



# Ohio Legislative Service Commission

*Merilee Newsham and other LSC staff*

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## Fiscal Note & Local Impact Statement

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**Bill:** Sub. H.B. 486 of the 130th G.A.

**Date:** May 20, 2014

**Status:** As Reported by Senate Finance

**Sponsor:** Reps. Baker and Stebelton

**Local Impact Statement Procedure Required:** No

**Contents:** Makes changes to the coordination of workforce development and economic development programs and to provide death benefits to survivors of volunteer police officers killed in the line of duty and disability benefits to disabled volunteer police officers

### State Fiscal Highlights

#### The Board of Regents

- The bill requires the Chancellor of the Board of Regents to develop, by December 31, 2014, recommendations, in consultation with other agencies and organizations, to increase access to and participation in education and career pathways programs for adults who have not obtained a diploma. This one-time requirement will minimally increase the administrative burden on the Board of Regents during FY 2015.

#### Department of Commerce

- The bill allows the Department to establish compliance incentive programs in regulating the various industries the Department oversees. Specifically, the bill allows the State Fire Marshal to create a "Safe Stay Hotel" designation and also allows the Ohio Construction Industry Licensing Board to establish its own compliance incentive program. Ultimately, the fiscal effect of these provisions will depend on the design of these incentive programs.
- The bill may minimally increase the Department of Commerce's administrative cost related to requirements associated with contributions toward the Volunteer Police Officers' Dependents Fund.

#### Governor's Office of Workforce Transformation

- The bill requires the Office to coordinate with state agencies in evaluating workforce programs and producing a unified workforce plan. As a result, there may be a minimal increase in administrative costs for the state agencies involved.

#### Volunteer Police Officers' Dependents Fund

- The bill creates a new fund, the Volunteer Police Officers' Dependents Fund, in the state treasury to pay for death benefits to survivors of volunteer, part-time, and reserve police officers and sheriffs' deputies killed in the line of duty and disability

benefits to such disabled officers. The bill requires each county, municipality, township, township police district, and joint police district with a police or sheriff's department that employs volunteer police officers to become a member of the fund and contribute certain amounts toward the fund, based on the member's assessed property valuation.

### **Local Fiscal Highlights**

- The bill requires each county, municipality, township, township police district, and joint police district with a police or sheriff's department that employs volunteer police officers to establish a Volunteer Police Officers' Dependents Fund board to administer claims for certain benefits from the fund. The bill specifies that the five members of each board would not be compensated.
- The bill requires such entities that employ volunteer police officers to become a member of the Volunteer Police Officers' Dependents Fund and contribute certain amounts toward the fund based on the member's assessed property valuation. The fund will be used to provide death benefits to survivors of volunteer, part-time, and reserve police officers and sheriffs' deputies killed in the line of duty and disability benefits to such disabled officers.
- Initial premiums and possible assessments to the fund will increase the costs to provide such benefits for those jurisdictions that employ volunteer police officers. LSC staff could not determine the magnitude of the fiscal impact due to lack of information on the number of volunteer police officers and the number of entities employing such officers in Ohio. However, it is likely to increase costs by more than \$100,000 statewide.
- The bill requires the legislative authority of each fund member to provide sufficient meeting space and supplies for its board to carry out its duties.

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## Detailed Fiscal Analysis

### **The Board of Regents**

The bill requires the Chancellor of the Board of Regents to develop recommendations for increasing access to and participation in programs for adults who have not obtained a high school diploma that offer credentials equivalent to a high school diploma and also provide career pathways, such as an associate degree, industry credential, or other type of career training. In order to develop these recommendations, the Chancellor must consult with the Superintendent of Public Instruction, as well as other agencies and organizations. The Chancellor must submit these recommendations to the Governor, the President of the Senate, and the Speaker of the House of Representatives by December 31, 2014. There will be a minimal increase in administrative burden on the Chancellor's Office during the first half of FY 2015 in order to comply with the bill's requirements.

### **Department of Commerce – compliance incentive programs**

The bill allows the Department of Commerce to adopt rules to offer incentive-based programs to the various industries regulated by the Department in order to promote compliance. The impact on the various funds that support the Department's regulatory functions will depend on the changes made under rules and incentives offered under these programs. The various compliance incentive programs could involve fee changes, different license or certification renewal schedules, or penalty waivers and reductions. The bill specifically permits two types of compliance incentive programs, the first involving the State Fire Marshal and the second involving the Ohio Construction Industry Licensing Board.

For the State Fire Marshal, the bill allows for the creation of a "Safe Stay Hotel" designation that sets standards a hotel must meet to earn such a designation and monetary incentives under such a program. To qualify, a hotel must have met all fire code and sanitary compliance standards for at least the previous 24 months. The bill specifies that any new rules adopted may not limit the powers of certain political subdivisions, or require the State Fire Marshal to designate a hotel as a "Safe Stay Hotel" or award monetary incentives in a manner that is inconsistent or in conflict with other laws, rules, or regulations. Hotels are currently regulated by the Bureau of Testing and Registration within the State Fire Marshal's Office. Hotels are licensed annually, with the proceeds deposited into the State Fire Marshal Fund (Fund 5460). The fees generally depend on the number of guest rooms on the premises. According to the FY 2013 Department of Commerce Annual Report, 1,585 hotels and motels were licensed in FY 2013, producing revenue to Fund 5460 of approximately \$327,000.

For the Ohio Construction Industry Licensing Board (OCILB), the bill allows the Board to establish rules that amend continuing education requirements and license renewal schedules for OCILB licensees in order to establish a compliance incentive

program. Among the five sections of the Board (Electrical, HVAC, Plumbing, Refrigeration, and Hydronics), there are approximately 19,200 licensees. Licensees pay fees that are deposited into the Industrial Compliance Operating Fund (Fund 5560).

### **Governor's Office of Workforce Transformation**

The bill has two provisions that add duties to the Governor's Office of Workforce Transformation (OWT). Under continuing executive policy, the Office is supported administratively by the Development Services Agency (DSA). Altogether, the OWT provisions would likely result in a minimal increase in administrative costs to the affected agencies in coordinating responsibilities and producing the outcomes required in the bill.

First, the bill requires OWT to establish criteria to use for evaluating the performance of state and local workforce programs using basic, aligned workforce measures related to system efficiency and effectiveness by December 31, 2014. The bill requires the Department of Job and Family Services, the Department of Education, and the Board of Regents to provide staff support and assistance for establishing the criteria. The bill requires OWT to develop and make available on the Internet a public dashboard to display metrics regarding the state's primary workforce programs.

Second, the bill requires OWT, in collaboration with the Board of Regents, the Department of Education, and the Department of Job and Family Services, to develop and submit to the appropriate federal agency by December 31, 2014, a single state unified plan for the Adult Basic and Literacy Education (ABLE) program administered by the United States Secretary of Education, the Carl D. Perkins Vocational and Technical Education Act, and the Workforce Investment Act of 1998.

### **Governor's Executive Workforce Board**

The bill adds a duty to the Governor's Executive Workforce Board, which provides oversight and policy direction for all state workforce development activities. The bill requires the Board to develop a methodology for identifying jobs that are in demand by state employers. It also requires the Department of Job and Family Services (ODJFS) to consult with the Board, which is given staff support by DSA, in order to create a list of in-demand jobs, publish the list on ODJFS's website, and update the list periodically. Local workforce boards and work training programs are required to use the list in prioritizing and developing their activities. The bill creates only a minimal increase in administrative burden for DSA and ODJFS.

### **Development Services Agency**

#### **Synchronization of annual reports**

The bill synchronizes the due dates of several annual or biennial reports due from DSA, and various offices housed within the Agency, including the Ohio Venture Capital Authority, the Third Frontier Commission, and the Ohio Coal Development Office. Under the bill, the deadline will uniformly be August 1st of each year for various

reports that deal with several economic development and community development issues. Since each of the reports are already required under continuing law, this provision could result in some negligible decrease in annual administrative costs to DSA, as the agency would be able to more easily coordinate and prepare these reports on the annual and biennial timelines.

### **Business relocation notices**

Another provision in the bill alters the law to require businesses that are applying for DSA loans authorized under Chapter 166. of the Revised Code to provide notification to the appropriate local government bodies and state officials if the project for which the assistance is requested includes the relocation of an existing project from elsewhere in the state. This provision has no direct fiscal effect to the state or political subdivisions.

### **Death and disability benefits related to volunteer police officers**

The bill requires each county, municipality, township, township police district, and joint police district with a police or sheriff's department that employs volunteer police officers to become a member of a newly created fund, the Volunteer Police Officers' Dependents Fund. The bill also requires each entity to establish a Volunteer Police Officers' Dependents Fund board to administer claims for benefits from the fund. The bill defines "volunteer police officer" as any person who is employed as a police officer or sheriff's deputy in a part-time, reserve, or volunteer capacity by a county sheriff's department or the police department of a municipal corporation, township, township police district, or joint police district and is not a member of the Public Employees Retirement System (PERS), Ohio Police and Fire Pension Fund (OP&F), State Highway Patrol Retirement System (SHPRS), or the Cincinnati Retirement System (CRS).

### **Volunteer Police Officers' Dependents Fund**

The bill creates a new fund, the Volunteer Police Officers' Dependents Fund, in the state treasury to pay for benefits to volunteer police officers who are totally and permanently disabled as a result of discharging the duties of a volunteer police officer, except to a volunteer police officer who is receiving the officer's full salary during the time of the officer's disability, or to pay death benefits to survivors of such officers killed in the line of duty.

The bill specifies the benefit amounts that must be paid from the fund: (1) to surviving spouses, a lump-sum award of \$1,000, plus a \$300 benefit per month, (2) to dependent children, a benefit of \$125 per month, and (3) to disabled volunteer police officers, a disability benefit of \$300 per month. Under the bill, each fund member is required to contribute an initial premium to the fund as specified in Table 1, depending on each member's assessed property valuation. A member's initial premium would be between \$300 and \$500.

<b>Table 1. Initial premiums</b>	
<b>Member's assessed property valuation</b>	<b>Initial premium amount</b>
Less than \$7 million	\$300
\$7 million or more, but less than \$14 million	\$350
\$14 million or more, but less than \$21 million	\$400
\$21 million or more, but less than \$28 million	\$450
\$28 million or more	\$500

The total of all initial premiums would be the basic capital account for the fund and no further contributions are required from fund members until claims against the fund have reduced its balance to 95% or less of its basic capital account. In that event, the Director of Commerce is required to certify additional premiums as specified in Table 2, based on current property valuation, to the legislative authority of each member of the fund. A member's additional premium would be between \$90 and \$150.

<b>Table 2. Additional premiums</b>	
<b>Member's assessed property valuation</b>	<b>Assessment amount</b>
Less than \$7 million	\$90
\$7 million or more, but less than \$14 million	\$105
\$14 million or more, but less than \$21 million	\$120
\$21 million or more, but less than \$28 million	\$135
\$28 million or more	\$150

If a member of the fund fails to pay an initial premium, the bill requires the Director of Commerce to certify the failure as an assessment against the fund member to the auditor of the county within which the member is located. The county auditor must withhold the amount of the assessment, together with interest at the rate of 6%, from the next ensuing tax settlement due the member and pay the amount to the Treasurer of State to the credit of the fund.<sup>1</sup> The bill also provides that if a member of the fund fails to pay the additional premium within 45 days after receiving a notice of the assessment, the Director must proceed with collection as indicated above (for collecting initial premiums that have not been paid).

### **Volunteer Police Officers' Dependents Fund boards**

The bill provides that each board would consist of five members. The bill specifies that such members will not receive any compensation. The bill requires the legislative authority of each fund member to provide sufficient meeting space and supplies for the board to carry out its duties. Each board may adopt necessary rules

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<sup>1</sup> If a board secretary fails to submit to the Director a certificate of the member's current assessed property valuation, the Director must use the highest assessed property valuation (\$28 million or more) as a basis for the assessment. Thus, the member will be required to pay an initial premium of \$500.

related to handling and processing claims for benefits. The bill also requires each board to perform other duties as necessary to implement the law governing the fund.

The required initial premiums and possible future assessments would increase costs of providing certain benefits to volunteer police officers, by certain counties, municipalities, townships, township police districts, and joint police districts with a police or sheriff's department that employs such officers. As of this writing, LSC staff could not determine the magnitude of the fiscal impact due to lack of information on the number of volunteer police officers and the number of entities employing such officers in Ohio. Under the bill, the contributions toward the fund will be used to provide death benefits to survivors of volunteer, part-time, and reserve police officers and sheriffs' deputies killed in the line of duty and disability benefits to such officers who are totally and permanently disabled as a result of discharging their duties.

The existing Volunteer Firefighters' Dependents Fund (Fund 7085), which provides similar benefits, but related to volunteer firefighters, has experienced actual expenditures ranging between a low of \$223,000 in FY 2011 and a high of \$239,000 (in FY 2013), over the last five years. Based on the experience with Fund 7085, the bill is likely to increase costs to those local government entities that employ volunteer police officers by more than \$100,000 statewide, though it may well be less during the first few years of implementation because the benefits are not retroactive. The bill may also increase such local governments' costs associated with meeting space and supplies for the board to carry out its duties.