



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 547 of the 131st G.A.

Date: May 4, 2016

Status: As Introduced

Sponsor: Rep. R. Smith

Local Impact Statement Procedure Required: No

Contents: Changes to various state programs and appropriations

The bill makes various changes affecting the operation of state programs, including changes to various appropriation line items that are summarized immediately below. Following this section is a brief description and summary analysis of the bill's provisions, including the impact of the appropriation changes, organized by state agency. If a provision affects more than one agency, it is listed only under the agency primarily affected.

Appropriation Changes

The tables below summarize the bill's changes to capital and GRF operating appropriations. As shown in Table 1, the bill increases GRF appropriations by a total of approximately \$19.8 million in FY 2017. The bill makes no changes to the overall amounts appropriated for FY 2016.

Table 1. GRF Appropriation Line Item (ALI) Adjustments Summary, FY 2017						
Agency	Fund	ALI	ALI Name	Current Amount	Proposed Amount	\$ Change
AUD	GRF	070409	School District Performance Audits	\$0	\$1,000,000	\$1,000,000
CSR	GRF	874320	Maintenance and Equipment	\$1,161,098	\$1,211,098	\$50,000
EDU	GRF	200422	School Management Assistance	\$3,000,000	\$2,000,000	-\$1,000,000
JCO	GRF	018321	Operating Expenses	\$389,250	\$684,250	\$295,000
DRC	GRF	501321	Institutional Operations	\$975,215,085	\$987,800,384	\$12,585,299
DRC	GRF	505321	Institution Medical Services	\$249,000,000	\$254,211,763	\$5,211,763
DRC	GRF	506321	Institution Education Services	\$30,454,204	\$30,666,114	\$211,910
OSB	GRF	226321	Operations	\$8,100,000	\$9,499,542	\$1,399,542
Total				\$1,267,319,637	\$1,287,073,151	\$19,753,514

The bill also establishes new capital appropriations and makes several changes to capital appropriations in S.B. 310 of the 131st General Assembly. Overall, Table 2 shows the bill increases capital appropriations by \$11.3 million for the FY 2017-FY 2018 capital

biennium. In addition to the bill's capital appropriation changes, the bill amends S.B. 260, the capital reappropriations act of the 131st General Assembly, to eliminate the reappropriation of \$200,000 for FCC appropriation item C23063, Redbrick Center for the Arts, and to reduce, by \$100,000, the reappropriation for DNR appropriation item C725E2, Local Parks Projects, and to eliminate an earmark of the same amount for the Midtown Cleveland Mountain Bike Park.

Table 2. Capital Appropriation Line Item (ALI) Adjustments Summary, FY 2017-FY 2018						
Agency	Fund	ALI	ALI Name	Current Amount	Proposed Amount	\$ Change
Capital Appropriations – S.B. 310 of the 131st General Assembly						
FCC	7021	C230X9	Lead Plumbing Fixture Replacement Assistance Grants	\$0	\$10,000,000	\$10,000,000
FCC	7030	C230EF	Dayton Aviation Heritage National Historic Park	\$0	\$1,000,000	\$1,000,000
FCC	7030	C230H2	Cozad Bates House	\$0	\$70,000	\$70,000
MHA	7033	C58021	Providence House	\$0	\$100,000	\$100,000
CCC	7034	C37850	Junior League Non-profit Incubator Project	\$0	\$30,000	\$30,000
CLS	7034	C26076	Cleveland Sight Center	\$0	\$100,000	\$100,000
DHE	7034	C23561	Capital Improvements – Central State Campus Security and Lighting	\$0	\$1,979,700	\$1,979,700
DHE	7034	C23562	Capital Improvements – Central State Hallie Q. Brown Library Upgrades and Repairs (renamed)	\$6,000,000	\$4,020,300	-\$1,979,700
NTC	7034	C38216	Napoleon Senior Center	\$0	\$400,000	\$400,000
NTC	7034	C38217	Napoleon Civic Center	\$500,000	\$100,000	-\$400,000
SCC	7034	C37727	Wilmington Air Park Aviation Infrastructure Improvements	\$3,000,000	\$0	-\$3,000,000
SOC	7034	C32216	Wilmington Air Park Aviation Infrastructure Improvements	\$0	\$3,000,000	\$3,000,000
Capital Appropriations Total				\$9,500,000	\$20,800,000	\$11,300,000
Capital Reappropriations – S.B. 260 of the 131st General Assembly						
FCC	7030	C23063	Redbrick Center for the Arts	\$200,000	\$0	-\$200,000
DNR	7035	C725E2	Local Parks Projects	\$8,052,920	\$7,952,920	-\$100,000
Capital Reappropriations Total				\$8,252,290	\$7,952,920	-\$300,000

The bill also makes a number of changes to the names of various capital appropriations in S.B. 310 of the 131st General Assembly. These changes are summarized in the table immediately following. The amount appropriated for each of these line items remains unchanged by the bill.

Table 3. S.B. 310 Capital Appropriation Name Changes				
Agency	Fund	ALI	Current ALI Name	Proposed ALI Name
FCC	7030	C230AN	Village of Millersport Corridor Improvements	Villages of Millersport and Buckeye Lake
FCC	7030	C230DZ	Columbus Zoo – Japanese Macaque Exhibit	Columbus Zoo – Asia Quest
CTI	7034	C38434	Sullivant Avenue Teen Tech Lounge and Career Laboratory	Boys and Girls Clubs of Columbus/ Sullivant Avenue Teen Tech Lounge

Detailed Fiscal Analysis

Controlling Board

Emergency purposes/contingencies fund transfer

The bill transfers \$25 million of the surplus GRF fund balance at the end of FY 2016 to the Controlling Board Emergency Purposes/Contingencies Fund (Fund 5KM0), the name of which is changed by the bill from the Controlling Board Emergency Purposes Fund. The Controlling Board uses this fund to provide disaster and emergency aid to state agencies and local governments. Under current law, the surplus GRF fund balance at the end of each fiscal year is transferred to the Budget Stabilization Fund (BSF) until the BSF reaches its target funding of 8.5% of GRF revenue, with any available additional amounts transferred to the Income Tax Reduction Fund.

Department of Rehabilitation and Correction

FY 2017 GRF appropriation changes

The bill increases the amount appropriated for certain GRF appropriation items that will be used by the Department of Rehabilitation and Correction in FY 2017 by a total of \$18,008,972 as follows:

- Increases appropriation item 501321, Institutional Operations, by \$12,585,299, from \$975,215,085 to \$987,800,384;
- Increases appropriation item 505321, Institution Medical Services, by \$5,211,763, from \$249,000,000 to \$254,211,763; and
- Increases appropriation item 506321, Institution Education Services, by \$211,910, from \$30,454,204 to \$30,666,114.

Of the total appropriation increase of just over \$18.0 million, about \$14.7 million will be directed to institutional operations and medical-related services to accommodate an increase in the security Level 3 population.¹ This will require hiring additional staff

¹ Ohio has a five-tier classification system: Levels 1, 2, 3, 4, and 5. Level 1 represents the lowest or minimum level of supervision and Level 5 involves the highest level of security for the most dangerous inmates. Level 3, sometimes referred to as "close security," is designed for inmates who are more likely to, or have previously, engaged in disruptive behavior.

and opening new beds within certain institutions. Another \$2.1 million will be used to fund the Treatment Transfer Program, which is a community-based substance use disorder treatment program providing services to offenders who are transferred to participating halfway houses. The remaining \$1.2 million will be used to pay various administrative expenses.

Judicial Conference of Ohio

FY 2017 GRF appropriation changes

The bill increases GRF appropriation item 018321, Operating Expenses, by \$295,000 in FY 2017, from \$389,250 to \$684,250. The Judicial Conference of Ohio's expenses are paid from this item and non-GRF appropriation item 018601, Ohio Jury Instructions. H.B. 64 reduced funding for GRF item 018321 by 11.4% from FY 2015 to FY 2016 and an additional 48.0% from FY 2016 to FY 2017. After the appropriation increase in this bill, the reduction from FY 2016 to FY 2017 is 8.7%.

Ohio Jury Instructions Fund

The Ohio Jury Instructions Fund (Fund 4030) and related non-GRF appropriation item 018601, Ohio Jury Instructions, is used by the Conference in conjunction with GRF item 018321 to pay the Conference's expenses. The fund receives revenues from royalties, member dues, and meeting registration fees. H.B. 64 reduced appropriation item 018601 by 33.9% from FY 2015 to FY 2016 and an additional 50% from FY 2016 to FY 2017. The bill appropriates any cash accruing to the fund in excess of the amounts already appropriated in H.B. 64. The bill also prohibits the Director of Budget and Management or the Controlling Board from transferring cash from the fund to any other fund.

Sunset Review Law

The bill exempts the Judicial Conference from review by the Sunset Review Committee during the 131st General Assembly and renews it to operate until the end of December 31, 2020.

Department of Administrative Services

Cash transfers to the Professions Licensing System Fund (Fund 5JQ0)

The bill amends section 207.190 of Am. Sub. H.B. 64 of the 131st General Assembly to increase the amount of cash the Director of Budget and Management is authorized to transfer from the Occupational Licensing and Regulatory Fund (Fund 4K90), the State Medical Board Operating Fund (Fund 5C60), and the Casino Control Commission – Operating Fund (Fund 5HS0) to the Professions Licensing System Fund (Fund 5JQ0) by \$16.8 million, from just over \$6.0 million to approximately \$22.8 million over the FY 2016-FY 2017 biennium. Continuing law requires the amount transferred from each fund to be in proportion to the number of current licenses issued by the licensing boards and commissions that use each fund, and for the Casino Control Commission, the number of current and anticipated licenses. Continuing law also

requires the transferred amount to be used by the Director of Administrative Services for the initial acquisition and development of the Professions Licensing System, a replacement for the state's current e-licensing system used to manage the issuance and renewal of various professional licenses.

Salary schedules for exempt employees

Under current law, most exempt state employees are paid under pay schedules E-1, E-2, or "E-1 for step 8 only." The bill phases out pay schedule "E-1 for step 8 only" beginning with the first day of the pay period that includes July 1, 2016. It does so by splitting schedule E-1 pay grades 12-16 step 7 into schedule E-1 pay grades 12-16 step 7 and step 8. Employees currently paid according to schedule "E-1 for step 8 only" whose performance is graded satisfactory would be moved to the new schedule E-1 step 8. Without satisfactory performance, they would remain at their base rate of pay as of the last pay period before the one that includes July 1, 2017 until their performance is determined to be satisfactory. For employees paid according to schedule "E-1 for step 8 only" in pay grades 17-18, they would remain at their base rate of pay until successive general wage increases lift the hourly rate for schedule E-1 step 6 above their current rate, at which time those employees would be moved to schedule E-1 step 6. In total, fewer than 200 employees would be affected by these changes. Assuming all of those employees are currently considered to be performing satisfactorily, increased payroll costs to the state from moving those employees from schedule "E-1 for step 8 only" to the new schedule E-1 step 8 would total approximately \$500,000 after the changes take effect at the beginning of FY 2017.

Auditor of State

The bill establishes GRF appropriation item 070409, School District Performance Audits, and appropriates \$1.0 million in FY 2017 to be used by the Auditor of State for expenses incurred by the Auditor of State in conducting performance audits of school districts under fiscal watch, fiscal caution, and fiscal emergency under section 3316.042 of the Revised Code. The bill alters the procedures for determining what school districts are selected for performance audits by (1) requiring that the Department of Education and the Office of Budget and Management be consulted in the selection process, and (2) specifying that priority be given to school districts with fiscal conditions that could lead to fiscal watch or fiscal emergency.

Currently, performance audit costs for school districts in fiscal caution, fiscal watch, or fiscal emergency are paid from GRF appropriation item 200422, School Management Assistance, used by the Department of Education. Since the bill requires these expenses to be paid from the Auditor of State's budget, the bill reduces funding under appropriation item 200422 by \$1.0 million, from \$3.0 million to \$2.0 million in FY 2017.

Facilities Construction Commission

The bill appropriates \$10 million in capital funding from the Public School Building Fund (Fund 7021) to the Facilities Construction Commission to provide grants to eligible public and chartered nonpublic schools (schools housed in buildings constructed before 1990) for the reimbursement of up to \$15,000 per building toward the cost of replacing drinking fountains, water coolers, plumbing fixtures, and limited connected piping that are found to be a cause of lead above the federal action level in drinking water. The money may also be used to reimburse eligible chartered nonpublic schools for the cost of drinking water assessments conducted by firms that follow Ohio Water Development Authority (OWDA) testing protocols. Eligible public schools may request to have their drinking water assessed through OWDA.

Department of Education

The bill increases an earmark from GRF line item 200550, Foundation Funding, supporting payments for the College Credit Plus (CCP) Program for home-instructed students by \$1.0 million in each fiscal year, from \$500,000 to \$1.5 million. However, the bill maintains the overall amount currently appropriated in item 200550 each fiscal year. CCP allows qualified Ohio students to take college courses at state expense for both college and high school credit.

Ohio School for the Blind

The bill increases Ohio School for the Blind (OSB) GRF line item 226321, Operations, by \$1.4 million in FY 2017. The additional GRF funds will be used to support payroll-related costs that were formerly paid by a federal grant for special education outreach.

Capitol Square Review and Advisory Board

The bill increases Capitol Square Review and Advisory Board (CSRAB) GRF line item 874320, Maintenance and Equipment, by \$50,000 in FY 2017 and earmarks this amount for a display inside the Statehouse of historically significant United States, Ohio, and Ohio military flags. The bill requires the members of CSRAB to approve of the use of these funds. In addition, CSRAB must consult with the Ohio History Connection regarding the display.

Tax Provisions

Repeal of Utilities Service Tax

The bill repeals the authority of counties to levy a tax on utility services purchased by consumers in the county. Currently, the excise tax can be levied pursuant to a resolution adopted by the Board of County Commissioners. With some enumerated exceptions, the tax applies to all charges for utility service. The excise tax rate cannot exceed 2% of utility service charges.

The utilities service tax was enacted in 1967. According to the County Commissioners Association of Ohio, no county has ever utilized this tax. Therefore, the repeal in this bill has no fiscal effect.

Nationwide Arena property tax exemption

The bill exempts from property taxation an arena owned by the convention facilities authority of a county with a population of more than one million people and leased to a private enterprise. The exemption applies to tax year (TY) 2016 and each tax year thereafter.

The only arena currently meeting these criteria is the Nationwide Arena owned by the Franklin County Convention Facilities Authority (FCCFA). The Columbus Board of Education (CBE) approved a resolution on December 7, 2015 that tentatively agreed to a settlement with FCCFA. In exchange for CBE's formal support for a proposed amendment to state law allowing for the exemption from real property taxation of Nationwide Arena, for TY 2016 and beyond so long as the Arena is owned by FCCFA, the FCCFA will pay to CBE \$586,000 per tax year beginning with the first tax year that the Arena is exempt from taxation.

Whereas the loss in property tax receipts for CBE is permissive based on offsetting revenues and other benefits received by the school district, the other local taxing authorities will incur a revenue loss. Depending on the future valuation of the Arena, Franklin County, the City of Columbus, and the local public library district will lose a combined revenue amount up to \$1.1 million per year beginning in calendar year 2017.

Review of Job Retention Tax Credit applications

The bill makes changes to the process by which the Tax Credit Authority under the Development Services Agency (DSA) reviews applications and makes awards for Job Retention Tax Credits (JRTCs) to qualifying businesses. Under continuing law, the Tax Credit Authority must forward copies of an application for these credits to the Office of Budget and Management, the Department of Taxation, and, when the application involves an insurance company, the Department of Insurance. The applications are also forwarded to DSA. The Director of Budget and Management, the Tax Commissioner, and, where applicable, the Superintendent of Insurance are to review the applications and submit summaries of their "determinations and recommendations" to the Tax Credit Authority.

The bill revises the application review process undertaken by the Director of Budget and Management, the Tax Commissioner, and the Superintendent of Insurance by requiring them to submit only their determinations to the Tax Credit Authority. Left unchanged, however, is the requirement that the Director of Development Services submit determinations and recommendations on JRTC applications to the Authority. These administrative changes do not appear to have any direct fiscal effect.

Ohio Turnpike and Infrastructure Commission

The Ohio Turnpike and Infrastructure Commission is responsible for the operation and maintenance of the Ohio Turnpike. The Commission consists of ten members, the membership of which is set forth under section 5537.02 of the Revised Code. Two of these members are the Director of Transportation and the Director of Budget and Management, who each serve *ex officio* without compensation. The bill amends section 5537.02 to allow the directors of these agencies to appoint designees in their place on the Commission. This provision has no fiscal effect.

Department of Veterinary Medicine

The bill restores a requirement that candidates for veterinary licensure take and pass a national examination before they are issued a license by the Veterinary Medical Licensing Board. This requirement was inadvertently removed among other changes intended to streamline the licensure process that were included in H.B. 64. The changes related to the examination sought only to remove a requirement that candidates for licensure be approved by the Veterinary Medical Licensing Board before taking the examination. There was no intent to remove the requirement to take and pass the examination itself as part of the streamlining.

Job and Family Services

The bill reappropriates the FY 2016 unexpended, unencumbered balance of appropriation item 600669, Healthier Buckeye Grant Pilot Program, to FY 2017. The reappropriated funds are to be used for the same purpose in FY 2017 as they were in FY 2016.