to enact up to \$20 in motor vehicle license taxes in four separate increments of \$5 each. Townships may levy an additional \$5 motor vehicle license tax, regardless of any action by the county. The total permissive tax levy, however, paid by a person cannot exceed \$20 per taxing district (the combination of all county, municipality, and township levies). In 2006, the average permissive local tax per vehicle registration was \$14.02. Counties and municipalities were first permitted to levy motor vehicle license taxes in 1967; townships were similarly authorized in 1987.

Ohio Civil Rights Commission

Duties under the bill

Investigation of complaints. The bill prohibits discrimination on the basis of military status. As is the case under current law, if discrimination on the basis of military status were to occur, then the party that was discriminated against can file a civil action in: (1) a court of common pleas, municipal court, or county court as appropriate, or (2) the Court of Claims if the matter involves an agency of the state of Ohio. A complaint alleging discrimination may also be filed with the Ohio Civil Rights Commission.

If a complaint is filed with the Commission, it is required to investigate the alleged discrimination to determine whether or not there is probable cause that discrimination occurred. If so, the Commission is required to engage in a conciliation process between the two parties. If conciliation fails, then the case goes before an administrative law judge in a court of common pleas. The Commission's costs will be a function of the merits and complexity of the case.

Related duties. In addition to permitting complaints to be filed, or civil actions to be brought, alleging discrimination on the basis of military status, the bill:

- Requires the Commission to make periodic surveys of the existence and effect of discrimination because of military status on the enjoyment of civil rights by persons in Ohio.
- Requires the Commission to prepare a comprehensive educational program, in cooperation with the Department of Education, for Ohio residents and the students in Ohio public schools.
- Requires the Commission to receive affirmative action employment and housing accommodation program reports relative to persons of military status and to issue an annual report on those program reports to the General Assembly.
- Permits the Commission to study the problems of discrimination in all fields of human relationships when based on military status, or may empower local or statewide advisory agencies and conciliation councils it creates to do so.
- Permits the Commission to issue any publications and the results of investigations and research that in its judgment will tend to promote good will and minimize or eliminate discrimination because of military status.

Under current law, the Commission is already required or authorized to perform this above-noted list of duties relative to discrimination on the basis of race, color, religion, sex, familial status, national origin, disability, age, or ancestry.

Estimated costs

The staff of the Commission's Office of Public Affairs has provided LSC fiscal staff with the following information relative to its duties under the bill.

- Although it is difficult to assess the number of new charges that will be filed alleging discrimination on the basis of military status, it is likely that additional personnel will be required to conduct investigations based upon these charges.
- According to information provided by Commission staff, the Ohio branch of the Employer Support of the Guard and Reserve, which is a staff group within the office of the Assistant Secretary of Defense for Reserve Affairs, received complaints from 74 members of the Ohio National Guard and Reserve alleging violations of the Uniformed Services Employment and Reemployment Rights Act.
- By comparison, a Commission investigator currently processes approximately 85 cases annually. The average cost of employing an investigator (including both salary and benefits) is \$59,186 annually. The Commission believes that, based on the potential number of additional cases, it will need to hire at least one new investigator.
- Unlike the majority of other charges investigated by the Commission for which it receives moneys under work-sharing agreements with the U.S. Equal Employment Opportunity Commission (EEOC) and the U.S. Department of Housing and Urban Development (HUD), the Commission would not receive federal funding for investigating charges alleging discrimination on the basis of military status. This is because military status is not a federally recognized protected class under Title VII of the Civil Rights Act of 1964 or Title VIII of the Fair Housing Act of 1968. The only other viable financing mechanism for the costs associated with these military status-related duties would be the General Revenue Fund.
- The addition of military status as a protected class under the Ohio Civil Rights Act will require the Commission to alter or replace existing brochures, posters, and other materials made available to the public in order to raise awareness and educate the public about their rights under the new provision. This is likely to be a one-time cost of up to \$20,000.

Civil actions filed in courts of common pleas, municipal courts, and county courts

As a result of the bill, it is possible that additional civil actions alleging discrimination, in this case based on a person's military status, will be filed in various courts of common pleas, municipal courts, and county courts around the state. As of this writing, the number of those additional civil actions that might be filed statewide, or even in a given local jurisdiction, is uncertain. Thus, the effect on the bill of any given court's workload and associated annual operating expenses is also uncertain.

Office of the Attorney General

The bill requires the Attorney General to appoint a member of the staff of the Consumer Protection Division to expedite cases or issues raised by a person, or the immediate family of the person, who is deployed on active duty, which cases or issues relate to Ohio laws regulating consumer protection. If an additional staff person were hired to perform those duties, it would be as a complaint specialist at an annual cost in salary and benefits of between \$47,600 and \$61,500. Presumably, those annual costs would be covered by funds appropriated from the GRF, the Consumer Protection Enforcement Fund (Fund 631), or some mix of both revenue streams.

Military experience to fulfill continuing education requirements

The bill requires a state licensing agency to consider relevant education, training, or service completed by a licensee as a member of the United States Armed Forces, reserve components, the Ohio National Guard, the Ohio Military Reserve, or the Ohio Naval Militia in determining whether a licensee has fulfilled required continuing education. It does not appear as if this will have a direct fiscal effect on the state or local governments.

Incumbent Worker Training Program

The bill requires the Department of Development (DOD) to establish an Incumbent Worker Training Program to provide grants to businesses and to trainers that provide training to a consortium of businesses. Grants under the program are to be used for increasing the occupational skills of current employees, increasing investment in incumbent worker training, retaining employees, advancing wages over time, and acquiring generally recognized credentials to document skill gains.

The bill specifies that DOD's Workforce and Talent Division is to administer the program and issue grants of at least \$6 million in FY 2008 and at least \$9 million in FY 2009, using federal Workforce Investment Act (WIA) funds. At least 25% of the grants each year (at least \$1.5 million in FY 2008 and at least \$2.25 million in FY 2009) must be issued to businesses engaged primarily in activities other than manufacturing and that have fewer than 500 employees. The maximum grant amount is \$1,000 per employee or \$200,000 per business or trainer, and grants will be paid on a reimbursement basis. The bill empowers DOD to adopt rules for operating the program, presumably to include additional criteria to determine whether applicants are eligible for reimbursement.

DOD does not receive WIA funds directly from the federal government; rather, the Department of Job and Family Services (JFS) administers all WIA funds received by the state of Ohio through Fund 3V0, which receives and disburses federal WIA dollars. The spending authority for Fund 3V0 is approximately \$232.6 million in FY 2008 and \$233.1 million in FY 2009. According to DOD, the amounts requested for the Incumbent Worker Training Program would be paid by JFS while DOD administers the program.

Administrative costs to DOD's Workforce and Talent Division for operating the program are not yet known, but would not be paid from the WIA funds through JFS. Any administrative costs would likely be paid out of DOD's own operating funds for the Division. Additionally, DOD and JFS may experience minimal additional administrative costs for the preparation of a

required joint report on the Incumbent Worker Training Program to be issued to the President of the Senate and the Speaker of the House by December 31, 2008 and biannually thereafter.

Purple Heart Trail designations

The Ohio Department of Transportation (ODOT) may experience costs of \$500 or more to install memorial plaques or signs along I-70 and I-71. Currently, it costs approximately \$500 to manufacture, install, and maintain a single set of memorial plaques or signs at one location. Due to the length of I-70 and I-71, it is unknown how many plaques or signs the Department may choose to install.

When a bridge or highway is designated as a memorial, the Department's policy⁵ is to first install a memorial plaque in a rest area, scenic overlook, recreational area, or other appropriate location. If this is not practical, a sign is installed along the highway instead. At one location two plaques or two signs are usually installed, one in each direction. ODOT installs plaques and signs in areas outside municipal boundaries, but within township boundaries.

Various municipalities with portions of I-70 and I-71 running through their boundaries may experience similar costs for installing and maintaining plaques or signs. Any costs incurred by municipalities are considered permissive.

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⁵ Ohio Manual of Uniform Traffic Control Devices for Streets and Highways, 2003.

Fiscal Note & Local Impact Statement

127th General Assembly of Ohio

Ohio Legislative Service Commission
77 South High Street, 9th Floor, Columbus, OH 43215-6136 ✧ Phone: (614) 466-3615
✧ Internet Web Site: <http://www.lsc.state.oh.us/>

BILL: **Sub. S.B. 16** DATE: **May 22, 2007**
STATUS: **As Enacted – Effective September 4, 2007** SPONSOR: **By Initiative**
LOCAL IMPACT STATEMENT REQUIRED: **Yes**
CONTENTS: **Sexually oriented businesses**

State Fiscal Highlights

STATE FUND	FY 2007*	FY 2008	FUTURE YEARS
General Revenue Fund (GRF)			
Revenues	- 0 -	Potential minimal gain in court cost revenues; Potential losses from reduced personal income tax, sales tax, and corporation franchise tax	Potential minimal gain in court cost revenues; Potential losses from reduced personal income tax, sales tax, corporation franchise tax, and commercial activity tax
Expenditures	- 0 -	(1) Potential increase, magnitude uncertain, for the Attorney General's legal drafting assistance; (2) Potential increase, magnitude uncertain, associated with indemnification payments	(1) Potential increase, magnitude uncertain, for the Attorney General's legal drafting assistance; (2) Potential increase, magnitude uncertain, associated with indemnification payments
Victims of Crime/Reparations Fund (Fund 402)			
Revenues	- 0 -	Potential minimal gain in court cost revenues	Potential minimal gain in court cost revenues
Expenditures	- 0 -	- 0 -	- 0 -

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

* For the purposes of this fiscal analysis, it is assumed that any of the bill's state fiscal effects would occur sometime after FY 2007.

- **Court cost revenues.** The bill may produce a minimal revenue gain to the state's GRF and the Victims of Crime/Reparations Fund (Fund 402) from increased local collection of state court costs, as individuals may be convicted of violating the bill's misdemeanor prohibitions.
- **Reduction in state tax revenues.** The bill may decrease the number of sexually oriented businesses, and may reduce sales, receipts, and profits of the industry. Such an outcome would decrease state revenues from various tax sources, primarily the sales tax, the personal income tax, the commercial activity tax, and the corporation franchise tax. Under current

law, revenues from these taxes are distributed in various proportions to the GRF. The extent of the potential GRF revenue loss is uncertain.

- **Office of the Attorney General.** The Office of the Attorney General could experience some increase in workload if municipal corporations seek assistance in developing, formulating, and drafting an ordinance regarding the operation of adult entertainment establishments in their jurisdictions. Under current law, townships already have this authority. At the time of this writing, LSC fiscal staff has gathered no evidence indicating the potential number of municipal corporations that could request such assistance from the Office of the Attorney General if the bill were enacted.
- **Indemnification.** Predicting with any certainty the potential fiscal implications of the bill's indemnification provision is rather problematic. This is due to several variables, including, but not limited to, the number of jurisdictions that may develop such regulations with the assistance of the Attorney General, the number of potential civil actions that may be filed by affected sexually oriented businesses, and the rate of success of such suits. However, if one case is successfully challenged and a judgment is rendered against the jurisdiction, the state could experience an increase in expenditures exceeding minimal. For the purposes of this fiscal analysis, in excess of minimal means an estimated cost of more than \$100,000 for the state per year. The source of state funds that would be used to make such payments is uncertain.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2007	FY 2008	FUTURE YEARS
Counties, Municipalities, and Townships (criminal justice systems)			
Revenues	Potential gain in court cost and fine revenues, magnitude uncertain	Potential gain in court cost and fine revenues, magnitude uncertain	Potential gain in court cost and fine revenues, magnitude uncertain
Expenditures	Potential increase in criminal justice system costs, magnitude uncertain	Potential increase in criminal justice system costs, magnitude uncertain	Potential increase in criminal justice system costs, magnitude uncertain
Counties, Municipalities, and School Districts (tax revenues)			
Revenues	Potential losses from reduced distributions to various local government funds from state taxes, magnitude uncertain	Potential losses from reduced distributions to various local government funds from state taxes, magnitude uncertain	Potential losses from reduced distributions to various local government funds from state taxes, magnitude uncertain
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.

- **Local court cost and fine revenues.** By creating the possibility for new criminal cases, the bill also creates the potential for additional court cost and fine revenues to be collected by local criminal justice systems statewide. The magnitude of the bill's potential relative to increasing local criminal justice system revenues is uncertain.
- **Local criminal justice system expenditures.** Theoretically, the expenditures of certain local criminal justice systems may increase, reflecting the additional costs to investigate, prosecute, adjudicate, and sanction individuals who violate the bill's regulations and prohibitions. The magnitude of those potential costs on any given local jurisdiction is likely to be a function of the number of affected businesses and the degree to which those businesses violate the bill's regulations and prohibitions. As of this writing, the combination of those factors is rather problematic to determine.
- **Tax revenues.** The bill may potentially decrease revenues from distributions of various state taxes to local governments. The Local Government Revenue Assistance Fund receives 0.6% of revenues from the sales, personal income, and corporation franchise taxes. The Local Government Fund receives 4.2% of revenues from the sales, personal income, and corporation franchise taxes. The Library and Local Government Fund receives 5.7% of revenues from the personal income tax. The School District Tangible Property Tax Replacement Fund and the Local Government Tangible Property Tax Replacement Fund receive distributions from the commercial activity tax. The bill may also reduce local revenues from municipal income and profits taxes. These losses will depend on the location of businesses affected by the bill.

Detailed Fiscal Analysis

The bill, proposed by initiative,¹ contains several prohibitions relating to sexually oriented businesses. Specifically, the bill:

- Prohibits a sexually oriented business from remaining open between midnight and 6 a.m., unless the business is covered by a liquor permit that authorizes operation during those hours, in which case it may remain open until the hour specified in that permit if it does not conduct, offer, or allow sexually oriented entertainment activity in which the performers appear nude and makes a violation of the offense a misdemeanor of the first degree.
- Prohibits any patron of a sexually oriented business from knowingly touching any employee of the business who is nude or seminude and makes the violation a misdemeanor of the fourth or first degree depending on certain circumstances.
- Prohibits employees of the business who appear nude or seminude on the premises and while nude or seminude to knowingly touch a patron or another employee and makes a violation a misdemeanor of the fourth or first degree depending on certain circumstances.
- Provides that the state shall indemnify a township or a municipal corporation and its trustees from liability incurred in the enforcement of a resolution that is drafted in accordance with legal guidance provided by the Attorney General and that a court finds to be unconstitutional or otherwise legally defective.
- Permits the legislative authority of a municipal corporation to request the Attorney General to provide legal guidance and assistance in developing, formulating, and drafting an ordinance regarding the operation of adult entertainment establishments.

¹ This bill was proposed by initiative. An initiative petition proposing a law must contain signatures of electors equal to 3% of the total votes cast in the last election for Governor. The petition must be filed with the Secretary of State at least ten days before a session of the General Assembly commences. If the General Assembly fails to act on the proposal within four months, fails to pass the proposal, or passes an amended version of the proposal, the proponents have 90 days to file a supplementary petition with the Secretary of State demanding that it be put on the ballot. The supplementary petition must contain additional signatures amounting to 3% of the total votes cast in the last election for governor. The proponents may include in the supplementary petition any amendments that were incorporated into the proposal by either or both houses of the General Assembly. The Secretary of State must submit the proposal to the electors at the next regular or general election. If the voters approve the proposal, it takes effect 30 days after the election and any different version that was passed by the General Assembly is invalidated. If the voters reject the proposal, any different version that was passed by the General Assembly becomes effective. The Governor may not veto a law that was proposed by petition and approved by the electors.

Regulation of sexually oriented businesses

The bill defines "sexually oriented business" as an adult bookstore or adult video store, an adult cabaret,² an adult motion picture theater, a sexual device shop, or a sexual encounter center.

The bill contains two primary offenses: (1) illegally operating a sexually oriented business, and (2) illegal sexually oriented activity in a sexually oriented business. The table below illustrates the penalties associated with these two offenses.

Sentences and Fines

Criminal Offense	Penalty	Fine	Sentence
(1) Illegally operating a sexually oriented business			
• All circumstances	Misdemeanor of the 1st degree	Maximum of \$1,000	Up to 6 months in jail
(2) Illegal sexually oriented activity in a sexually oriented business			
• Involving touching of certain anatomical areas of certain individuals	Misdemeanor of the 1st degree	Maximum of \$1,000	Up to 6 months in jail
• Involving touching of all other areas of certain individuals	Misdemeanor of the 4th degree	Maximum of \$250	Up to 30 days in jail

In response to the bill, the owners, operators, and employees of sexually oriented businesses would presumably take one of two courses of action as follows:

- (1) **Compliance.** Owners, operators, and employees of sexually oriented businesses could choose to comply fully with the bill's regulations. Arguably, compliance in many situations would negatively impact such businesses, specifically by limiting the nature and hours of operation. As such, it seems probable that some businesses may cease to exist, thus affecting the state and local tax base.
- (2) **Noncompliance.** Owners, operators, and employees of sexually oriented businesses will opt to violate the bill's regulations and prohibitions. In this case, the violator(s) would presumably be arrested, successfully prosecuted, and sanctioned. The impact of noncompliance on any given local criminal justice system will be a function of the number of affected businesses and the degree to which those businesses violate the bill's regulations and prohibitions.

At the time of this writing, it is rather problematic to predict the relative levels of compliance and noncompliance with the bill's regulations and prohibitions in any given local jurisdiction.

² An "adult cabaret" is a nightclub, bar, juice bar, restaurant, bottle club, or other similar commercial establishment, regardless of whether alcoholic beverages are served, that regularly features persons who appear in a state of nudity or seminudity.

Indemnification

The bill also provides that the state shall indemnify a township or a municipal corporation and its trustees from liability incurred in the enforcement of a resolution that is drafted in accordance with legal guidance provided by the Attorney General and that a court finds to be unconstitutional or otherwise legally defective. The bill permits the legislative authority of a municipal corporation to request the Attorney General to provide legal guidance and assistance in developing, formulating, and drafting an ordinance regarding the operation of adult entertainment establishments.

State fiscal effects

Court cost revenues

The bill may produce a revenue gain to the state's GRF and the Victims of Crime/Reparations Fund (Fund 402) from increased local collection of state court costs, as individuals may be convicted of violating the bill's misdemeanor prohibitions. For a misdemeanor offense, the state court cost totals \$24, with \$15 of that amount being credited to the GRF and the remaining \$9 being credited to Fund 402. As of this writing, it does not appear that the potential gain in state court revenues would exceed minimal. For the purposes of this fiscal analysis, a minimal revenue gain means an estimated increase of less than \$100,000 per year for either state fund.

Tax revenues

The bill may decrease the number of sexually oriented businesses in the state. For businesses that remain open, the bill potentially decreases sales, receipts, and profits in the industry. The bill may also reduce the income of employees and self-employed individuals working in the industry. Reductions in employment, earnings, sales, receipts, and profits would then decrease state revenues from various tax sources, primarily the sales tax, the personal income tax, the commercial activity tax, and the corporation franchise tax (CFT). Under current law, revenues from these taxes are distributed in various proportions to the GRF. As no reliable data on sales and profits of the sexually oriented industry is readily available to LSC fiscal staff, the magnitude of the potential loss in state revenues is, as of this writing, rather problematic to determine.

Office of the Attorney General

The Office of the Attorney General could experience some increase in workload if municipal corporations seek assistance in developing, formulating, and drafting an ordinance regarding the operation of adult entertainment establishments in their jurisdictions. Under current law, townships already have this authority. At the time of this writing, LSC fiscal staff has gathered no evidence indicating the potential number of municipal corporations that could request such assistance from the Office of the Attorney General if the bill were enacted.

Paying of judgments

By allowing for the indemnification of certain townships and municipal corporations, it is possible the state may experience some increase in expenditures associated with the claims brought on behalf of affected jurisdictions. The bill mandates that the state shall indemnify these jurisdictions if two conditions are met: (1) the ordinance was drafted in accordance with legal guidance provided by the Attorney General, and (2) a court finds it to be unconstitutional or otherwise legally defective. If this occurs, the state is obligated to pay the affected jurisdiction any judgment in, or amount negotiated in settlement of, any civil action arising from the enforcement of the ordinance. The state is not permitted to indemnify these jurisdictions until all appeals have been exhausted or the action has otherwise been finally resolved.

Predicting with any certainty the potential fiscal implications of this provision of the bill is rather problematic. This is due to several variables, including, but not limited to, the number of jurisdictions that may develop such regulations with the assistance of the Attorney General, the number of potential civil actions that may be filed by affected sexually oriented businesses, and the rate of success of such suits. However, if one case is successfully challenged and a judgment is rendered against the jurisdiction, the state could experience an increase in expenditures exceeding minimal. For the purposes of this fiscal analysis, in excess of minimal means an estimated cost of more than \$100,000 for the state per year. The source of state funds that would be used to make such payments is uncertain.

Local fiscal effects

Local criminal justice system expenditures

Presumably, violator(s) of the bill's regulations and prohibitions will be arrested, successfully prosecuted, and sanctioned. The fiscal effect of that outcome is theoretically that the affected local criminal justice system's expenditures increase, reflecting the additional costs to investigate, prosecute, adjudicate, and sanction such offenders. The magnitude of those potential costs on any given local jurisdiction is likely to be a function of the number of affected businesses and the degree to which those businesses violate the bill's regulations and prohibitions. As of this writing, the combination of those factors is rather problematic to determine. Thus, whether those potential costs for certain local criminal justice systems could exceed minimal is uncertain. For the purposes of this fiscal analysis, a minimal expenditure increase means an estimated annual cost of no more than \$5,000 for any affected local criminal justice system.

Local court cost and fine revenues

By creating the possibility for new criminal cases, the bill also creates the potential for additional court cost and fine revenues to be collected by local criminal justice systems statewide. As noted, the magnitude of the bill's potential relative to increasing local criminal justice system expenditures is uncertain. Similarly, the potential related gain in court cost and fine revenues is uncertain. This means that whether that potential gain in revenues could exceed minimal is uncertain as well. For the purposes of this fiscal analysis, a minimal revenue gain means an estimated annual increase of no more than \$5,000 for any affected local jurisdiction.

Local tax revenues

Revenue from the state's corporate activity tax (CAT) is credited to the CAT Receipts Fund in the state treasury for distribution to the GRF, the School District Tangible Property Tax Replacement Fund (SDRF), and the Local Government Tangible Property Tax Replacement Fund (LGRF). Amended Substitute House Bill 66 of the 126th General Assembly created the SDRF and the LGRF, and distributions to the two funds were to replace moneys lost due to the elimination of the tax on most tangible personal property. For the FY 2008-2009 biennium, receipts from the CAT are allocated only to the SDRF and LGRF, so any decrease in CAT receipts reduces revenue to these funds.

Under current law, revenue from the individual income tax is distributed to the GRF (89.5%), the Library and Local Government Support Fund (5.7%), the Local Government Fund (4.2%), and the Local Government Revenue Assistance Fund (0.6%). Revenue from the sales tax is distributed to the GRF (95.2%), the LGF (4.2%), and the LGRAF (0.6%). If the bill negatively impacts sexually oriented businesses, then there is presumably some reduction in moneys that might otherwise have been distributed to local governments.

No meaningful revenue loss to local governments will occur from distribution of receipts from the corporate franchise tax (CFT). Revenue from the CFT is distributed to the GRF (95.2%), the LGF (4.2%), and the LGRAF (0.6%). However, the previously noted Am. Sub. H.B. 66 eliminated over five years the CFT for nonfinancial corporations. In FYs 2008 and 2009, nonfinancial corporations will pay 40% and 20%, respectively, of their full tax liability. The tax is eliminated in FY 2010.

The bill also potentially creates revenue loss from reduced receipts from the permissive county and transit authority sales taxes, and the municipal income and profit taxes. Those local revenue losses will depend on the location of the sexually oriented businesses.

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Detailed Fiscal Analysis

The bill proposes to increase the income tax credit for adoption, which is nonrefundable, from the current level of \$500 to \$1,500 for each minor child under age 18 legally adopted by a taxpayer during taxable years beginning on or after January 1, 2007. The taxpayer may carry forward any unused credit over a period of three years.¹ The tax credit does not apply to the adoption of a minor child by a stepparent.

The number of public adoptions in Ohio was 2,015 in 2005 and it was expected to reach 1,976 in 2006, as reported by the Ohio Department of Job and Family Services. The number of adoptions in Ohio shows some decrease due to fewer children waiting to be adopted. There were 2,643 children waiting to be adopted at the start of federal fiscal year 2006 as compared to 2,937 in 2005 and 3,139 in 2004 (source: Adoption Performance Report, May 2006 Department of Job and Family Services).

Due to the above trend, LSC has assumed a minimal growth rate at 0.3% in the number of adoptions for its projections. This growth is equal to the general population growth rate estimated at 0.3% for Ohio (Global Insight, January 2007 release). The number of private adoptions was assumed to be 20% of the number of public adoptions and was added to the total number of eligible adoptions.

Based on these assumptions, the total number of adoptions was projected and a tax credit of \$1,500 was applied, assuming that all these families take full advantage of the credit. To these results an adjustment was applied to account for the difference between the calculated tax credit for 2004 and the actual tax credit claimed during that year. The loss in income tax revenue is estimated to be approximately \$3.35 million in 2008, and \$3.37 million in 2009. General Revenue Fund revenue, at the Revised Code percentage 89.5% of personal income tax revenue, is estimated to decrease by approximately \$2.98 million in 2008 and \$2.99 million in 2009.

Impact on local governments

Based on the current Revised Code percentages for revenue distribution, the Library and Local Government Support Fund (5.7%), Local Government Fund (4.2%), and Local Government Revenue Assistance Fund (0.6%) are estimated to have a combined loss of revenue of \$350,190 in FY 2008 and \$351,240 in FY 2009.

LSC fiscal staff: Isabel Louis, Economist

¹ If a taxpayer's tax liability is less than \$1,500 the excess of tax credit over tax liability may be carried forward and applied against the next year's tax liability.

- **Upper Sandusky Municipal Court judgeship.** Starting in January 2008, the annual amount in GRF funding that the Supreme Court of Ohio will disburse in the form of state support for the judgeship in the Upper Sandusky Municipal Court will increase by an estimated \$27,085 which consists of: (1) \$22,200 in salary, (2) \$3,057 in PERS contributions, and (3) \$1,828 in miscellaneous other contributions. As the term of the judge actually begins roughly halfway through the state's FY 2008 (January 2008), the amount of state financial support that will be disbursed in that fiscal year will be a portion of that annual amount, or approximately \$13,543.
- **Compensation of a legislator appointed to judicial office.** As a result of the bill's provision relative to the compensation of a legislator appointed to judicial office, circumstances may occasionally arise wherein certain legislators appointed to judicial office would be paid less than the statutorily mandated amount of compensation in effect at the time of that appointment. Such an outcome most likely generates a savings in GRF moneys that would otherwise have been disbursed by the Supreme Court as state financial support for that judgeship. The magnitude of that potential savings is problematic to estimate and uncertain, as it depends on predicting the future behavior of various individuals and General Assemblies.
- **Special election costs.** The bill: (1) requires the state to pay all costs of any special election when a vacancy occurs in the United States House of Representatives, and (2) appropriates \$1.1 million in GRF funding to the Controlling Board's budget to be used to reimburse county boards of election for all costs of conducting any special election during FY 2008.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
Champaign County*			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Estimated \$6,195 increase related to local share of new judgeship plus approximately \$40,000 for additional court staff	Estimated \$8,260 annual increase related to local share of new judgeship plus approximately \$40,000 annually for additional court staff
Hamilton County			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential savings, magnitude uncertain	Potential savings, magnitude uncertain
City of Upper Sandusky (Wyandot County)**			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Estimated \$30,975 increase related to local share of full-time judgeship	Estimated \$30,975 increase related to local share of full-time judgeship	Estimated \$30,975 increase related to local share of full-time judgeship
County Boards of Elections			
Revenues	Gain of up to \$1.1 million or more for special election costs	Potential gain in state reimbursement for certain special election costs	Potential gain in state reimbursement for certain special election costs
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.

* The new judge will be elected in 2008 for a term to begin February 10, 2009.

** The bill changes, on or after January 1, 2008, the status of the judge of the Upper Sandusky Municipal Court from part-time to full-time.

- **Champaign County Court of Common Pleas judgeship.** Starting with FY 2010, the annual salary and related payroll expenses for the new judge to be added to the Champaign County Court of Common Pleas will cost Champaign County an estimated \$8,260 per year. As the term of the new judge actually begins before FY 2010 (February 10, 2009), the amount of local financial support that will be disbursed in FY 2009 will be a portion of that annual amount, or approximately \$6,195.
- **Champaign County capital improvements.** The building that houses the Champaign County Court of Common Pleas is currently undergoing a renovation, the scope of which already includes the space necessary to accommodate the additional judge contained in this bill.
- **Champaign County court staffing expenses.** The staff for the new judgeship will primarily be composed of existing court personnel. An additional bailiff for the new judge, however, will need to be hired at a cost, including benefits, of approximately \$40,000 annually.
- **Hamilton County Drug Court.** Presumably, existence of the Hamilton County Drug Court has allowed the county to more quickly and appropriately sanction certain drug offenders than would otherwise have been the case. If the authority for the Drug Court were allowed to sunset, then those efficiencies would most likely be lost, at least for the time being, until the local criminal justice system adjusted to a new way of handling drug cases. The bill would preserve those efficiencies permanently. Legislative Service

Commission fiscal staff, however, does not have the information necessary to quantify the annual savings that those efficiencies currently produce.

- **Upper Sandusky Municipal Court judgeship.** Starting in January 2008, the annual salary and related payroll expenses for changing the judge of the Upper Sandusky Municipal Court from part-time to full-time status will cost the City of Upper Sandusky an estimated \$30,975 per year.
- **Special election costs.** The bill: (1) requires the state to pay all costs of any special election when a vacancy occurs in the United States House of Representatives, and (2) appropriates \$1.1 million in GRF funding to the Controlling Board's budget to be used to reimburse county boards of election for all costs of conducting any special election during FY 2008. The local jurisdictions likely to be immediately affected by these special election provisions will be the county boards of elections located in the 5th Ohio Congressional District that would be eligible for state reimbursement to cover the costs of filling the vacancy created by the death of U.S. Representative Paul Gillmor.

Detailed Fiscal Analysis

Overview

For the purposes of this fiscal analysis, the bill most notably:

- Adds one judge to the Court of Common Pleas of Champaign County.
- Makes the Hamilton County Drug Court permanent.
- Changes the status of the judge of the Upper Sandusky Municipal Court from part-time to full-time.
- Specifies the compensation of a legislator appointed to judicial office.
- Extends the deadline for the report of the Joint Committee to Study Court Costs and Filing Fees.
- Authorizes funding for a special election when a vacancy in Congress occurs.
- Appropriates \$1.1 million in GRF funding for FY 2008 to be used to reimburse county boards of elections for all costs of conducting any special elections.

Champaign County Court of Common Pleas judgeship

The bill creates a Domestic Relations-Juvenile-Probate Division for the Champaign County Court of Common Pleas and adds a judge to that division to be elected in 2008, for a term to begin February 10, 2009.

Judicial compensation-related costs

Base salary. The annual salary of a judge of a court of common pleas consists of a state share paid and local share paid by the county as follows:

- The **local share** varies slightly depending on a county's population as determined by the decennial census. The local amount is based on 18 cents per capita in the county, but may not be less than \$3,500 or more than \$14,000.
- The **state share** is equal to the annual salary minus the local share. Substitute House Bill 712 of the 123rd General Assembly provided annual salary increases each year from 2002 through 2008. The annual salaries of the judges and justices of the court will increase by the lesser of 3% or the percentage increase in the Consumer Price Index (CPI) over the 12-month period ending on September 30 of the previous year. In the case of judges for whom a portion of the salary is paid locally, the entire amount of the increase is added to the state share.

Supreme Court of Ohio fiscal staff has estimated that, in 2008, the annual salary of a judge of a court of common pleas will be \$121,600. Absent a statutory change providing annual salary increases after the year 2008, that annual amount will not increase in the year 2009. This would mean, of that amount, based on the 2000 Census, Champaign County's local share will total \$7,000 (38,890 county population x 18 cents per capita) in the year 2009. The state will

cover the balance of the annual salary, which for the remainder of state FY 2009 (February 10, 2009 through June 30, 2009), amounts to \$42,975. For FY 2010, the first full state fiscal year of the judgeship, the state will expend \$114,600 plus whatever future cost-of-living increase may be authorized by the General Assembly.

Retirement. State and local elected officials are exempt from membership in PERS (Public Employees Retirement System), unless they choose to become members. Most do. Therefore, this analysis includes PERS payments, which assumes that the new judge added to the Champaign County Court of Common Pleas joins PERS. The state and local PERS contributions would work as follows:

- The state and Champaign County contribute at the rate of 13.77% and 13.55% of their share amounts, respectively. Under that PERS contribution formula, Champaign County will pay \$948 annually, while the state will contribute \$15,780 in FY 2010, the first full state fiscal year of the new judgeship.

Other state and local contributions. In addition to PERS, the state and Champaign County also make contributions for other purposes as follows:

- The state contributions total approximately 8.235%, which includes 1.45% of gross salary for Medicare for all employees hired after April 1986, 0.07% for workers' compensation, 0.295% for the Department of Administrative Services' payroll administration services, and 6.42% for health insurance. These miscellaneous annual contributions will cost the state \$9,437 ($\$114,600 \times 8.235\%$) in FY 2010, the first full state fiscal year of the new court of common pleas judgeship.
- Champaign County's contributions total approximately 4.45%, which includes 1.45% of gross salary for Medicare and 3.0% for workers' compensation. These miscellaneous annual contributions will cost Champaign County \$312 ($\$7,000 \times 4.45\%$).

Summary of payroll-related costs. The state and local shares of various payroll costs directly related to an additional court of common pleas judge are summarized in the table on the following page.

Other Champaign County costs

Capital improvements. The building that houses the Champaign County Court of Common Pleas is currently undergoing a renovation. This renovation began with the knowledge that a new court of common pleas judge could possibly be added in the future. As a result, the scope of this renovation has already incorporated the space necessary to accommodate the additional judge contained in this bill.

Staffing expenses. Legislative Service Commission fiscal staff contacted Champaign County court personnel to determine if the addition of one judge will require any increase in court staff and was informed that the new judge/division will require the addition of a bailiff at an annual cost, including benefits, of approximately \$40,000.

**Champaign County Court of Common Pleas Judgeship
Estimated Annual State and Local Judgeship Payroll-Related Costs**

Estimated Base Salary: \$121,600 (for a term to begin February 2009)*

State Share (FY 2010)

Salary	\$114,600
PERS (13.77%)	\$15,780
Medicare (1.45%)	\$1,661
Workers' Compensation (0.07%)	\$81
Payroll Administration Services (0.295%)	\$338
<u>Health Insurance (6.42%)</u>	<u>\$7,357</u>
State Total	\$139,817

Local Share (CY 2009)

Salary	\$7,000
PERS (13.55%)	\$948
Workers' Compensation (3.00%)	\$210
<u>Medicare (1.45%)</u>	<u>\$102</u>
Local Total	\$8,260

* No increases in annual judicial salaries are statutorily authorized after the year 2008.

Hamilton County Drug Court

The bill makes the Drug Court Judge of the Hamilton County Court of Common Pleas permanent. The term of the current Drug Court Judge began on January 3, 1997, and is set to expire and be replaced by a successor general division judge on January 2, 2009.

The Drug Court currently costs Hamilton County in excess of \$700,000 annually to operate, which includes the payroll expenses of 18 county personnel as follows: the judge, a director, an administrator, a bailiff, a clerk, a court reporter, a prosecutor, three public defenders, and eight probation officers.

If the authority that allows the Drug Court to exist were allowed to sunset, these annual operating costs would not simply disappear; nor would its drug caseload simply disappear. These drug cases would be redistributed among all of the judges of the general division of the county's court of common pleas, including the former Drug Court judgeship that would become a member of the general division. The remaining county personnel that have been assembled around the existing Drug Court would probably not be just let go, they would most likely be reallocated around the criminal justice components of Hamilton County's common pleas court system to reflect the caseload effects of redistributing drug cases.

Even if the bill does not create a direct fiscal effect on Hamilton County, for example, by cutting annual operating costs associated with the Drug Court, it could still be argued that there is at least one likely indirect fiscal effect. Presumably, the existence of the Drug Court has allowed the county to more quickly and appropriately sanction certain drug offenders than would otherwise have been the case. If the authority for the Drug Court were allowed to sunset, then

those efficiencies would most likely be lost, at least for the time being until the local criminal justice system adjusted to a new way of handling drug cases. The bill would permanently preserve those efficiencies. Legislative Service Commission fiscal staff, however, does not have the information necessary to quantify the annual savings that those efficiencies currently produce.

Upper Sandusky Municipal Court judgeship

The bill changes, on or after January 1, 2008, the status of the judge of the Upper Sandusky Municipal Court from part-time to full-time.

Judicial compensation-related costs

Base salary. The annual salary of a municipal court judge consists of a local and state share determined by statute as follows:

- The ***local share*** is \$35,500 per year for a part-time court municipal judge and \$61,750 per year for a full-time municipal court judge.
- The ***state share*** is equal to the annual salary minus the local share. Substitute House Bill 712 of the 123rd General Assembly provided annual salary increases each year from 2002 through 2008. The annual salaries of the judges and justices of the court will increase by the lesser of 3% or the percentage increase in the Consumer Price Index (CPI) over the 12-month period ending on September 30 of the previous year. In the case of judges for whom a portion of the salary is paid locally, the entire amount of the increase is added to the state share.

According to the Supreme Court of Ohio's web site, in 2008, the annual salary of a full-time municipal court judge will be \$114,100 and the annual salary of a part-time municipal court judge will be \$65,650. Absent a statutory change providing annual salary increases after the year 2008, that annual amount will not increase thereafter. For the purposes of changing the status of the judge of the Upper Sandusky Municipal Court from part-time to full-time, this means that the annual local and state shares of that judge's salary will increase by \$26,250 and \$22,200, respectively. As of this writing, it appears that the entire increase in the local share of the annual salary of the judge of the Upper Sandusky Municipal Court (\$26,250) and related operating expenses will be paid by the City of Upper Sandusky, which is located in Wyandot County.

Retirement. State and local elected officials are exempt from membership in PERS (Public Employees Retirement System), unless they choose to become members. Most do. Therefore, this analysis includes PERS payments, which assumes that the new judge added to the Champaign County Court of Common Pleas joins PERS. The state and local PERS contributions would work as follows:

- The state and the City of Upper Sandusky contribute at the rate of 13.77% and 13.55% of their share amounts, respectively. Under that PERS contribution formula, the City of Upper Sandusky will pay \$8,367 annually, while the state will contribute \$7,209 in FY 2009, the first full state fiscal year of the full-time municipal court

judgeship. This represents an annual increase in PERS expenses over a part-time judge of \$3,557 for the City of Sandusky and \$3,057 for the state.

Other state and local contributions. In addition to PERS, the state and the City of Upper Sandusky also make contributions for other purposes as follows:

- The state contributions total approximately 8.235%, which includes 1.45% of gross salary for Medicare for all employees hired after April 1986, 0.07% for workers' compensation, 0.295% for the Department of Administrative Services' payroll administration services, and 6.42% for health insurance. These miscellaneous annual contributions will cost the state \$4,311 in FY 2009, the first full state fiscal year of the full-time municipal court judgeship. This represents an annual increase over a part-time municipal court judgeship of \$1,828 for the state.
- The City of Upper Sandusky's contributions total approximately 4.45%, which includes 1.45% of gross salary for Medicare and 3.0% for workers' compensation. These miscellaneous annual contributions will cost the City of Upper Sandusky \$2,748. This represents an annual increase in expenses over a part-time judge of \$1,168 for the City of Upper Sandusky.

Summary of payroll-related costs. The state and City of Upper Sandusky shares of various payroll costs directly related to the change in the judgeship are summarized in the table below.

Upper Sandusky Municipal Court Judgeship Estimated Annual State and Local Judgeship Payroll-Related Costs	
Base Salary: \$114,100 (for a term to begin January 2008)*	
<u>State Share (FY 2009)</u>	
Salary	\$52,350
PERS (13.77%)	\$7,209
Medicare (1.45%)	\$759
Workers' Compensation (0.07%)	\$37
Payroll Administration Services (0.295%)	\$154
Health Insurance (6.42%)	\$3,361
State Total	\$63,870
<u>Local Share (CY 2008)</u>	
Salary	\$61,750
PERS (13.55%)	\$8,367
Workers' Compensation (3.00%)	\$1,853
Medicare (1.45%)	\$896
Local Total	\$72,866
* No increases in annual judicial salaries are statutorily authorized after the year 2008.	

Compensation of a legislator appointed to judicial office

State revenues and expenditures. As a result of the bill's provision relative to the compensation of a legislator appointed to judicial office, circumstances may occasionally arise wherein certain legislators appointed to judicial office would be paid less than the statutorily mandated amount of compensation in effect at the time of that appointment. Such an outcome most likely generates a savings in GRF moneys that would otherwise have been disbursed by the Supreme Court as state financial support for that judgeship. The magnitude of that potential savings is problematic to estimate and uncertain, as it depends on predicting the future behavior of various individuals and General Assemblies.

Local revenues and expenditures. This provision of the bill appears unlikely to affect the amount of the local share for any given judgeship. Thus, it would have no effect on local expenditures. This provision has no effect on local revenues.

Joint Committee to Study Court Costs and Filing Fees

Pursuant to Section 6 of Sub. H.B. 336 of the 126th General Assembly, effective January 18, 2007, the Joint Committee to Study Court Costs and Filing Fees must submit written findings and recommendations not later than one year after the effective date of the act to the justices and Chief Justice of the Ohio Supreme Court, the General Assembly, and the Governor. The bill extends that deadline to one year and six months after the effective date of Sub. H.B. 336. This provision of the bill does not appear to have any direct fiscal effect on the revenues or expenditures of the state or its political subdivisions.

Special election costs

The bill: (1) requires the state to pay all costs of any special election when a vacancy occurs in the United States House of Representatives, and (2) appropriates \$1.1 million in GRF funding to the Controlling Board's budget to be used to reimburse county boards of election for all costs of conducting any special election during FY 2008.

The local jurisdictions likely to be immediately affected by these special election provisions will be the county boards of elections located in the 5th Ohio Congressional District that would be eligible for state reimbursement to cover the costs of filling the vacancy created by the death of U.S. Representative Paul Gillmor. The 5th Ohio Congressional District is composed of the 16 counties, or parts thereof, noted in the table immediately below.

County Composition of the 5th Ohio Congressional District			
Ashland (part)	Henry	Paulding	Van Wert
Crawford	Huron	Putnam	Williams
Defiance	Lucas (part)	Sandusky	Wood
Fulton	Mercer (part)	Seneca	Wyandot (part)

LSC fiscal staff: Matthew L. Stiffler, Budget Analyst

Appendix

All House Bills Enacted in 2007

House Bill	LIS Required?	Subject
2	No	Transfers appointment of the Chancellor of the Ohio Board of Regents to the Governor and transfer all authority from the Board to the Chancellor
9	No	Revises certain farm machinery laws
24	No	Alters municipal income tax deductions for self-employed medical care insurance and for payments to health savings accounts and makes other changes
50	No	Permits townships to remove junk motor vehicles from public and private property
53	No	Updates outdated terms in the Ohio Revised Code
56	No	Makes changes to the Forcible Entry Law
67*	No	Transportation and Public Safety Budget
89	No	Makes changes to charitable donation immunity laws
100*	No	Bureau of Workers' Compensation Budget
104	No	Requires criminal background checks for certain license applicants
119*	No	Main Operating Budget
120	No	Makes technical changes to criminal and civil asset forfeiture provisions in the Ohio Revised Code
134	No	Modifies corporation law relating to the election of directors and makes other changes
142	No	Modifies the penalty for inducing panic in a school and changes calamity day provisions
149	No	Changes the scope of practice for optometrists
153	No	Requires the Department of Natural Resources to enter into the Wildlife Violators Compact and makes other changes
157	No	Makes various changes to state tax laws
166	No	Creates the Office of Internal Auditing within the Office of Budget and Management
177	No	Makes various changes to the Gambling Law
190	No	Changes the administration of the elementary achievement tests and makes other changes
194	No	Allows boards overseeing joint township hospitals to hold executive sessions for the purposes of discussing trade secrets
217	No	Establishes a grain marketing program and gives the Department of Agriculture exclusive authority to regulate content of nutrition information at food service operations
224	No	Specifies that the municipal income tax filing deadline for taxpayers is not to be earlier than the corresponding federal tax filing date and makes other changes
233	No	Creates the Ohio Agriculture to Chemicals, Polymers, and Advanced Materials Task Force, re-enacts the Rural Industrial Park Loan Program, and makes corrective changes to the Local Government Services Collaboration Grant Program
238	No	Revises provisions governing the restitution value of a wild animal that is unlawfully held, taken, bought, sold, or possessed
372	Yes	Exempts military retirement pay from the income tax and exempt the estates of armed forces members who died while serving in a combat zone from probate fees

* These bills are exempt from local impact requirements specified in R.C. 123.143(F).

All Senate Bills Enacted in 2007

Senate Bill	LIS Required?	Subject
7	No	Implements the recommendations of the Eminent Domain Task Force and enacts procedures to protect private property rights
10	No	Modifies the SORN Law and criminal offense changes
16	Yes	Regulates sexually oriented businesses
18	No	Modifies the criminal conviction record sealing mechanism
20	Yes	Increases the adoption tax credit from \$500 to \$1,500
24	No	Requires the Director of Development to adopt rules regarding the annual competitive process for the Job Ready Site Program and increases the maximum allowable grant award from the Industrial Site Improvement Fund
33	No	Permits a chiropractor who obtains a certificate to practice acupuncture from the State Chiropractic Board to practice acupuncture
36	No	Permits a township with a population of greater than 3,500, but less than 5,000 in its unincorporated territory to adopt a limited home rule government and makes other changes
40	No	Designates October as "German Heritage Month"
58	No	Modifies pharmacist immunization requirements
77	No	Makes changes to the law governing commercial fishing
97	No	Modifies penalties for violations of the Sexual Offender Registration and Notification (SORN) Law, creates the Retained Applicant Fingerprint Database, and makes other related changes
102	No	Authorizes the F-8 liquor permit to be issued to certain nonprofit organizations and changes the population quota for state agency store
134	No	Modifies memorandum of trust filings
143	No	Establishes a limited student permit category for speech-language pathology interns
144	No	Requires the Director of Health to establish the Shaken Baby Syndrome Education Program and requires the Department of Job and Family Services to record in the statewide automated child welfare information system whether a reported case of child abuse involved shaken baby syndrome
155	Yes	Creates a Domestic Relations-Juvenile-Probate Division of the Champaign County Court of Common Pleas and adds a judge to that division, makes the Hamilton County Drug Court permanent and makes other related changes