Introduction

The Legislative Service Commission prepares this document for the members of the General Assembly. It reviews selected budget issues in the operating budgets adopted by the 124^{th} General Assembly –Am. Sub. H.B. 94 (the General Operating Budget); Sub. H.B. 73 (the Transportation Budget); Sub. H.B. 75 (the Workers Compensation Budget); and Sub H.B. 74 (the Industrial Commission Budget). Appropriations in Am. Sub. H.B. 299, and Am. Sub. H.B. 3 are also included in this analysis. These bills were all passed by June 30, 2001. (Appropriation changes made in Sub. H.B. 405 which passed December 5, 2001, however, are not reflected in this document.) An executive summary of the main appropriation acts is followed by an analysis of each agency's budget and a spreadsheet showing actual appropriations for all line items for the agency. The last section, Tax Policy and Revenue, provides estimates of the impact of the substantive tax changes included in the operating budgets.

For more detail on agency line items, please refer to the LSC publication, *The Catalog of Budget Line Items*, where each line is described by its legal basis, revenue source, and use. *The State Government Book*, produced by the Office of Budget and Management, provides a comprehensive description of state government programs. The LSC also produces *The Comparison Document*, which compares budget provisions as the various budget bills move through the legislative process, as well as final analyses for all of the separate bills, describing all of the substantive provisions in those bills.

The *LSC Fiscal Analysis* may be purchased at $6 per copy plus $1 postage and handling for mail orders. Orders should be addressed to:

LSC Fiscal Analysis
Legislative Service Commission
Vern Riffe Center
77 South High Street, 9^{th} Floor
Columbus, OH 43215-6136

Please enclose a check or money order in the proper amount payable to the Ohio Legislative Service Commission.

- Operating Budget cut 1.5% by Conference Committee
- Education funding increased by $1.4 billion over biennium
- Transfers from Family Services Stabilization Fund and Budget Stabilization Fund authorized
- Governor exercised line item veto 49 times; H.B. 299 "corrected" some vetoed items
- $175 million of TANF funds transferred to support Head Start

Main Appropriation Acts

Steve Mansfield, Senior Analyst
Doris Mahaffey, Principal Economist
Allan Lundell, Senior Economist
Other LSC Analysts

OVERVIEW

The *LSC Analysis of the State Operating Budget for Fiscal Years 2002 and 2003* focuses on the funding for each state agency that was appropriated in the budget acts. The introductory section presents an overview of the general operating budget, along with information that cuts across all state agencies, and provides highlights of all the budget acts. Subsequent sections of this document examine the major budget actions for each agency. Other LSC fiscal documents that provide additional information on the budget process include the *Analysis of the Executive Budget as Introduced by Agency* (also known as the agency "Redbooks"), the Catalog of Budget Line Items (COBLI), the LSC Comparison Document ("Compare Doc"), and the LSC Spreadsheets.

APPROPRIATIONS BY BUDGET

This section contains a summary of the four operating budget acts of the FY 2002-2003 biennium: Am. Sub. H.B. 94 (the General Operating Budget); Sub. H.B. 73 (the Transportation Budget); Sub. H.B. 75 (the Workers Compensation Budget); and Sub. H.B. 74 (the Industrial Commission Budget). **Table 1** shows the funding for each of the budget bills. The column on the right, labeled "Share," shows the portion of total state appropriations funded through each of the appropriation bills.

Table 1. Total FY 2002 - 2003 Appropriations by Budget Bill

Budget	FY 2002	FY 2003	Biennium Total	Share
General Operating [H.B. 94]	$41,318,211,041	$43,197,682,866	$84,515,893,907	93.0%
Transportation [H.B. 73]	3,002,947,800	2,589,180,270	5,592,128,070	6.2%
Workers Compensation [H.B. 75]	303,582,198	316,597,161	620,179,359	0.7%
Industrial Commission [H.B. 74]	56,980,710	59,999,383	116,980,093	0.1%
Total	**$44,681,721,749**	**$46,163,459,680**	**$90,845,181,429**	100.0%

Total appropriations for all budgets and all fund groups in FY 2002 exceed actual FY 2001 expenditures by 10.0 percent. FY 2003 appropriations exceed FY 2002 appropriations by 3.3 percent. The General Operating Budget, with over 90 percent of all appropriations, obviously defines these rates of increase. Significant increases in the budget for the Department of Education and the Department of Job and Family Services account for a large portion of the increase in the operating budget (for more detail, please see the discussion of the highlights of H.B. 94, below). Also of special note is a significant increase in the Transportation Budget for FY 2002 of 26.7 percent, followed by a sizeable decrease in FY 2003 of 13.8 percent.

After a series of reductions from original appropriation recommendations, the appropriations from the GRF in the General Operating Budget received a 1.5 percent "across-the-board" reduction, with exemptions granted for some agencies and programs. These reductions were mandated because of declining revenue estimates and increased estimates of costs in the Medicaid program. Also in the mix that made for an especially tight budget was an increase to primary and secondary education of approximately $1.4 billion over the biennium.

In addition to reductions in appropriations, H.B. 94 approved certain transfers, if needed. The Director of Budget and Management was given authority during FY 2002 to transfer up to $100 million in cash—i.e., the balance of the fund—from the Family Services Stabilization Fund to the General Revenue Fund. The Director of Budget and Management, with Controlling Board approval, may transfer up to $150 million from the Budget Stabilization Fund to the General Revenue Fund and increase the appropriation to ALI 600-525, Health Care/Medicaid, if it appears that the costs in the program are likely to exceed the appropriated amount.

Other transfers to the GRF permitted over the biennium include a transfer of up to $30 million from unclaimed funds and a transfer of up to $31.8 million from non-federal, non-GRF and not constitutionally restricted funds. H.B. 94 also permits the Director of Budget and Management to transfer up to $5 million per year from the Budget Stabilization Fund to the Controlling Board's Emergency Purposes fund with Controlling Board approval. In addition to these transfers, the budget included certain other revenue enhancements. See the Revenues and Taxation section, below.

Two state commissions were eliminated in H.B. 94: the State and Local Government Commission and the Women's Policy and Research Commission. In addition, the Fatherhood Commission and the Correctional Institution Inspection Committee, although not eliminated, had their state funding levels reduced to zero.

The General Operating Budget act also included a provision to move the federal Temporary Assistance for Needy Families (TANF) block grant funds out of the GRF and into a federal special revenue rotary account in order to improve the ability to manage these funds.

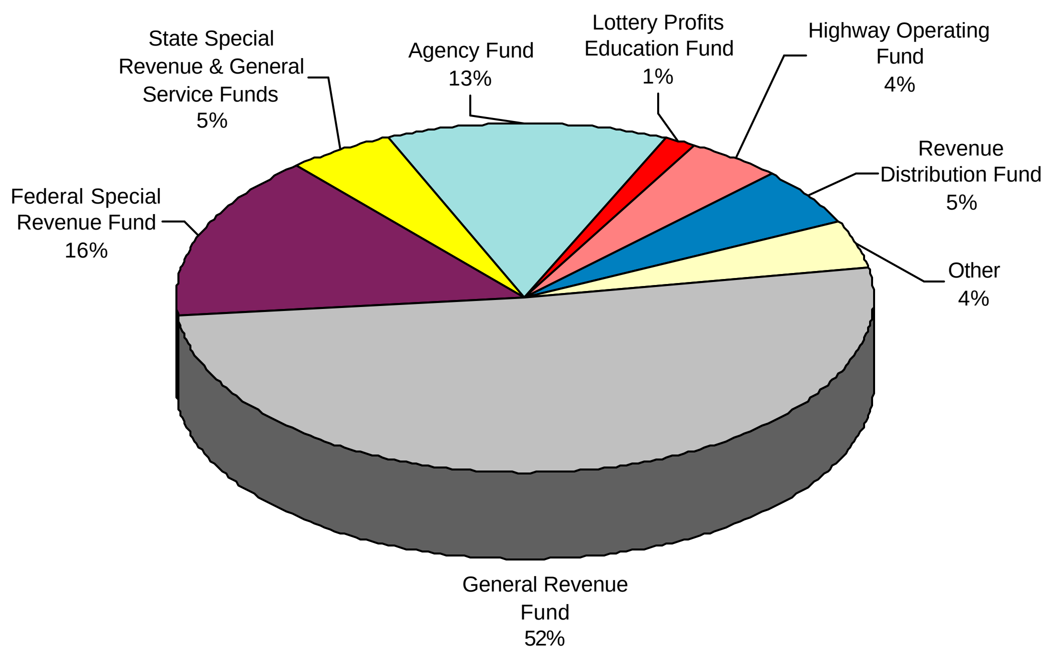
The Governor exercised the line item veto power forty-nine times to strike various items from H.B. 94. On a number of these items, especially earmarks of Temporary Assistance for Needy Families (TANF) funds and funds that have been transferred from TANF to the Social Services Block Grant, the General Assembly reached compromise positions with the Governor in Am. Sub. H.B. 299 to restore the vetoed provisions.

APPROPRIATIONS BY FUND GROUP

Chart 1 shows the portion of total state appropriations funded by each of the state fund groups for the FY 2002-2003 biennium. See the spreadsheets for information on funding by agency, by line item, and by fund group within each agency for fiscal years 1997 through 2003.

The state General Revenue Fund (GRF) is clearly the most important source for current appropriations. The rest of this section provides a brief discussion of the state GRF, along with the Lottery Profits Education Fund (LPEF), and changes in revenues and taxation. Following this are sections providing highlights of H.B. 94.

Chart 1. FY 2002-2003 Appropriations by Fund Group



STATE GRF AND LPEF FUNDING

This section places in historical context the funding levels of the state's General Revenue Fund (GRF) and Lottery Profits Education Fund (LPEF). The two are considered together since in most places the state GRF is broadly defined to include the LPEF due to the fact that at one time lottery profits were deposited into the GRF and then transferred to the LPEF.

Total GRF funding for the biennium increases by 11.2 percent over actual expenditures for the prior FY 2000-2001 biennium. FY 2002 GRF appropriations exceed FY 2001 expenditures by 3.9 percent, while FY 2003 GRF appropriations exceed FY 2002 appropriations by 4.9 percent.

The purchasing power of total GRF plus LPEF appropriations for the biennium is expected to grow by 5.2 percent over actual FY 2000-2001 expenditures. **Chart 2** shows the state GRF and LPEF expenditures for FY 1985 through 2001, along with the appropriations for FY 2002-2003 in both nominal amounts and amounts adjusted for inflation. Between 1985 and 2001, expenditures have grown by 152.4 percent in nominal dollars—or by 52.4 percent after inflation is taken into account. During the same period, expenditures as a percent of Ohio's gross state product (GSP) have risen from 3.9 percent to 4.5 percent, and are expected to rise to 4.8 percent in the FY 2002-2003 biennium (see **Chart 3**).

Chart 2. Total State GRF and LPEF Expenditures
(in millions of dollars)

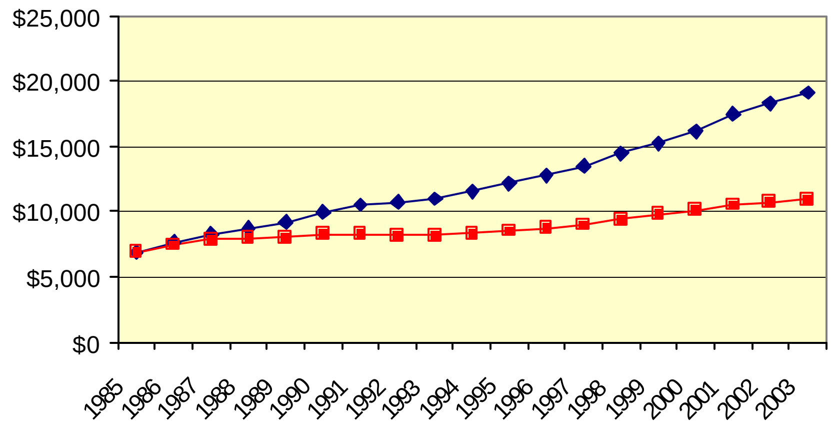
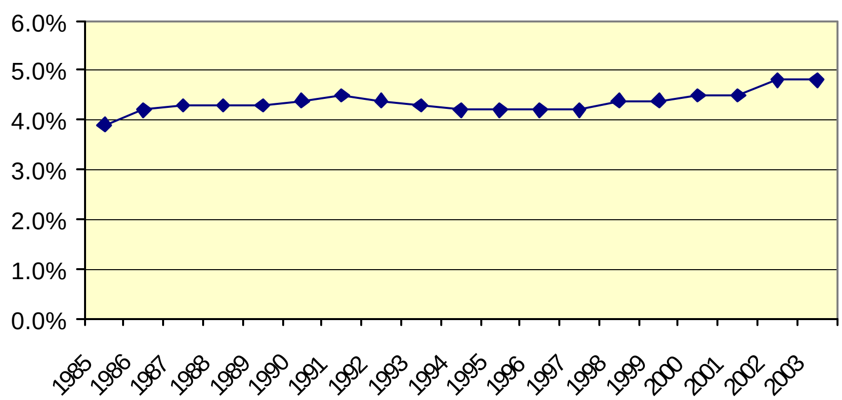


Chart 3. State GRF and LPEF Appropriations as a percentage of Ohio GSP



As depicted in **Charts 4 and 5**, Primary and Secondary Education continues to receive the largest share of GRF appropriations ($15.4 billion over the biennium, or 41.2 percent of total state GRF plus LPEF funding, and excluding the Local Government Funds), followed by Human Services ($10.1 billion, or 27.0 percent), Higher Education ($5.2 billion, or 13.8 percent), and Corrections ($3.3 billion, or 9.1 percent). Histories of both the appropriation amounts and shares of these four program areas are included in the charts, below. Chart 4 presents the history of spending in the four program areas, plus the "Other Government" category, while Chart 5 presents the historical share of each program area (here the "Other Government" category is included in the calculations, but omitted from the chart). Individual agency appropriation and policy changes are discussed in the highlights section, below, which follows a brief discussion of revenues and taxation.

Chart 4. State GRF and LPEF Expenditures by Major Category
(in millions of dollars)

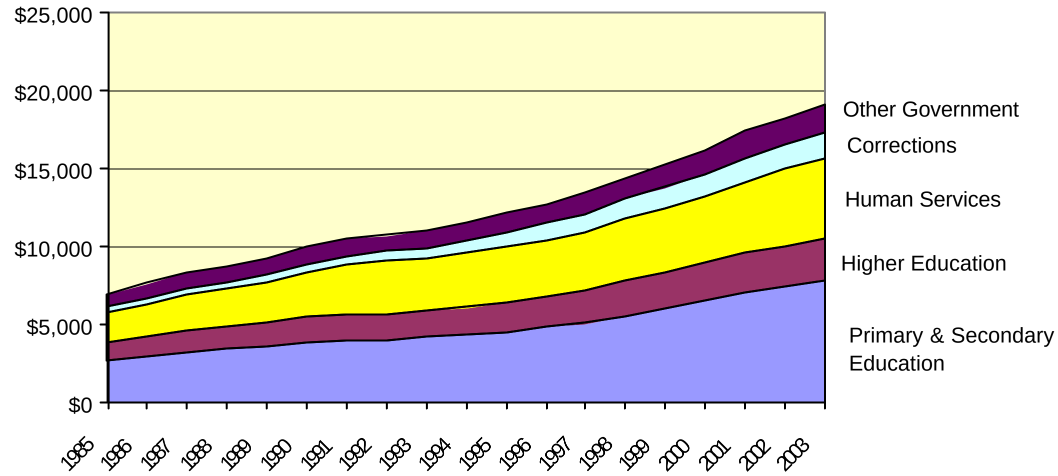
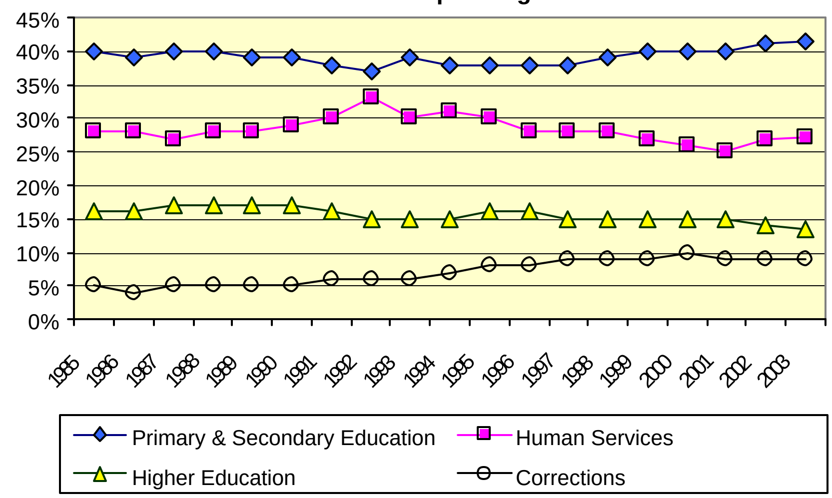


Chart 5. Program Spending as a Percentage of State GRF and LPEF Spending



Revenues and Taxation

Deposits into and distributions from the three local government funds (LGF, LGRAF, and LLGSF) for FY 2002 and FY 2003 were frozen at FY 2001 levels. The freeze is expected to add $59.4 million to the GRF in FY 2002 and $132.5 million in FY 2003. An amnesty period during FY 2002, during which taxpayers with liabilities not known to the state can report the liability and pay outstanding tax without penalty, is expected to increase GRF revenues by $22 million for the biennium. A two-year delay in the corporate increased job training expenses tax credit is expected to increase revenues to the GRF by $40 million for the biennium. A two-year delay in the commencement of the corporate research and development tax credit is expected to increase GRF revenues by $42.5 million for the biennium. (These items are discussed in greater detail in the "Tax Changes" section of the analysis.)

The budget transfers from the Treasurer of State to the Tax Commissioner the receipt and processing of sales, corporate franchise, and some excise tax returns and payments. The budget allows county treasurers of counties with a population greater than 200,000 to sell tax certificates for delinquent property taxes through negotiations with one or more persons, rather than only at public auctions.

HIGHLIGHTS OF AMENDED SUBSTITUTE HOUSE BILL 94

Primary and Secondary Education

The budget contains the state's response to DeRolph II. State GRF and LPEF appropriations for primary and secondary education totaled $15.4 billion (41.2 percent of the $37.4 billion biennial total of state GRF and LPEF, excluding the Local Government Funds). Total GRF and LPEF appropriations for the Department of Education grow by 8.0 percent in FY 2002 and 4.9 percent in FY 2003.

Funding for the Model Cost of an Adequate Education

The budget updates the base cost model and fully funds the updated base cost formula amount of $4,814 per pupil in FY 2002. For FY 2003, the inflation adjusted base cost formula amount is $4,949 per pupil. The previous phase-in approach in the cost of doing business factor (CDBF) is eliminated. The CDBF adjustment to the base cost formula amount is fully funded at the 7.5 percent range resulting in a $130 million increase in the CDBF adjustment over the biennium. Overall, the budget distributes approximately $8.7 billion in the base cost funding with the CDBF adjustment to school districts and joint vocational school districts in the FY 2002-FY 2003 biennium.

The budget establishes a new 6-weight system for special education. The new system is phased in at the 82.5 percent level in FY 2002 and at the 87.5 percent level in FY 2003. State special education weight funding for the 612 school districts is estimated to increase by 8.5 percent and 9.3 percent, respectively. The budget also expands the "catastrophic costs" subsidy to all special education students except speech-only students and provides $15 million per year for the subsidy.

A new excess cost supplement is created in FY 2003 to limit the local share of transportation as well as special and vocational education model costs to a maximum of 3 mills of local property tax levies. It provides an estimated $31.1 million in funding to over 40 percent of school districts in FY 2003.

The budget increases the transportation reimbursement rate to the greater of 60 percent or the district's state share percentage of the base cost funding beginning in FY 2003.

The disadvantaged pupil impact aid (DPIA) program provides additional funding above the base cost to school districts with certain levels of poverty. DPIA includes funding for all-day and everyday kindergarten, K-3 class size reduction, and safety and remediation measures. The budget provides $699.9 million in DPIA funding over the biennium with approximately $460.1 million (or 65.7 percent) of these funds going to the Big 8 urban districts. The budget also adopts a new poverty indicator for DPIA beginning in FY 2004. Instead of using the single measure of the number of children whose families participate in Ohio Works First (OWF), the new indicator will use the unduplicated count of children whose families participate in four state welfare programs, including OWF. The new indicator is likely to increase DPIA eligible students by 27.1 percent. State DPIA funding is likely to increase by 11.0 percent as a result.

The budget extends the charge-off supplement ("gap aid") to include the local share of the transportation model cost. Gap aid calculations will now include the local share of the base cost funding transportation model cost, as well as special and vocational education weight funding. This effectively eliminates any formula phantom revenue and ensures every school district receives the full amount of state and local shares of the adequate education model cost.

The budget requires the General Assembly to update the cost of an adequate education every six years and limits the variation of the state share percentage of the base cost funding and parity aid for years between two updates to a 2.5 percent range to stabilize the state and local shares. The state share of the base cost funding and parity aid is 49.0 percent in FY 2002—the first update year. The 49 percent state share only includes the base cost funding and parity aid and excludes other adjustments to the base cost funding. The average state share of the adequate education model cost (including the base cost and various adjustments to the base cost, such as special and vocational education weights, DPIA, and transportation) is estimated at 55.8 percent.

Parity Aid

The budget establishes Parity Aid (GRF item 200-525) to address disparities in enhancement revenues and to buffer reappraisal phantom revenue. Parity aid equalizes an additional 9.5 mills (above the adequacy level) to the 80th percentile district's wealth level. The parity aid wealth is a weighted average of property wealth (2/3) and income wealth (1/3). By using the 80th percentile level as the threshold, parity aid will significantly reduce disparities in spending above the adequacy level once it is fully implemented. Alternatively, certain districts are eligible for parity aid that provides the FY 2001 level of the income factor adjustment benefit. Overall, about 492 school districts are eligible for parity aid with no additional local effort requirement. Parity aid is to be phased in over a five-year period. The budget provides $310.1 million in parity aid over the biennium.

Other Major Initiatives

The budget begins implementation of the recommendations of the Governor's Commission on Student Success. A new Academic Standards item is created to develop new academic content standards and model curriculums and to fund communications of expectations to teachers, school districts, parents, and communities. Student Assessment receives increased funding mainly to be used to develop new achievement tests and diagnostic tests. Student Intervention Services receives funds to provide extended learning opportunities for young children most at-risk of not passing the 4th grade proficiency reading test. Funding is targeted for the 340 districts with at least 10 percent of their students below the proficient reading level.

The budget provides $32.6 million in each year to continue and expand OhioReads. The newly created Reading/Writing Improvement provides funding for Summer Institutes for Reading Intervention and various other literacy improvement projects.

The budget earmarks $5.8 million in FY 2002 and $19.4 million in FY 2003 to support the implementation of a new system of entry-year support and assessment required by Ohio teacher licensure standards. In addition to providing an annual stipend of $2,500 each to the current 935 certified teachers, funding will support an additional 1,450 teachers for their attempts to attain certification. Approximately $6.0 million per year is provided for the 12 Regional Professional Development Centers. Funding for the National Board Teacher Certification initiative totals $11.8 million over the biennium. The newly created Professional Recruitment line item receives $3.6 million over the biennium for recruiting minority teaching personnel, prospective math and science teachers, special education teachers, and principals, as well as for developing a web-based placement bureau and establishing a pre-collegiate program to target future teachers.

SchoolNet Commission: The budget appropriates $20.6 million over the biennium to provide technical and instructional professional development for schoolteachers and administrators for the use of technology. All funds from the Tobacco Settlement Education Technologies Trust Fund are dedicated to the SchoolNet Commission to be used for grants to school districts and other entities and for the costs of administering those grants. These funds are estimated to total approximately $37 million over the biennium.

Educational Telecommunications Network Commission: Operation of the Ohio Government Telecommunications Studio is transferred from the Capital Square Review and Advisory Board to the Educational Telecommunications Network Commission beginning January 1, 2002.

Lottery: Language requiring the transfer of at least 30 percent of ticket sales to the Lottery Profits Education Fund (LPEF) is eliminated.

Higher Education

Subsidies: Previous growth of the State Share of Instruction (SSI) and Challenge subsidies is curtailed for the biennium. SSI, the state's enrollment-based basic subsidy for higher education, grows by 0.62 percent and 0.58 percent to $1,659 million and $1,669 million in fiscal years 2002 and 2003, respectively. The FY 2001 amount was $1,649 million. The four big Challenge programs (Jobs, Access, Success, and Research), which provide non-enrollment-based aid to campuses, are reduced by 4.9 percent in FY 2002, followed by an increase of 0.07 percent in FY 2003. They receive $139.4 million and $139.5 million, respectively, following the FY 2001 expenditure of $146.5 million.

Tuition and fee caps: Although the subsidies' growth is limited for the biennium, the caps on yearly tuition and fee increases (currently 6 percent for university main campuses and 3 percent for other campuses) are eliminated, thereby allowing the institutions to raise tuitions and fees at will.

Student aid: Total student aid falls by 0.76 percent to $198.2 million in FY 2002, then increases by 7.8 percent to $213.6 million in FY 2003. The largest program, Ohio Instructional Grants, grows from $88.2 million in FY 2001 to $98.0 million and $111.5 million in fiscal years 2002 and 2003, respectively, to support higher maximum allowable family incomes and higher grant amounts. Student Choice Grants grows by 2.0 percent each year to $53.5 million in FY 2003. The Twelfth-Grade Proficiency Stipend is eliminated in this budget.

New initiatives: New to the budget is the Appalachian New Economy Partnership, which receives $1.0 million and $1.5 million in FY 2002 and 2003, respectively, to support private/public technology partnerships in the 29 Appalachia counties. New study groups include the Ohio Plan Study Committee to study funding for the Ohio Plan, intended to promote technological development; the Instructional Subsidy and Challenge Review Committee, to review the state subsidies' allocation formulas; and the Science and Technology Collaboration group, to manage twelve appropriation items across several agencies to promote a state science and technology strategy. The addition of a new debt service appropriation item reflects the state's recent authorization to issue general obligation bonds to finance campus capital construction.

Human Services

Job and Family Services: Overall appropriation authority for FY 2002 increased by 8.2 percent. Increases in Medicaid and related expenditures make up the bulk of the increase in the JFS budget, with smaller shares of the increase in appropriation authority coming from the federal share of the TANF program, the federally-funded Workforce Investment Act program, and the GRF-funded Disability Assistance program.

A significant portion of the JFS budget is transferred to other departments. Medicaid services provided by other departments continue to be supported with such transfers. The amount of TANF funds transferred to other departments will increase. Programs in other departments receiving transfers include: Department of Alcohol and Drug Addiction Services (for treatment and mentoring services), Department of Health (for family planning services), Department of Education (for Head Start and Student Intervention Services).

Significant portions of the JFS expenditures in the TANF program are earmarked. The bulk of these earmarks put into law the JFS plan for allocations going to counties. Other earmarks of TANF funds that were added include the following: Adult Literacy and Child Reading, Appalachian Workforce Development, Youth Diversion programs, Kinship Navigators program, Faith-Based Capacity-Building programs, the Montgomery County Out-of-School Youth Project, the Talbert House, and the Center for Families and Children. Transfers from TANF federal funds to the Social Services Block Grant (Title XX) claimed as "earned reimbursement" also received significant earmarks.

On a number of these items, especially earmarks of Temporary Assistance for Needy Families (TANF) funds and funds that have been transferred from TANF to the Social Services Block Grant, the Governor used the line item veto power to eliminate the funding for FY 2003. The General Assembly reached compromise positions with the Governor to restore funding for many of these items in Am. Sub. H.B. 299.

Medicaid: The budget appropriated $7.1 billion in combined federal and state GRF funds in FY 2002 and $7.6 billion in FY 2003 for the line item that funds most Medicaid programs. It also grants authority to the Director of Budget and Management to draw $150 million from the Budget Stabilization Fund if needed to pay claims that exceed the amounts initially appropriated. The budget appropriated $47.1 million in FY 2002 and $54.7 million in FY 2003 for the line item that provides funding for the CHIP-II program. The increases each year support cost increases in various services of health care, and some caseload growth.

The budget did not provide for any major program expansions, but did provide for implementation of the Breast and Cervical Cancer Prevention and Treatment Act of 2000. The budget also increased the franchise fee paid by nursing facilities from $1 per bed per day to $3.30 per bed per day. The increased fee collections would be deposited in the newly-created Nursing Facility Stabilization Fund, to make payments to nursing facilities under specified conditions. Finally, in lieu of the Governor's proposed changes to the nursing facility reimbursement formula, H.B. 94 assigned the task of studying those changes to the Nursing Facility Reimbursement Study Council.

Mental Health: For FY 2003, the essentially flat funding across all subsidy lines and the cut in GRF line item, Community and Hospital Mental Health Services, in combination with rising costs due to negotiated pay raises, will result in a decrease in hospital and/or community mental health services. The effect of budget restrictions on the community system is likely to result in increased case loads for mental health therapists and case managers and the selective closure of some local programs.

Aging: The budget established a new GRF appropriation item, 490-416, Transportation for Elderly. The GRF appropriation contained in line item, 490-408, STARS (Seniors Teaching and Reaching Students), was eliminated but the program continues through an OhioReads Grant earmark in the Department of Education's budget. STARS allows seniors to provide tutoring and mentoring in schools. Increased funding for PASSPORT would allow the department to enroll approximately 670 new clients per month in FY 2002 and approximately 710 new clients per month in FY 2003, contingent upon HCFA approval of the waiver expansion.

Department of Mental Retardation and Developmental Disabilities: The budget redesigns the Medicaid system for the MR/DD community including requiring JFS to apply to HCFA for a Medicaid waiver expansion of at least 500 slots in each fiscal year and allowing a county board of MR/DD to locally administer waiver slots and fund these new slots pursuant to approval of a plan that must be submitted to the Department of Mental Retardation and Developmental Disabilities. The bill earmarks $9.7 million in FY 2002 and $9.9 million in FY 2003 for distributions to county boards of MR/DD to support existing Medicaid waiver related activities provided for in the plan that the county board submits to the department. The budget earmarks $2.5 million in FY 2002 and $2.7 million in FY 2003 to be used to recruit and retain the direct care staff needed to implement the services contained in an individual's individualized service plan (ISP).

Department of Health: A new line item is added to use Title XX funds transferred from the Department of Job and Family Services to the Department of Health for the purposes of abstinence-only education. The budget continues funding for family planning services using TANF state funds transferred from the Department of Job and Family Services. The budget establishes the Health Care Workforce Shortage Task Force to study the shortage and propose a state plan to address the problem.

Justice and Corrections

Department of Rehabilitation and Correction: A tight budget will force decreases in existing administrative, institutional, and parole staff. The department will also have to selectively cut the future costs of its residential and non-residential community sanctions programs, which are used to reduce jail populations and divert offenders from being sentenced to prison.

Department of Youth Services: Budget reductions will result in the department closing one of its eleven facilities. In addition, the budget transfers various juvenile justice duties of the Office of Criminal Justice Services to the Department of Youth Services, including responsibility for administration of federal juvenile justice and delinquency prevention program grants, juvenile justice system planning, data collection and analysis, auditing of grant recipients, and oversight of metropolitan county criminal justice agencies, administrative planning units, and juvenile justice coordinating councils.

Ohio Public Defender Commission: Under existing law, the state is required to reimburse counties at a rate of 50 percent of the cost of providing indigent defense services, subject to available appropriations. The level of annual GRF funding provided in the budget will in all likelihood support a state reimbursement rate for indigent defense services of between 40 percent and 42 percent.

Court of Claims: GRF budget reductions, in combination with a significant loss of staff and funding that accompanied the recent relocation of the Victims of Crime Compensation Program to the Office of the Attorney General, may force the Court of Claims to cut its operating expenditures back even further.

Office of Criminal Justice Services: The two most significant features of the office's budget involve (1) the transfer of its role in the state's federal juvenile justice and delinquency prevention program, including $10-plus million in annual federal funding and six full-time staff positions, to the Department of Youth Services, and (2) the transfer of the federal Family Violence Prevention and Services Act Program, including approximately $2.7 million in annual federal funding, $700,000-plus in annual GRF funding, and two full-time staff positions, from the Department of Job and Family Services to the Office of Criminal Justice Services.

Office of the Attorney General: While the amount of GRF funding should be sufficient for the Office of the Attorney General to deliver its existing level of services, it is likely that a number of planned law enforcement-related initiatives will have to be scaled back or delayed.

General Government

Department of Public Safety: The budget requires that various motor vehicle registration and driver license services fees charged by deputy registrars and the Registrar of Motor Vehicles be increased on a graduated scale over three years. The budget requires the Registrar of Motor Vehicles to consider prescribing a vertical license and conspicuously indicating the date on which the licensee becomes eighteen and twenty-one years of age.

Department of Administrative Services: The budget appropriates $6 million over the biennium for "E-Government" start-up costs. The funding will be used to pay for the development of an enterprise portal and accompanying electronic infrastructure needed to implement the "One Stop E-Shop" for government services. The budget appropriates $11.5 million over the biennium for ongoing systems-development costs associated with the Multi-Agency Radio Communications System (MARCS). The agency expects to bring online the first phase of the system during FY 2002.

Environmental Protection Agency: The fee on the retail sale of new tires is doubled from $0.50 to $1.00 per tire. All of the fee increase must be used toward tire removal actions generally, and at least 65 percent must go toward tire removal and cleanup at the Kirby Tire site. Additional fee increases affect the issuance of specific storm water permits.

Department of Agriculture**:** The new Livestock Regulation Division is charged with overseeing the regulation of consolidated animal feeding facilities for 1,000 or more animal units. The Auction Education Fund and the Auction Licensing Fund will be transferred from the Department of Commerce to the Department of Agriculture in October of 2001. Farmland Preservation receives no appropriations for the upcoming biennium.

Department of Natural Resources**:** The Civilian Conservation Corps program will be funded with TANF Title XX Reimbursement funds.

Development: In each year of the biennium, funding of $160 million for the Universal Service Fund and $12 million for the Energy Efficiency Revolving Loan Fund has been allocated to these new programs created under electric deregulation for assistance to low-income customers and loans to improve energy efficiency.

Controlling Board: The budget provides (1) $7.9 million in biennial appropriations to the Ohio Bicentennial Commission, (2) $2.6 million in biennial appropriations to assist various local entities in absorbing a portion of the costs associated with four state mandates, (3) a mechanism by which up to $5.0 million in each fiscal year may be transferred from the Budget Stabilization Fund for emergency purposes, and (4) $12.0 million in non-GRF biennial appropriations to provide funding for assistance to political subdivisions in recovering from natural disasters or emergencies.

Ohio Department of Transportation (H.B. 94 portion)**:** H.B. 94 appropriated $40,828,988 in FY 2002 and $39,534,107 in FY 2003 for the department's budget. These appropriations support the department's ongoing programs in public transportation and aviation, and the Ohio Rail Development Commission.

HIGHLIGHTS OF SUB. H.B. 73

Transportation Funding

The motor vehicle fuel tax is the primary source of funding for the transportation and highways appropriation act. This tax is imposed on all motor vehicle fuel dealers upon the use, distribution, or sale of motor vehicle fuel. From the amount collected, several transfers are made for specific state use (e.g., highway debt service, Local Transportation Improvement Program, etc.). Approximately 75 percent of the remainder is distributed to the state for use by the Ohio Department of Transportation (ODOT) and the remaining 25 percent is dispersed to local governments.

Of the gas tax that is received by ODOT, the Department of Public Safety is entitled to draw up to two cents for operating the Highway Patrol. The Highway Patrol also has access to a portion of an additional two-cent levy, which equals about seven-tenths of one cent. For more on the distribution of the gas tax revenue, see the Analysis for the Department of Transportation.

Department of Transportation

H.B. 73 appropriates $1,905,708,870 in FY 2002 and $1,461,599,110 in FY 2003 for highway construction projects, including debt service on highway bonds. The bill provides an additional $372,636,000 in FY 2002 and $381,176,000 in FY 2003 for highway maintenance, and it provided $32,730,000 for each fiscal year in funding for public transportation. Railroad crossing safety upgrades receive $31,200,000 in funding over the biennium. The remainder of the $4,567,409,140 budgeted for the biennium is appropriated to pay for departmental administration, transportation planning and research, and the department's aviation program. Overall, the H.B. 73 portion of the department's budget, funded largely by motor vehicle fuel taxes and by transfers from the federal government, is budgeted to grow by 21.2 percent from FY 2001 to FY 2002, and to decrease by 17.4 percent from FY 2002 to FY 2003.

Ohio Department of Public Safety

H.B. 73 provides $413,306,083 in appropriations for FY 2002 to the department, and $433,210,814 in appropriations for FY 2003. Approximately $445.9 million of these combined amounts, or about 52.7 percent, provides the biennial budget for the Ohio State Highway Patrol. Another $239.6 million of these combined amounts, or about 28.3 percent, provides the budget for the Bureau of Motor Vehicles. The remainder of the budget provides funding for Emergency Medical Services, for the Emergency Management Agency, for the Investigative Unit, and for departmental administration. Overall, the H.B. 73 portion of the department's budget, funded largely by motor vehicle fuel taxes and by transfers from the federal government, is budgeted to grow by 2.6 percent from FY 2001 to FY 2002 and by 4.8 percent from FY 2002 to FY 2003.