



OHIO LEGISLATIVE SERVICE COMMISSION

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Fiscal Note & Local Impact Statement

Bill: S.B. 8 of the 132nd G.A.

Status: As Enacted

Sponsor: Sens. Gardner and Terhar

Local Impact Statement Procedure Required: No

Subject: Makes various changes to the operations of state programs

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 table below summarizes the bill's changes to GRF and non-GRF appropriations. Overall, the bill increases GRF appropriations by \$303,444 in FY 2018 and by \$310,136 in FY 2019 and non-GRF appropriations by \$135,000 in both FY 2018 and FY 2019.

FY 2018-FY 2019 Appropriation Line Item (ALI) Adjustments Summary					
Agency	Fund	ALI	ALI Name	\$ Change FY 2018	\$ Change FY 2019
EDU	GRF	200545	Career-Technical Education Enhancements	\$162,200	\$162,000
BOR	GRF	235511	Cooperative Extension Service	\$141,244	\$148,136
OHS	GRF	360502	Site and Museum Operations	\$75,000	\$75,000
OHS	GRF	360508	State Historical Grants	-\$75,000	-\$75,000
SOS	5990	050603	Business Services Operating Expenses	\$135,000	\$135,000
GRF Total				\$303,444	\$310,136
Non-GRF Total				\$135,000	\$135,000
All Funds Total				\$438,444	\$445,136

Detailed Fiscal Analysis

Tax provisions

Sales tax exemption for corrective eyeglasses or contact lenses

On and after July 1, 2019, the bill exempts from the sales and use tax sales of corrective eyeglasses or contact lenses. Thus, the bill would reduce state sales and use tax starting in FY 2020. The potential revenue loss that year is estimated at about \$23.2 million.

Receipts from the state sales and use tax are deposited into the GRF. Under permanent law, a portion of GRF tax receipts is subsequently transferred to the Local Government Fund (LGF) and the Public Library Fund (PLF), with each local fund receiving 1.66% of GRF tax revenue. Thus, for FY 2020, the GRF revenue loss from the bill is estimated at \$22.4 million and the LGF and PLF losses would total up to \$0.8 million. The revenue loss is likely to grow in future years, depending on growth in spending for items exempted by the bill. Local permissive county and transit authority sales taxes share the same tax base as the state sales tax. Thus, the bill would also reduce permissive county and transit authority sales tax revenue. The revenue loss to those local governments is estimated at \$6.0 million in state FY 2020.

Underlying data for these estimates are retail sales of prescription glasses and lenses at optical goods stores (product codes 20491 and 20492) in the 2012 Economic Census for Ohio, totaling approximately \$279 million. Prescriptions provided by physicians and optometrists would also be filled at other types of retail establishments by persons authorized to sell them; adding such sales, Ohio retail sales in 2012¹ would have been about \$341 million. The latter amount was inflated based on growth in sales of therapeutic appliances and equipment as predicted by IHS Economics, a private economic forecasting firm, in its December 2016 forecast of consumer spending for health care. Sales that would be made exempt by the bill were estimated at about \$403 million in FY 2020. The state sales and use tax rate is 5.75% of taxable sales.

Insurance tax credit for rural business growth funds

The bill authorizes a nonrefundable tax credit against domestic and foreign insurance taxes for certain taxpayers. If the amount of the credit for a single taxpayer in a taxable year exceeds the tax due for that year, the excess is carried forward to ensuing years until fully used. The bill provides that on and after the effective date of Section 122.151 (which would be enacted by the bill) of the bill, a person that has developed a business plan to invest in rural business concerns in Ohio and has successfully solicited private investors to make capital contributions in support of the

¹ 2012 U.S. Census Subject Series – Product Lines: Product Lines Statistics by Industry for the U.S. and States.

plan may apply to the Development Services Agency (DSA) for certification as a rural business growth fund.² DSA may then award tax credits to the investor.

The tax credit will be equal to an insurance company's credit-eligible capital contribution, as deemed by DSA, and may be claimed gradually under a schedule with up to one-fourth of the total value claimed in each of the taxable years containing the third, fourth, fifth, and sixth anniversaries of when the contribution, or investment, was made. No credit can be claimed in the first two years. The aggregate amount of tax credits approved by DSA is limited to \$45 million. Assuming DSA awards the entire amount of tax credits allowable under the bill, the potential revenue loss may be up to \$11.25 million the first taxable year credits may be claimed. The annual revenue loss in subsequent years may be higher than \$15 million, depending on credit carryover and taxpayer liabilities. If the amount of credit for a taxable year exceeds the tax due for that year, the excess may be carried forward for not more than four ensuing taxable years. Any revenue loss from the bill would occur beyond the current biennium. The bill specifies that credits claimed by taxpayers may be subject to recapture under certain conditions.

Receipts from state insurance taxes are deposited into the GRF. There is a 0.75% surtax on the premiums attributable to fire insurance; revenue from the surtax is deposited in the Fire Marshal Fund. Additionally, under permanent law, a portion of the GRF tax receipts is subsequently transferred to the LGF and the PLF, with both the LGF and the PLF receiving 1.66% of GRF tax revenue.³ Thus, the potential revenue loss to those local funds would total about \$1.5 million over a period of four (or more) years. During FYs 2014 through 2017, approximately 4.6% of the insurance tax receipts were deposited into the Fire Marshal Fund. Assuming 5% of tax credits will be claimed against the fire insurance surtax, and if the eligible tax credit cap of \$45 million under the bill is reached, the associated lost tax revenue to the Fire Marshal Fund would be approximately \$0.56 million per year for four (or more) years for a total of \$2.25 million.

A key requirement for a rural business growth fund to qualify as such with DSA is a revenue impact assessment for the applicant's rural growth investments. The assessment must be done by a nationally recognized third-party independent economic forecasting firm and demonstrate that the business plan will result in a positive economic impact on Ohio over a ten-year period that exceeds the cumulative amount of tax credits that would be issued if the application were approved. Due to the criteria for

² Rural business growth funds, as defined in the bill, are essentially private investment funds licensed by the U.S. Small Business Administration or the U.S. Department of Agriculture (USDA). The funds are allowed to borrow from these federal government agencies and supplement the capital raised from private investors with access to low-cost, government-guaranteed debt.

³ H.B. 49, the current operating budget act, temporarily increased the PLF share to 1.68% for FYs 2018-2019. In the absence of any further action by the General Assembly, the PLF share will revert to 1.66% beginning July 1, 2019.

eligible rural business growth funds laid out in the bill, we do not anticipate a large number of funds to apply or qualify.

The bill requires a \$5,000 fee due with any application to DSA. In addition, once a rural business growth fund is approved by DSA, there is an annual fee amounting to \$20,000 per year due to DSA, until the fund is exhausted. The fees are to be deposited in the Tax Incentives Operating Fund (Fund 5JR0), which is used by DSA to fund the operating costs of administering various ongoing tax credit programs managed by the agency. Presumably, the fees received into Fund 5JR0 may partially or fully offset the administrative costs to DSA in reviewing, approving, and monitoring the tax credit applications and awards as required by the bill; however, the costs and revenue will ultimately depend on the number of tax credit applications and approvals.

Potential indirect fiscal effects

The bill requires the rural business growth fund applicant to show positive economic impacts from the projects receiving the credit-eligible capital from the fund. Such economic benefits may be additional employment positions created or retained; improvement in property, plant, and equipment; or a growth in rural business profits, among others. In theory, these developments would create additional tax revenue for the state and local governments. If that is realized, the fiscal revenue loss from the bill may be reduced or eliminated. However, it is also possible that those projected economic benefits may not occur.

Business income deduction for professional employer organization – paid compensation

The bill provides that the compensation, including guaranteed payments, paid to a pass-through entity (PTE) investor by a professional employer organization (PEO)⁴ hired by the PTE is considered business income, and therefore is eligible for the business income deduction and 3% flat tax on business income, provided that the investor holds at least a 20% interest in the PTE.

Under current law, an individual who owns or invests in sole proprietorships or PTEs (such as limited liability companies, S corporations, and partnerships) can deduct the first \$250,000 of the taxpayer's business income each year.⁵ Any business income in excess of \$250,000 is taxed at a flat rate of 3%, instead of the graduated rates, up to 4.997%, that apply to "nonbusiness" income such as wages and pensions and any interest, dividends, rents, royalties, or capital gains not received in the ordinary course of business. In addition to pass-through income or net profits, an investor who holds a

⁴ PEOs provide to firms various services related to human resources management, such as payroll processing, benefits management, and regulation compliance. PEOs would generally operate in a co-employment relationship with their clients by including the clients' workers on their own payrolls. In such a relationship, the PEO becomes the employer of record for tax and insurance purposes.

⁵ The deduction for married individuals filing separately is \$125,000 for each spouse.

20% or greater interest in the PTE may also deduct as business income any wages, guaranteed payments, or other compensation paid directly by the PTE to that investor.

However, when an individual who holds a 20% or more interest in a PTE is paid compensation by a PEO hired to manage payroll and employee benefits for the PTE, the Department of Taxation has determined that such income is not considered business income for purposes of the small business deduction, and therefore not eligible for the deduction or 3% flat tax. The bill specifically allows guaranteed payments and other compensation paid by a PEO to such 20% investors to qualify for the business income deduction and 3% flat tax. The bill specifies that this provision applies to taxable years beginning on or after 2013 (the first year the business income tax deduction was allowed).

LSC has no publicly available data on the number of PTEs that contract with PEOs for human resources services. In addition, no information is available on wages and other compensation paid through PEOs to those taxpayers who may be qualifying investors in PTEs. Finally, income taxes that might have been paid on such amounts not deducted in tax returns is uncertain. According to an official of the Department of Taxation, a preliminary analysis of data available to the agency suggests a potential annual revenue loss to the GRF of up to \$2 million from the bill; and the retroactive provision in the bill could provide for potentially up to \$10 million in refunds to qualifying taxpayers that did not, in previous years, exclude from taxation wages and other compensation paid to them through PEOs. Please note, however, it is possible that actual refunds could be considerably less than this estimate, depending on the number of amended returns and refund claims filed by qualifying taxpayers. In September 2017, the Department of Taxation suspended audit activities related to individuals who received compensation from a PEO that they do not own, and who claimed the business income deduction. Ultimately, the potential revenue loss from the bill due to refunds would depend on unknown amounts assessed and already paid by taxpayers, and the resolution of existing audits that have not yet reached an assessed status or billings.

In the current biennium as prescribed by H.B. 49 of the 132nd General Assembly, the main operating budget act, the GRF would retain 96.66% of personal income tax (PIT) revenue, and distributions to the LGF and PLF would be 1.66% and 1.68%, respectively. Therefore, the majority of the annual revenue loss, up to \$1.9 million, would be borne by the GRF, and up to \$0.1 million would be borne by the LGF and PLF. Of potential refunds, the revenue loss to the GRF would be up to \$9.7 million. Potential losses to the LGF and PLF would total up to \$0.3 million. The timing of revenue losses from the tax refunds is uncertain, as they would depend on taxpayers filing refund claims. The revenue loss to the LGF would reduce receipts to counties, municipalities, and townships statewide, according to statutory formulas and decisions by county budget commissions. The revenue loss to the PLF would reduce receipts primarily to public libraries statewide.

Department of Education

TPP replacement payments

Under continuing law, certain school districts receive payments partially replacing the loss in school district tax revenues due to both the phase-out of general business tangible personal property (TPP) tax that began in 2006 and changes in the taxation of utilities that occurred in 2001. Beginning in FY 2018, current law requires that the replacement payments for fixed-rate operating levies be reduced from the prior year's payment based on a uniform 5/8 of one mill (0.000625) of the average of the total taxable value of the district for tax years 2014, 2015, and 2016.

The bill increases the payments to certain school districts for their fixed-rate operating TPP tax losses in FY 2018 and FY 2019. For traditional school districts in FY 2018, and for joint vocational school districts (JVSDs) in FY 2018 and FY 2019, if the amount the district will receive under current law is less than the amount the district received in the previous fiscal year (including the TPP supplement payment for FY 2017 authorized in S.B. 208 of the 131st General Assembly) less 3.5% of the district's total resources, then the bill provides a supplemental replacement payment equal to the difference between those two amounts. Likewise, the bill provides a supplemental replacement payment for traditional school districts in FY 2019 equal to the difference between (1) a district's total replacement payment in FY 2018, including the supplemental payment, less the 5/8 of one mill phase-down, and (2) the district's FY 2019 replacement payment under current law. In FY 2020 and thereafter, payments will be based on the amount a district received in the preceding fiscal year, excluding any supplement, less the 5/8 of one mill phase-down. Overall, the supplemental replacement payments increase funding to traditional districts and JVSDs by a total \$5.2 million in FY 2018 and \$2.4 million in FY 2019. TPP replacement payments are currently supported by 13% of receipts from the commercial activities tax, deposited into the School District Tangible Property Tax Replacement Fund (Fund 7047).⁶

The supplemental replacement payment in FY 2018 lowers that year's foundation aid by an estimated total of about \$228,000 for three districts that are slated to receive funding through foundation formula's "cap offset payment." This payment equals the lesser of an eligible district's payment cap reduction or its net decrease in foundation aid before the cap offset payment and fixed rate operating TPP replacement payments. In essence, the FY 2018 supplemental replacement payment results in an offsetting decrease in FY 2018 foundation aid, such that there is no net change in these districts' combined funding from both sources that year. However, in FY 2019, the foundation

⁶ The Governor vetoed similar provisions in H.B. 49 that would have limited the reimbursement loss for school districts (including the loss of the TPP supplement) in FY 2018 and for JVSDs beginning in FY 2018 to 3.5% of a district's total resources. As a result, there is sufficient appropriation to make the supplemental payments from Fund 7047 line item 200902, Property Tax Replacement Phase Out – Education.

formula includes the FY 2018 cap offset payment in a district's payment cap base. To counteract the effect of the smaller cap offset payment, the bill adds the amount of a district's FY 2018 supplemental replacement payment to the cap base. Doing so ensures that no district loses foundation aid in FY 2019 compared to current law. Combined, the bill's provisions increase total funding to traditional districts and JVSs by an estimated net amount of \$5.0 million in FY 2018 and \$2.4 million in FY 2019.

VoAg program funding

The bill appropriates \$162,200 in FY 2018 and \$162,000 in FY 2019 to GRF line item 200545, Career-Technical Education Enhancements, to support VoAg programs in one at-risk nonvocational school in both the Cleveland Municipal School District and the Cincinnati City School District.

Community school sponsors

The bill requires a community school sponsor that (1) received a score of "3" or a "B" or higher on the academic performance component of the community school sponsor evaluation system for the 2015-2016 school year and (2) has appealed its overall rating for that school year to receive an overall sponsor rating of "ineffective." Additionally, the bill prohibits the State Board of Education from taking further action on such sponsor's appeal of its rating and specifies that the operation of the sponsor rating system and any rating the sponsor receives after the 2015-2016 school year are not affected by provisions in the bill.

The provision appears to apply only to Newark City School District, which sponsors Newark Digital Academy and Par Excellence Academy. The district received an overall sponsor rating of "poor" for the 2015-2016 school year under current law, which results in revocation of all sponsorship authority pending appeal. In general, assigning a sponsor rating of "ineffective" for that school year allows the district to continue sponsoring those two schools. However, it is prohibited from sponsoring any new or additional community schools. In addition, prohibiting any further action on the district's appeal may slightly decrease the administrative workload of the State Board, the Ohio Department of Education, and the district.

Department of Higher Education

4-H Club program funding

The bill appropriates \$141,244 in FY 2018 and \$148,136 in FY 2019 to GRF line item 235511, Cooperative Extension Service, and, of those amounts, earmarks \$134,244 in FY 2018 and \$141,136 in FY 2019 to support salaries and benefits for staff for one 4-H Club at an elementary school in both Cleveland and Cincinnati and \$7,000 in each fiscal year for expenses related to the clubs.

Wright State University earmarks

The bill amends H.B. 49 of the 132nd General Assembly, the main operating budget act for FY 2018 and FY 2019, to redirect an earmark of \$50,000 each fiscal year

from GRF line item 235591, Co-op Internship Program, for Wright State University's Center for Liberal Arts Student Success to, instead, the University's Model United Nations Program.

Awarding college credit for comparable courses

Under current law enacted in H.B. 49, state institutions of higher education must accept college credit earned in Ohio in the past five years as a substitute for comparable coursework. This includes credit that was earned in advanced or upper level coursework, which must be accepted as a substitute for comparable core or lower level coursework. For college credit earned in Ohio more than five years ago, state institutions must permit the student to take a competency-based assessment in the relevant subject area, and, if the student passes the assessment, to excuse the student from completing the course and grant the student credit for that course. The bill repeals these requirements. As a result, state institutions may no longer incur a potential loss in revenue that they otherwise may have experienced had a student been awarded college credit for comparable coursework instead of enrolling in, and paying for, that course. The bill also eliminates any costs associated with developing or administering competency-based assessments that would have been necessary to implement this provision.

Applied bachelor's degree programs at two-year colleges

Under current law enacted in H.B. 49, the Chancellor of Higher Education must establish a program under which community and technical colleges may apply to the Department of Higher Education (DHE) to offer applied bachelor's degree programs. Under one pathway, the Chancellor may approve programs that meet five specified criteria based on regional workforce needs and the absence of a bachelor's degree program offered by a state university or private college that meets those needs. H.B. 49 also permits a second pathway for program approval, under which the Chancellor may approve a program that does not meet the above-prescribed criteria if the program clearly demonstrates a unique approach, as determined by the Chancellor, to benefit Ohio's higher education system or the state. The bill eliminates this second pathway, which may slightly reduce the administrative workload of DHE. It also may reduce some flexibility for community and technical colleges in developing these programs.

Ohio History Connection

GRF appropriation changes

The bill modifies the appropriations for two Ohio History Connection GRF line items to reallocate \$75,000 in both FY 2018 and FY 2019 from GRF line item 360508, State Historical Grants, to GRF line item 360502, Site and Museum Operations. Item 360508 provides pass-through funds to local organizations for historic preservation activities. H.B. 49 appropriates \$475,000 in both FY 2018 and FY 2019 for this line item, \$400,000 of which is earmarked each year to certain local organizations. The remaining \$75,000 each year is unallocated. The bill decreases item 360508 by \$75,000 each fiscal year and

increases item 360502 by corresponding amounts. Item 360502 supports the operation and maintenance of most of the state's designated historic sites.

The bill also amends an earmark of \$100,000 each fiscal year from item 360508 to modify the name of the organization receiving the funds from the Cleveland Museum of Art to the Cleveland Institute of Art.

Facilities Construction Commission

1:1 School Facilities Option Program

The bill reenacts the 1:1 School Facilities Option Program, a program originally enacted in H.B. 49 that allows eligible school districts to apply for state funds for constructing, acquiring, reconstructing, or making additions or repairs to classroom facilities. In order to qualify, a traditional school district or a JVSD must not have received state assistance from any school facilities assistance program other than the Emergency Assistance Program.

The new program will provide an alternative facilities assistance option to the Classroom Facilities Assistance Program (CFAP), the Ohio Facilities Construction Commission's (OFCC's) main school facilities assistance program, and the Vocational Facilities Assistance Program (VFAP), a similar program that provides state funding for facilities projects to JVSDs. Under both programs, the state funding is provided as a percentage of a district's "basic project cost" to address the entire classroom facilities need of the district or JVSD. All school districts and JVSDs are eligible for CFAP or VFAP funding, respectively. However, the state share of a district's basic project cost is generally higher for lower wealth districts. A school district generally passes a bond levy to meet its required local share to participate in CFAP. A lower wealth district is also generally served sooner as the order for each district to be served by CFAP largely depends on the district's wealth.

Under the new program, eligible school districts may receive the greater of either \$1 million or 10% of the state's share of the district's basic project cost (for the entire facilities needs of the district). A district that opts for funding under the new program must provide local matching funds on a one-to-one basis. However, school districts and JVSDs would not be eligible to participate in the new program until they become eligible for CFAP or VFAP funding based on their wealth ranking. Further, a district opting to participate in the new program will not be eligible for CFAP or VFAP funding for 20 years following the date of the agreement for the project funded under the new program in the bill. An eligible school district wishing to participate must request OFCC to assess the current conditions of classroom facilities of the district to determine the scope and basic project cost of a district's facility needs as well as the state's portion of the basic project cost if the district were to receive assistance under CFAP or VFAP. Upon receiving a request from an eligible district, OFCC must conduct the assessment. This requirement may increase the administrative workload of OFCC, as the facility assessments for some districts may need to be completed sooner than otherwise.

Presumably, a district or JVSD is most likely to participate in this new program if the district or JVSD is not likely to participate in existing funding programs even in the absence of this alternative funding program. For example, some higher wealth districts may not actually participate in CFAP when their turn comes up, due to their relatively low state shares of the basic project costs. A district may also choose to participate in this CFAP alternative funding program if the district has concluded that it may not be able to raise its required CFAP local share. Given the smaller scale of funding involved for projects under the new program, school districts may find it easier to raise the required local match, which the bill permits to be from any lawful source. Overall, this new program may provide some state funds to districts that may not actually receive any funding from CFAP or VFAP although they are eligible. The actual amounts of state funding will be dependent on the scope of the projects, the facilities needs assessment conducted by OFCC for each eligible district, as well as the program's guidelines, procedures, and appropriations.

Through the end of FY 2017, 21% of school districts statewide, including 120 regular districts and 17 JVSDs, have not yet been offered CFAP funding. Another 20% of districts, including 114 school districts and 17 JVSDs, have been offered funding, but have either deferred the offer, allowed it to lapse because they were unable to secure the required local share, or are in the process of seeking the required local share. Presumably, some of these districts may choose to participate in the new funding program established under the bill.

In contrast, 42% of districts statewide, including 261 school districts and 15 JVSDs, have completed CFAP projects that fully addressed their facilities needs and another 17% of districts, including 115 regular districts, have buildings in the design or construction phase or had some work performed through another OFCC program. All but one of these districts will not be eligible for funding from the new program established under the bill. The lone eligible district from this group, Lake Local in Wood County, participated only in the Emergency Assistance Program.

Through the end of FY 2017, the General Assembly has appropriated \$12.9 billion and OFCC has disbursed a total of \$11.6 billion for school facilities projects. The average state share of new school facilities assistance projects was about 45% in FY 2017. This percentage is expected to decrease to 40% in the FY 2018-FY 2019 biennium as more districts with higher wealth will be served by CFAP. On average, OFCC embarks on 20 to 25 new projects each year.

Secretary of State

Business Services Operating Expenses

The bill increases Dedicated Purpose Fund line item 050603, Business Services Operating Expenses, by \$135,000 in each fiscal year. It also adds uncodified law specifying that a portion of the appropriation is to be used to pay the costs associated

with the use of space in the Department of Administrative Services facilities at the State of Ohio Computer Center.

Department of Health

Lupus Awareness

The bill specifies that it is the intent of the General Assembly that GRF line item 440481, Lupus Awareness, be used in FY 2019 for the sole purpose of providing outreach to patients diagnosed with lupus. In H.B. 49, the line item receives an appropriation of \$100,000 in each fiscal year. H.B. 49 requires funds to be used for the Lupus Education and Awareness Program.

Development Services Agency

Reappropriation language for the Lakes in Economic Distress Program

The bill makes two modifications to uncodified law in H.B. 49 in order to clarify the use of reappropriations in FY 2018 that are related to the Lakes in Economic Distress Program.

First, the bill amends the law that reappropriates the unused FY 2017 balance of Fund 5RQ0 line item 195546, Lakes in Economic Distress Revolving Loan Program, for use in FY 2018 so that the reappropriated money may also be used for (1) grants to support stormwater drainage infrastructure improvements at the Buckeye Lake Dam, or (2) grants to support a stormwater drainage study at the Buckeye Lake Dam.

Second, the bill amends the law that reappropriates the unused FY 2017 balance of GRF line item 195407, Travel and Tourism, for use in FY 2018 in order to require that grants awarded through this line item meet the same eligibility requirements as those governing loans for the Lakes in Economic Distress Revolving Loan Program. Eligibility requirements and other program terms for the Lakes in Economic Distress Revolving Loan Program are set forth under section 122.641 of the Revised Code.

Department of Rehabilitation and Correction

STAR Community Justice Center funding

The bill amends temporary law that requires capital line item C501HE, Ohio River Valley Jail Facility, and related appropriation of \$1.25 million, to require the appropriation to be used for either or both of the following: (1) development of the Ohio River Valley Jail Facility; (2) expenses related to the STAR Community Justice Center located in Franklin Furnace (current law requires the appropriation to be used for the development of the Ohio River Valley Jail Facility).

Bureau of Workers' Compensation and Ohio Industrial Commission

Transfers to GRF from selected non-GRF funds

Section 512.12 of H.B. 49 allows the Director of Budget and Management to transfer cash from state funds used by eight designated state agencies in amounts

equaling up to 2% of each fund's total FY 2017 appropriation to the GRF. Two of the listed state agencies are the Bureau of Workers' Compensation (BWC) and Ohio Industrial Commission (OIC). S.B. 8 removes these two agencies from this list.

Veterans organizations

Veterans organizations grant program

The bill: (1) eliminates the requirement for the Director of Budget and Management to receive a report from the Director of Veterans Services before releasing funds to a veterans organization, (2) removes a related temporary law provision that permits the Director of Budget and Management to release the money in each appropriation item to the designated veterans organization, and (3) requires the Director of Veterans Services to release funds and process payments to veterans organizations when a veterans organization properly submits a required report. These provisions will have no fiscal effect on the state or any of its political subdivisions.

School Employees Retirement System

The bill modifies eligibility for School Employees Retirement System (SERS) pension and benefit recipients' annual cost-of-living adjustments (COLAs). The bill specifies that a recipient of a benefit that commences on or after January 1, 2018, is eligible for an annual COLA only after the number of anniversaries determined by the SERS Board. Currently a recipient is eligible for an annual COLA after receiving benefits for 12 months.

Under current law, the SERS Board is required to provide annual 3% COLAs to pension and benefit recipients until December 31, 2017. Beginning January 1, 2018, the requirement to make such annual COLAs becomes permissive for the Board. If the Board does grant an increase, the increase must be based on the percentage increase in a price index specified in the Revised Code, but the COLA is not to exceed 2.5%.

This provision does not have any direct fiscal effect on the state or on local governments. The bill does not change the employer contribution rate that is paid by public employers into SERS to provide benefits for their employees (SERS members); the current employer contribution rate is 14% of pay for each SERS member. However, the bill may decrease future COLAs for future SERS retirees, which would reduce SERS expenditures to pay future pensions and benefits.

Tourism development districts

The bill makes the following changes to the manner in which a county may divert existing tax revenues to fund development of tourism in a tourism development district (TDD). Under current law (R.C. 503.56 and 715.014), a TDD may be designated only in Stark County.

(1) The county would be authorized to divert all or part of its county-wide lodging taxes that would otherwise be paid to the county's convention and visitors' bureau to instead be spent to fund the bureau's efforts to develop tourism in the TDD,

but only with the bureau's approval. Current law limits the diversion of lodging taxes to tourism development, allowing only the portion levied and collected within the TDD to be so used, with approval of the convention and visitors' bureau. The county-wide lodging tax in Stark County raised \$1,402,119 in 2015, the latest year published on the Department of Taxation website. The amount of lodging taxes raised in the TDD is not shown in that data source.

(2) Revenue from a county sales tax levied to fund criminal and administrative justice services would be prohibited by the bill from being diverted to develop tourism in a TDD. Current law allows the annual growth of county and transit authority sales taxes remitted by vendors in a TDD, referred to as incremental sales tax growth, to be diverted to develop tourism in the TDD, with approval of the municipal corporation or township that created the TDD and of the county or transit authority levying the sales tax. In 2016, the county sales tax in Stark County raised \$29,382,664, according to Department of Taxation records. County sales tax revenues in the TDD, and incremental sales tax growth, are not indicated on the Department's website.

(3) The bill expressly authorizes a county making incremental sales tax growth payments to stop making such payments after an ending date or period of time for such payments set in the resolution adopted by the board of county commissioners that provided for such payments.

(4) The bill prohibits the county from pledging or using property tax receipts to fund capital improvements or tourism development in a TDD.

Regional transportation improvement projects

The bill modifies provisions for a regional transportation improvement project (RTIP) that was undertaken before the effective date of S.B. 8 of the 132nd General Assembly. As of this writing, the Ohio Department of Transportation has approved only one RTIP, which seeks an eastward expansion of U.S. Route 30 from East Canton to State Route 11 in Columbiana County. The RTIP governing board is comprised of commissioners and county engineers from Stark, Columbiana, and Carroll counties.

Under current law, all local government entities with jurisdiction over the properties must provide consent before authorizing the tax increment financing (TIF) arrangement⁷ for the proposed transportation financing district. This provision permits an RTIP governing board to unilaterally implement the TIF arrangement without approval of each subdivision and taxing district. However, this provision does not constitute a revenue loss to those jurisdictions because it is predicated upon the RTIP governing board fully reimbursing affected entities "for the full amount of taxes exempted under the resolution creating the district."

⁷ Property owner payments derived from the increased assessed value of any improvement to real and public utility property are directed towards a separate fund to finance the construction of public infrastructure.

The provision does not have a net impact on local entities with parcels alongside the 36-mile highway extension proposed for U.S. Route 30. Although the bill removes the permissive nature of the TIF arrangement, any revenue losses are offset by compensation from the RTIP governing board. The bill makes other revisions to RTIP operations, but these changes do not incur a fiscal effect. Please refer to the LSC Bill Analysis for further description of these modifications.

Transportation of persons between county jail and the courts

The bill codifies current practice by allowing municipal courts and county courts to contract with county sheriffs for the transportation of persons from the county jail to the municipal court or county court and provides that each contract of this sort must provide for the costs of transportation and must not last for more than four years. This provision should not create additional costs for municipal or county courts as these services are already provided.

The bill also requires that: (1) every deputy sheriff of a county to serve ex officio as a deputy bailiff of a municipal court within the county and to perform without additional compensation any duties with respect to cases within the court's jurisdiction as assigned by the judge, the clerk, or a bailiff or deputy bailiff of the court, and (2) every deputy sheriff of a county to serve ex officio as a bailiff of a county court within the county in which a bailiff has been appointed, but prohibits the deputy sheriff from performing court services similar to those performed by the sheriff for the court of common pleas unless the services are requested by the court. These bailiff functions are currently provided by law enforcement personnel, including sheriff's deputies under the bill, without compensation, so the provision should not create any additional cost for the courts.