



Ohio Legislative Service Commission

Bill Analysis

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H.B. 547*

131st General Assembly
(As Introduced)

Rep. R. Smith

BILL SUMMARY

Exempt state employee salary schedules

- Eliminates Schedule E-1 for Step Eight Only, which is a salary schedule for exempt state employees, on July 1, 2017.
- Gradually moves exempt state employees paid under Schedule E-1 for Step Eight Only into the corresponding pay range in Schedule E-1.
- Creates a new step for pay ranges 12 through 16 of Schedule E-1, Step 8, which provides for a higher maximum amount of pay than the current law Schedule E-1 for Step Eight Only.

Controlling Board

- Changes the name of the Controlling Board Emergency Purposes Fund to the Controlling Board Emergency Purposes/Contingencies Fund.
- Transfers up to \$25 million of surplus GRF revenues for use by the Controlling Board.

Tax-related provisions

- Clarifies the role of the Director of Budget and Management, Tax Commissioner, and Superintendent of Insurance in reviewing taxpayer applications for job retention tax credits.

* This analysis does not address appropriations, fund transfers, and similar provisions. See the Legislative Service Commission's Fiscal Note for H.B. 547 for an analysis of such provisions.

- Authorizes a property tax exemption for an arena that is owned by the Convention Facilities Authority of a county with a population of more than one million people and that is leased to a private enterprise.
- Eliminates the authority of counties to levy a tax on utility services purchased by consumers in the county.

School district performance audits

- Requires the Auditor of State, in consultation with the Department of Education and the Office of Budget and Management, to determine for which school districts to conduct performance audits, with priority given to districts in fiscal distress.
- Requires the Auditor of State, rather than the Department, to pay the costs of such performance audits and transfers \$1 million for fiscal year 2017 from the Department to the Auditor of State for that purpose.

Veterinarian licensing

- Expands the requirements to obtain a license to practice veterinary medicine to additionally require an applicant to have passed the nationally recognized examination approved by the State Veterinary Medical Licensing Board.

Ohio Turnpike and Infrastructure Commission

- Allows designees of the Directors of Transportation and Budget and Management to serve as members of the Ohio Turnpike and Infrastructure Commission.

Ohio Judicial Conference

- Exempts the Ohio Judicial Conference from sunset review in 2016.

Appropriations

- Makes capital and other appropriations.

Effective dates

- Provides that the bill's provisions, with certain exceptions, are not subject to the referendum and therefore take effect immediately.

CONTENT AND OPERATION

Exempt state employee salary schedules

(R.C. 124.152, with conforming changes in R.C. 124.181, 124.382, and 126.32; Section 812.20)

The bill makes changes to the salary schedules for exempt state employees by eliminating Schedule E-1 for Step Eight Only on July 1, 2017. An exempt employee generally is an employee subject to the state job classification plan but exempt from collective bargaining. The bill gradually moves employees paid under Schedule E-1 for Step Eight Only into the corresponding pay range in Schedule E-1. The bill creates a new step for pay ranges 12 through 16 of Schedule E-1, Step 8, which provides for a higher maximum amount of pay than the current law Schedule E-1 for Step Eight Only. The amounts in Step 8 are the amounts currently specified in Schedule E-1, Step 7. The bill, with respect to Step 7, decreases the amounts paid under that step.

The bill requires an exempt state employee who is being paid a salary or wage in pay range 12 through 16 of Schedule E-1 for Step Eight Only to be paid a salary or wage in the corresponding pay range in Schedule E-1 as follows:

(1) If the employee has maintained satisfactory performance in accordance with the criteria established by the employee's appointing authority within the 12-month period immediately before July 1, 2016, at step 8 beginning on the first day of the pay period that includes July 1, 2016;

(2) If the employee has not maintained satisfactory performance in accordance with the appointing authority's criteria within that period, but attains satisfactory performance in accordance with the criteria before July 1, 2017, at step 8 beginning on the first day of the pay period that follows the date the employee attains satisfactory performance;

(3) If the employee does not attain satisfactory performance in accordance with the appointing authority's criteria before July 1, 2017, at the employee's base rate of pay as of the pay period immediately before the pay period that includes July 1, 2017, beginning on the first day of the pay period that includes July 1, 2017.

If an employee described in (3) above attains satisfactory performance in accordance with the appointing authority's criteria, the bill requires the employee to be paid a salary or wage at step 8 in the corresponding pay range in Schedule E-1 beginning on the first day of the pay period that follows the date the employee attains satisfactory performance.



The bill prohibits each exempt state employee who is being paid a salary or wage in range 17 or 18 of Schedule E-1 for Step Eight Only on the first day of the pay period that includes July 1, 2016, from receiving an increase in salary or wage until the maximum rate of pay for step 6 of the employee's corresponding pay range in schedule E-1 exceeds the employee's base rate of pay as of July 1, 2016. The bill requires such an employee who becomes eligible to receive an increase in salary or wage to be paid a salary or wage in step 6 of the employee's corresponding pay range in schedule E-1.

An employee's "base rate of pay" is the rate of pay established under Schedule E-1 or Schedule E-1 for Step Eight Only plus the longevity supplement provided under current law and any other supplements added to those pay schedules.

Controlling Board

Emergency Purposes Fund name change

(R.C. 127.19; Section 601.10 (amending Section 245.10 of H.B. 64 of the 131st G.A.))

The bill changes the name of the Controlling Board Emergency Purposes Fund to the Controlling Board Emergency Purposes/Contingencies Fund.

Surplus GRF transfer for Controlling Board use

(Section 515.10)

The bill requires the Director of OBM to transfer certain surplus GRF revenues, up to \$25 million, to the Controlling Board Emergency Purposes/Contingencies Fund. This fund is used by the Controlling Board for any purpose, including providing disaster and emergency aid to state agencies or local subdivisions.¹ The amount to be transferred equals the lesser of \$25 million or the amount by which unencumbered GRF surplus revenue as of the end of fiscal year 2016 exceeds the sum of (a) 0.5% of GRF revenues for the fiscal year 2016 and (b) the amount, if any, by which the amount appropriated for fiscal year 2017 exceeds GRF revenue estimates for that fiscal year. (These amounts are referred to statutorily as the "ending fund balance" and "carryover balance," respectively.²)

Under current law, unencumbered GRF surplus revenue is credited to the Budget Stabilization Fund until that fund equals 8.5% of GRF revenue for the preceding

¹ R.C. 127.19.

² R.C. 131.44(A)(3)(b) and (c), not in the bill.



fiscal year. Any remaining GRF surplus is credited to the Income Tax Reduction Fund, which is used to temporarily reduce personal income tax rates.³

Tax-related provisions

JRTC application review process

(R.C. 122.171(C))

The bill clarifies the role of the Director of Budget and Management (OBM), Tax Commissioner, and Superintendent of Insurance in reviewing applications for job retention tax credits. Under continuing law, a taxpayer that will make a capital investment in Ohio and retain jobs may apply to the Tax Credit Authority for a job retention tax credit. After receiving an application, the Authority must forward the application to the OBM Director, Commissioner, Superintendent, and the Director of the Development Services Agency (DSA). Each official reviews the application to determine the economic impact of granting the credit on the state and affected local governments.

Under current law, after completing their review, all four of the officials must submit their "determinations and recommendations" to the Authority. The bill removes the requirement that the OBM Director, Commissioner, and Superintendent submit "recommendations" with respect to each application, while maintaining that requirement for the DSA Director.

Arena property tax exemption

(R.C. 5709.084; Section 803.10)

The bill authorizes a property tax exemption for an arena that is owned by the Convention Facilities Authority of a county with a population of more than one million people and that is leased to a private enterprise. Continuing law exempts property owned by a Convention Facilities Authority from taxation unless the property is leased to, or used exclusively by, a private enterprise.⁴ The bill creates an exception to this rule for an arena owned by the qualifying Authority – under the bill, the arena may be leased to, or operated or managed by, a private enterprise and still qualify for exemption.

The exemption applies in tax year 2016 and every tax year thereafter.

³ R.C. 131.44(B) and (C), not in the bill.

⁴ R.C. 351.12, not in the bill.



Eliminate county utility excise tax

(R.C. 305.31, 305.42, 323.73, and 5747.51; R.C. 324.01, 324.02, 324.021, 324.03, 324.04, 324.05, 324.06, 324.07, 324.08, 324.09, 324.10, 324.11, 324.12, and 324.99 (all repealed))

The bill eliminates the authority of counties to levy a tax on utility services purchased by consumers in the county. Under current law, a board of county commissioners may impose such a tax by holding two hearings on the subject and adopting a resolution. The imposition of the tax need not be submitted to the electors of the county but it is subject to referendum. The rate of the tax may not exceed 2% of the utility charge, except that customers engaged in business are required to pay at a rate of 150% of the rate imposed on all other customers.

The county utility excise tax was first authorized in 1967. However, no county has ever levied the tax.

School district performance audits

(R.C. 3316.042; Sections 601.10 and 601.21 (amending Sections 223.10, 263.10, and 263.50 of H.B. 64 of the 131st G.A.))

Under continuing law, the Auditor of State may conduct performance audits of school districts that are under fiscal caution, in fiscal watch, or in fiscal emergency to review areas of operation in which the Auditor believes greater operational efficiencies or enhanced results can be achieved. The performance audits cannot include an evaluation of a district's academic performance.

The bill revises the law regarding these performance audits. First, rather than requiring the Auditor to conduct performance audits, upon the request of the Superintendent of Public Instruction, for districts in any of the three categories of fiscal concern, the bill requires the Auditor of State to determine for which school districts to conduct performance audits. When making that determination, the Auditor of State must (1) consult with the Department of Education and the Office of Budget and Management, and (2) give priority to districts in fiscal distress, including districts employing fiscal practices or experiencing budgetary conditions that could produce a state of fiscal watch or fiscal emergency, again as determined by the Auditor of State and in consultation with the Department and OBM.

Finally, the bill requires that the Auditor of State, rather than the Department, to pay the costs of the performance audits. It also transfers to the Auditor of State \$1 million, originally appropriated to the Department, for fiscal year 2017 to pay expenses related to these performance audits.



Veterinarian licensing

(R.C. 4741.11)

The bill expands the requirements to obtain a license to practice veterinary medicine to additionally require an applicant to have passed the nationally recognized examination approved by the State Veterinary Medical Licensing Board in accordance with rules adopted by the Board. Under continuing law, the State Veterinary Medical Licensing Board must issue an applicant a license to practice veterinary medicine whenever the applicant is not in violation of the Veterinarian Licensing Law and has graduated from an approved or accredited veterinary college or been issued a certificate of having obtained an equivalent education.

Ohio Turnpike and Infrastructure Commission

(R.C. 5537.02)

The bill allows designees of the Directors of Transportation and Budget and Management to serve as members of the Ohio Turnpike and Infrastructure Commission. Current law only allows the respective Directors to serve on the Commission.

Ohio Judicial Conference exempt from sunset review

(Section 701.20)

The amendment exempts the Ohio Judicial Conference from review by the Sunset Review Committee convened to operate during the 131st General Assembly. The operation of the Ohio Judicial Conference is renewed until December 31, 2020.

Effective dates

(Sections 812.10 and 812.20)

The bill provides that, except for sections making capital appropriations, the provisions of the bill are exempt from the referendum and thus are to take effect immediately when the bill, if enacted, becomes law. With respect to the capital appropriations, the bill provides that they are subject to the referendum and are to take effect on the 91st day after the bill, if enacted, is filed with the Secretary of State. The bill also provides that the amendments in the bill to the codified law that are cross-



references to the amendment regarding exempt state employee salary schedules are to take effect on July 1, 2017.⁵

HISTORY

ACTION	DATE
Introduced	05-03-16

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⁵ The bill needs a corrective amendment to clarify whether the provisions designated as taking effect July 1, 2017 are subject to the referendum and to clarify whether those provisions take effect immediately or on that date.

