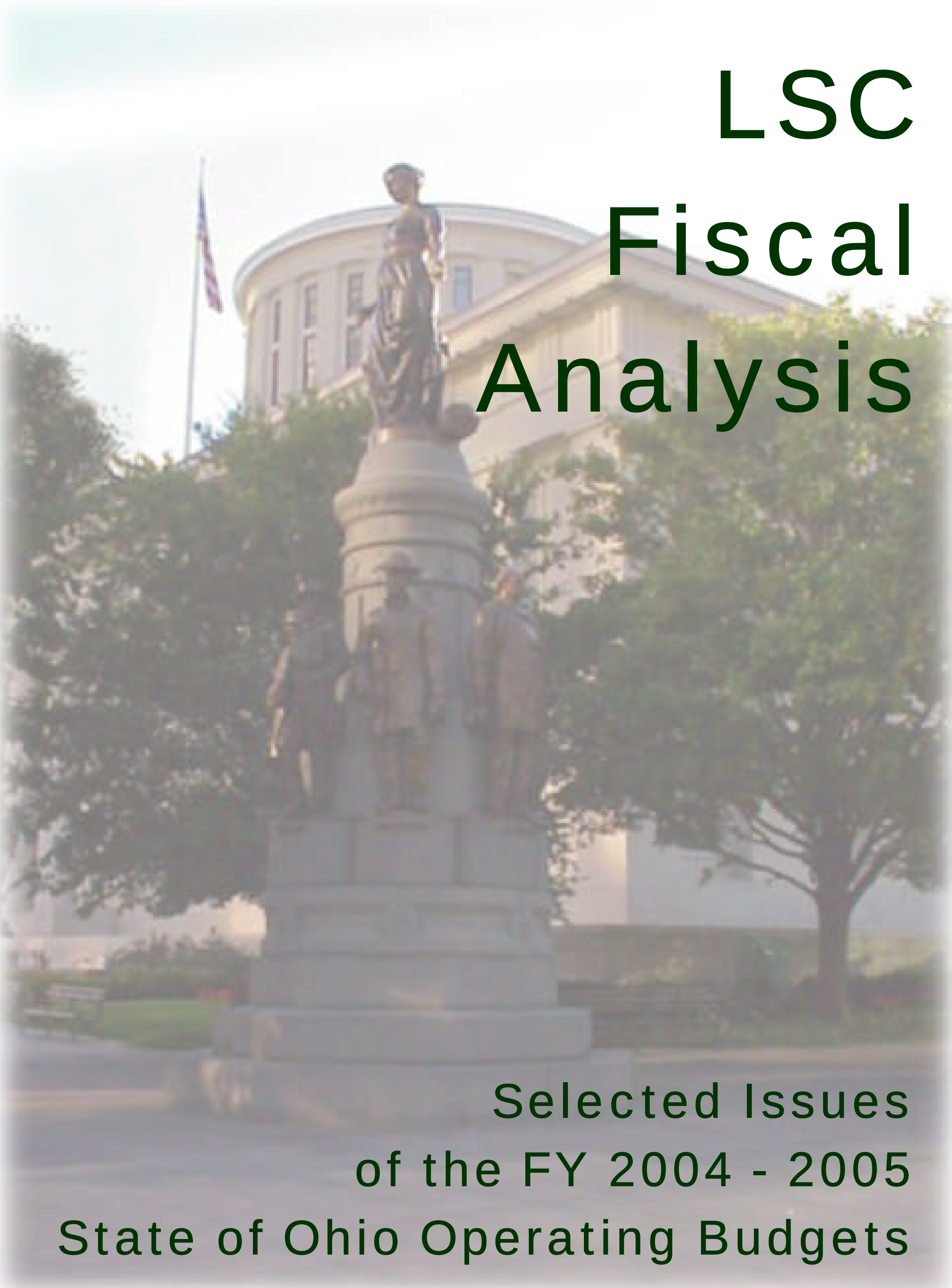

LSC Fiscal Analysis

Selected Issues of the FY 2004 - 2005 State of Ohio Operating Budgets

LSC Fiscal Analysis

Selected Issues of the FY 2004 – 2005
State of Ohio Operating Budgets

125th General Assembly (2003-2004)

Ohio Legislative Service Commission

October 2003

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 125th General Assembly –Am. Sub. H.B. 95 (the General Operating Budget); Am. Sub. H.B. 87 (the Transportation Budget); Sub. H.B. 91 (the Workers Compensation Budget); and Am. H.B. 92 (the Industrial Commission Budget). These bills were all passed by June 30, 2003. 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. Additional sections include: Tax Provisions, Fee Increase, and Local Government Provisions. The Tax Provisions section provides estimates of the impact of the substantive tax changes included in the operating budgets. The Fee Increases section summarizes all the new and changed fees included in the operating budgets. The section titled Local Government Provisions includes the enacted provisions from the operating budgets that effect local government.

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
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77 South High Street, 9th Floor
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- Non-GRF fees provide funding for housing program

Main Appropriation Acts

Steve Mansfield, Fiscal Supervisor
Allan Lundell, Senior Economist
Other LSC analysts

OVERVIEW

The *LSC Analysis of the State Operating Budget for Fiscal Years 2004 and 2005* 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 Budget in Detail (spreadsheets).

APPROPRIATIONS BY BUDGET

This section contains a summary of the four operating budget acts of the FY 2004-2005 biennium: Am. Sub. H.B. 95 (the Main Operating Budget); Am. Sub. H.B. 87 (the Transportation Budget); Sub. H.B. 91 (the Workers Compensation Budget); and Am. H.B. 92 (the Industrial Commission Budget). **Table 1** shows the funding for each of the budget acts. The column on the right, labeled "Share," shows the portion of total state appropriations funded through each of the appropriation acts.

Table 1. Total FY 2004 - 2005 Appropriations by Budget Act

Budget	FY 2004	FY 2005	Biennium Total	Share
Main Operating [H.B. 95]	$45,500,121,768	$47,124,474,480	$92,624,596,248	94.6%
Transportation [H.B. 87]	2,303,688,680	2,275,681,400	4,579,370,080	4.7%
Workers Compensation [H.B. 91]	317,032,074	317,537,074	634,569,148	0.6%
Industrial Commission [H.B. 92]	59,999,383	59,999,383	119,998,766	0.1%
Total	$48,180,841,905	$49,777,692,337	$97,958,534,242	100.0%

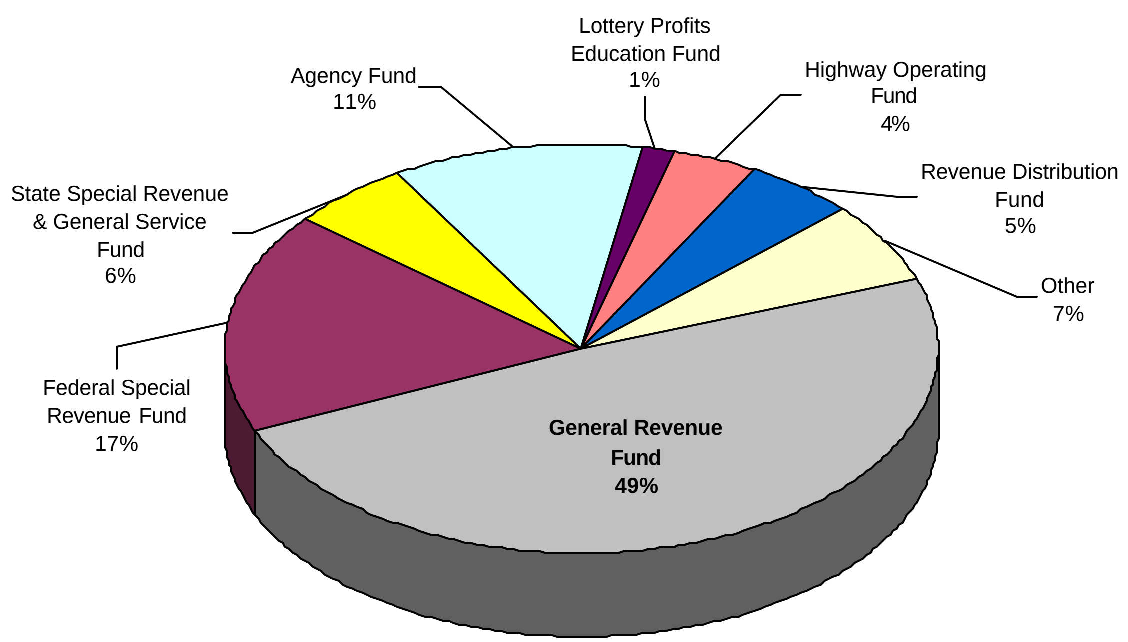
Total appropriations for all budgets and all fund groups in FY 2004 exceed actual FY 2003 expenditures by 8.1%. Fiscal year 2005 appropriations exceed FY 2004 appropriations by 3.3%. The Main Operating Budget, with over 94% of all appropriations, obviously defines these rates of increase. Significant 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. 95, below).

APPROPRIATIONS BY FUND GROUP

Chart 1 shows the portion of total state appropriations funded by each of the state fund groups for the FY 2004-2005 biennium. See the spreadsheets for information on funding by agency, by line item, and by fund group within each agency for FYs 1999 through 2005.

The state General Revenue Fund (GRF) is the largest 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. 95.

Chart 1. FY 2004-2005 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 uses 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 7.6% over actual expenditures for the prior FY 2003-2004 biennium. Fiscal year 2004 GRF appropriations exceed FY 2003 expenditures by 4.2%, while FY 2005 GRF appropriations exceed FY 2004 appropriations by 2.9%.

The purchasing power of total GRF plus LPEF appropriations for the biennium is expected to grow by 3.9% over actual FY 2002-2003 expenditures. **Chart 2** shows the state GRF and LPEF expenditures for FYs 1985 through 2003, along with the appropriations for FY 2004-2005 in both nominal amounts and amounts adjusted for inflation. Between 1985 and 2003, expenditures have grown by 168% in nominal dollars – or by 56% after inflation is taken into account. During the same period, expenditures as a percent of Ohio's gross state product (GSP) have risen from 4.0% to 4.7%, but are expected to fall back to 4.6% in the FY 2004-2005 biennium (see **Chart 3**).

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

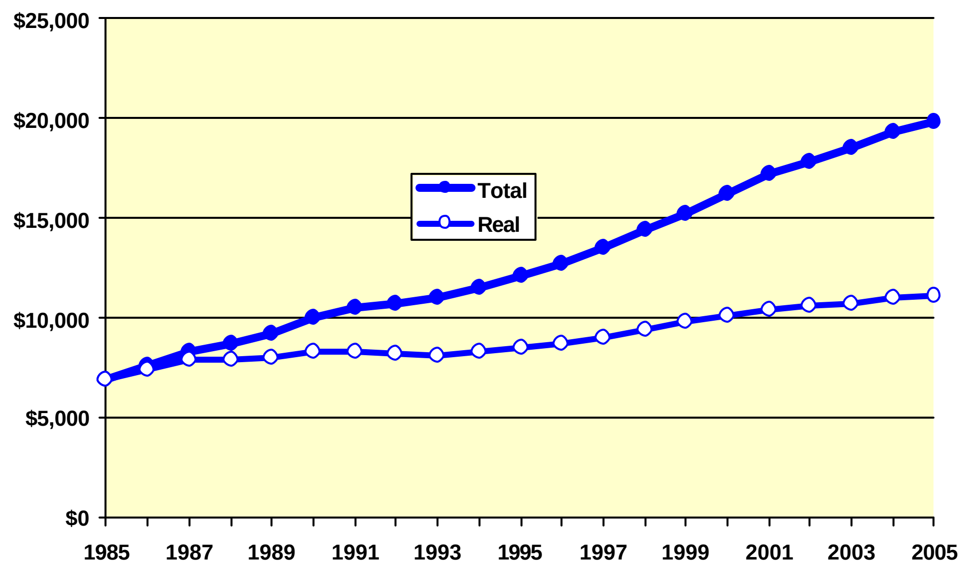
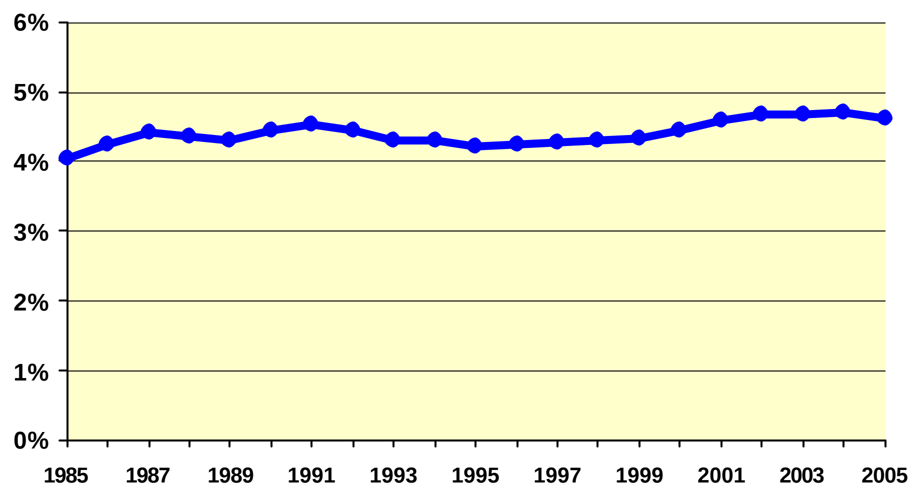


Chart 3. State GRF and LPEF Appropriations as a percentage of Ohio GSP



As depicted in **Charts 4 and 5**, Primary and Secondary Education continues to receive the largest share of GRF appropriations ($16.1 billion over the biennium, or 41.0% of total state GRF plus LPEF funding, and excluding the Local Government Funds), followed by Human Services ($11.4 billion, or 29.0%), Higher Education ($4.9 billion, or 12.6%), and Corrections ($3.4 billion, or 8.6%). 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 along with a brief discussion of revenues and taxation are discussed in the highlights section, below.]

Chart 4: Total State GRF and LPEF Expenditures by Major Category

(in millions)

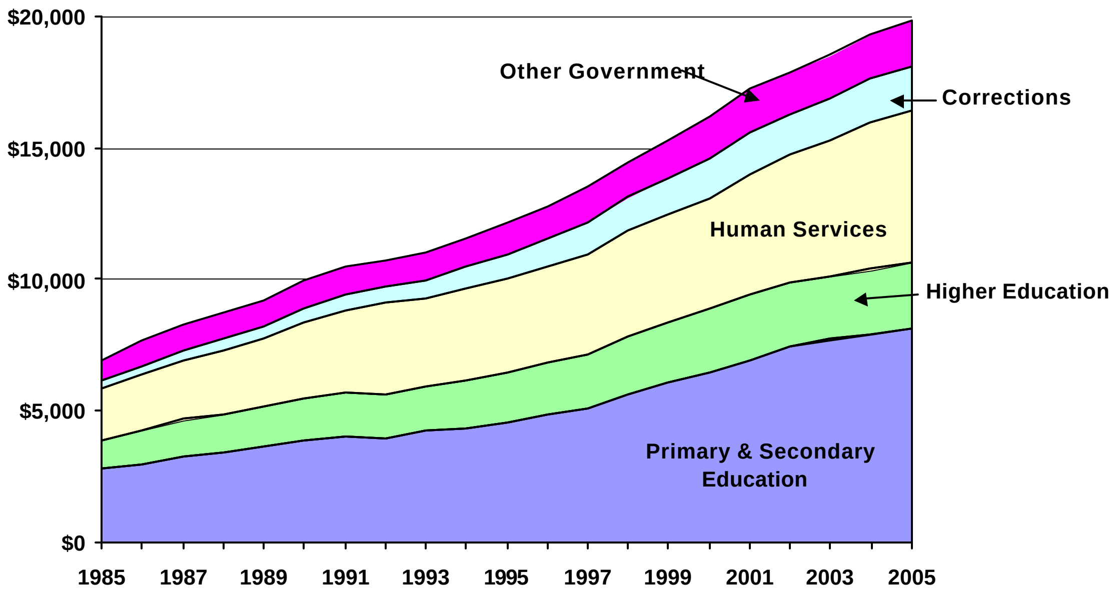
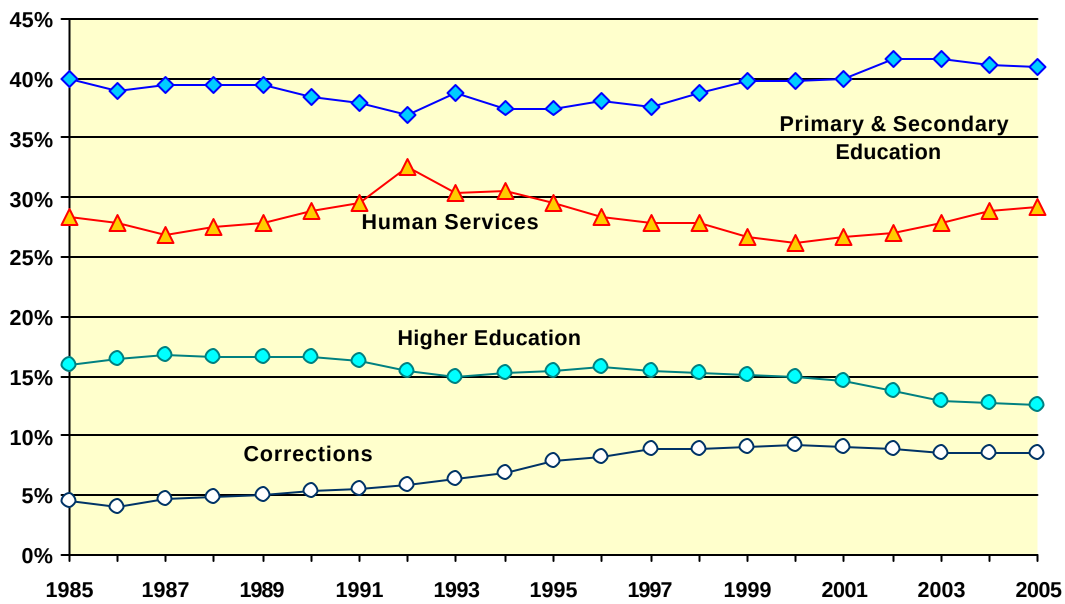


Chart 5: Program Spending as a Percentage of State GRF and LPEF Spending



HIGHLIGHTS OF THE MAIN APPROPRIATIONS ACT (AM. SUB. H.B. 95)

Revenues and Taxation

Am. Sub. H.B. 95 makes numerous changes to sales and use tax laws. Most notably, the budget act temporarily increases the sales tax rate from 5% to 6%, expands the sales and use tax base to include additional services, and makes required revisions to the sales tax law to comply with the Streamlined Sales and Use Tax Agreement. Over the biennium, the rate change is estimated to increase GRF revenues by $2,376 million and the base expansion is estimated to increase GRF revenues by $344 million. Am. Sub. H.B. 95 freezes the amounts of state tax receipts that are deposited into and distributed from the three local government funds (Local Government Fund (LGF), Local Government Revenue Assistance Fund (LGRAF), and the Library and Local Government Support Fund (LLGSF)) at the lower of the formula amounts or the levels of FY 2003 (after all adjustments and reductions). The freezes are estimated to add $309 million to the GRF over the biennium. Am. Sub. H.B. 87 includes a phased-in increase in the motor fuel tax. The motor fuel tax increases, estimated to raise $408 million in additional revenue over the biennium, are not related to GRF financing needs, but are instead related to highway financing and construction needs (as required by the Ohio Constitution).

Primary and Secondary Education

State GRF and Lottery (LPEF) appropriations over the biennium for primary and secondary education total $15.7 billion, 38.5% of the $41.7 billion biennial total of state GRF, LPEF, and LGF. Total GRF and LPEF appropriations for the Department of Education grow by 2.1% in FY 2004 and 2.2% in FY 2005.

Base Cost Funding. The budget provides a 2.2% annual increase in the base cost formula amount, resulting in $5,058 per pupil in FY 2004 and $5,169 per pupil in FY 2005. The budget removes the option of using a three-year average formula ADM for districts with declining enrollments, requiring the current year ADM to be used for all districts.

Special Education Weighted Funding. The budget continues phasing in the special education weights established by Am. Sub. H.B. 94 of the 124th General Assembly at the 88% level in FY 2004 and the 90% level in FY 2005. Over $700 million in state special education weighted funding will be distributed to school districts over the biennium.

Parity Aid. The budget continues to phase-in parity aid at the 58% level in FY 2004 and the 76% level in FY 2005. It provides $320.7 million in FY 2004, an increase of 59.2%, and $427.0 million in FY 2005, an increase of 33.1%, for parity aid. The budget makes community schools eligible for parity aid. It requires that the resident district's parity aid per ADM be deducted from the district's state aid and transferred to the community school for each community school student residing within the district.

Head Start and Head Start Plus. The budget sets aside $83.5 million in FY 2005 for up to 10,000 slots in the new Head Start Plus program, as well as setting aside $22.8 million in FY 2005 for up to 4,000 slots in the traditional Head Start program. Head Start Plus combines traditional Head Start services with state administered childcare services, providing all-day services to eligible children and their families.

Preparation for the Ohio Graduation Test. The budget requires that districts in academic watch or academic emergency administer and score a practice Ohio Graduation Test (OGT) for 9th grade students. The budget sets aside $500,000 in FY 2004 and $100,000 in FY 2005 to train district personnel in scoring this practice test. In addition, the budget sets aside $4.6 million in each fiscal year for a new program to provide grants to districts in academic emergency for five days of embedded professional development to 9th and 10th grade teachers of the subjects covered by the OGT. The budget also sets aside $3.7 million in FY 2004 and $5.9 million in FY 2005 for academic emergency districts to provide intervention services to 9th and 10th grade students whose scores on the practice OGT indicate they are at-risk of not passing the actual OGT by the end of 10th grade.

Academic Standards and Student Assessments. The budget continues to fund the creation of academic standards and model curricula as mandated by Am. Sub. S.B. 1 of the 124th General Assembly (S.B. 1). The budget appropriates $9.0 million in each fiscal year, an increase of 47.1% over FY 2003 spending, for this purpose. The budget continues to fund the overhaul of the state's testing system, also mandated by S.B. 1, and the increased federal requirements mandated by the federal No Child Left Behind Act of 2001. The budget appropriates $41.4 million in FY 2004 and $46.0 million in FY 2005, increases of 55.2% and 11.1%, respectively, for this purpose.

School Facilities. GRF appropriations for the Ohio School Facilities Commission (OSFC) total $138.1 million in FY 2004, an increase of 73.6% over FY 2003, and $177.7 million in FY 2005, an increase of 28.7% over FY 2004. All of the OSFC's GRF appropriations are used to pay for the debt service of bonds issued for school building construction and renovations. The budget also transfers $122.8 million of tobacco settlement payments intended for school facilities in FY 2004 to the General Revenue Fund. Bond authority will be issued in the same amount to compensate for the transfer.

Higher Education

The budget appropriates $2.46 billion to the Board of Regents in FY 2004, a 1.6% increase over the FY 2003 spending level, and $2.50 billion in FY 2005, a 1.6% increase over the FY 2004 appropriation level. For the FY 2004-2005 biennium, the total appropriations of $4.95 billion represent a 1.4% increase from the FY 2002-2003 biennium.

Subsidies. The State Share of Instruction (SSI) supports all of Ohio's state-assisted institutions of higher education, and is by far the largest of several subsidy items that are intended to partially offset the cost of a college education for Ohio residents attending Ohio's public institutions. SSI appropriations total $1.53 billion in FY 2004, a 0.3% increase over FY 2003, and $1.56 billion in FY 2005, a 1.6% increase over FY 2004. The four main Challenges (Jobs, Access, Success, and Research) provide nonenrollment-based aid to campuses. The budget appropriates $146.4 million in FY 2004 for these four items, an increase of 14.7% over FY 2003. In FY 2005, the budget appropriates $151.4 million, a 3.4% increase over FY 2004.

Tuition and Fee Caps. The budget re-imposes limitations on the increase in in-state undergraduate instructional and general fees (tuition caps). In each academic year, an institution may increase its tuition by 6% over the previous year, except for the Ohio State University, which is allowed to increase its tuition by up to 9%. In a separate vote, each institution may increase its tuition by an additional 3.9%. However, the proceeds from this additional increase can only be used to provide scholarships to low-income student, or for improved technology services for students.

Miami University Pilot Tuition Restructuring Plan. The budget also recognizes the Tuition Restructuring Plan at Miami University. Under this plan, Miami will charge the same tuition for both Ohio and non-Ohio undergraduates, but will provide each Ohio resident a scholarship in the amount of equal to the per capita funding received by Miami from the State Share of Instruction and the Success Challenge. These changes will have no direct financial impact for students who enroll prior to August 2004. Miami's tuition under this new price structure is also subject to the same tuition caps imposed on other institutions.

Human Services

Department of Job and Family Services (JFS). For FY 2004, the budget appropriates $15,392,156,168 in all funds to fund JFS. This exceeds FY 2003 spending by $1,924,707,466, or 14.3%. An increase of 23.5% in appropriation authority over FY 2003 expenditures occurs in federal funding. When looking solely at GRF appropriations, we see that FY 2004's appropriation of $9,718,075,406 is an increase of $869,156,241, or 9.8%, over the FY 2003 expenditure level. Looking further into the composition of the Department's GRF appropriation, we see that several GRF line items include a federal portion. The federal portion of the GRF appropriation for JFS amounts to over $5.3 billion in FY 2004, and $5.6 billion in FY 2005. As a portion of the Department's total budget for both FY 2004 and FY 2005, federal funds make up about 63% of the total. This federal component of GRF funds combined with federal special revenues totals $9.7 billion in FY 2004 and $10.1 billion in FY 2005.

Head Start. During FY 2004, Head Start will continue to function as it does under current law. The funding available for Head Start in FY 2004 is $68,170,000 ($11,000,000 GRF and $57,170,000 TANF), which will allow 11,600 children to receive state funded services under the program. (Funding for Head Start in FY 2003 was approximately $98.0 million, which allowed 18,000 children to receive state-funded Head Start services.)

Am. Sub. H.B. 95 creates, beginning in FY 2005, the Head Start Plus program, which will provide child care settings with an enhanced program that meets the purposes of the Head Start program and meets families' needs for all-day, year-round child care. In FY 2005, 10,000 children will receive services through Head Start Plus and 4,000 children will receive services through traditional Head Start. The Department of Job and Family Services is planning to fund part of the Head Start Plus initiative with TANF dollars. Total funding for the Head Start/Head Start Plus initiative in FY 2005 is $115,184,000 ($5,000,000 GRF and $110,184,000 TANF).

TANF Block Grant. The budget appropriates $786,095,609 for FY 2004 and $845,909,688 for FY 2005 to line item 600-689, TANF Block Grant. These appropriations exceed the annual TANF Block Grant award by $58,127,349 in FY 2004, and by $117,941,428 in FY 2005. The expenditure of the full appropriation in each year would thus have the effect of reducing the amount of the unspent TANF grant funds that have accumulated from previous years.

Disability Assistance. The budget contains several cost containment measures for the Disability Assistance program (DA). Prior to the budget act, DA benefits were provided to a variety of people including the elderly and disabled who are awaiting federal disability determinations, first and second trimester pregnant women, children under 18 living with a nonrelative, and individuals residing in treatment facilities certified by the Ohio Department of Alcohol and Drug Addiction Services. The act provides an increase of funding for FY 2004 of 6% above the spending in the program for FY 2003. All of this increase is in the medical assistance portion of the DA program. The appropriation level for FY 2004 for the cash assistance portion of DA is $22.8 million, which is the same as the actual spending for FY 2003. The act provides no growth for FY 2005. In order to operate the program at flat funding during the biennium, program eligibility will be restricted. The act permits the Director of Job and Family Services to adopt rules that revised the program's eligibility requirements and payment amounts, and to suspend acceptance of applications for DA financial and medical assistance. The Department of Job and Family Services estimated that the flat funding for FY 2004 and FY 2005 will result in approximately $83.0 million being saved over the biennium.

Medicaid. The budget appropriates $8.8 billion in combined federal and state GRF funds in FY 2004 and $9.3 billion in FY 2005 for the line item that funds most Medicaid programs. It also allows JFS to use a portion of the funds generated in accordance with the federal Jobs and Growth Tax Relief Reconciliation Act of 2003. The federal Jobs and Growth Tax Relief Reconciliation Act of 2003 increases state's federal medical assistance percentage (FMAP) for certain quarters. The budget act requires ODJFS to deposit the amount of federal revenue attributable to the enhanced FMAP that is being made available to the newly created Federal Fiscal Relief Fund. The disposition of cash from this new fund is determined by the budget act.

The budget act allows for the elimination of certain Medicaid coverage for adults such as chiropractic care and psychologist services. It continues the implementation of the Supplemental Drug Rebates and Preferred Drug List and allows copayments on nonpreferred drugs. H.B. 95 establishes a maximum mean total per diem rates applicable to nursing facilities and intermediate care facility for mental retardation (ICF/MR) in FY 2004 and FY 2005. Finally, the budget act allows for reform of the Ohio Home Care Program.

Department of Mental Retardation and Developmental Disabilities. Appropriations for developmental centers will not cover increased developmental center costs. As a result, the Department will close two developmental centers (Apple Creek and Springview), one at the end of the FY 2005, the other at the end of FY 2006.

The budget act sets a permanent cap on ICF/MR beds to reflect current capacity. The Department will be responsible for the non-federal share of residential facility expenditures for any newly certified bed.

Department of Aging. Total PASSPORT funding is increased by approximately $14 million in FY 2004 over FY 2003 expenditures and $32 million over FY 2004 appropriations. At these funding levels, the Department anticipates being able to meet the increasing demand for PASSPORT services and avoid waiting lists over the biennium. An estimated 29,700 people will be served in FY 2004, increasing to about 32,300 in FY 2005.

The budget act repeals Revised Code sections 173.45 through 173.59, which required the Department to develop a Long-Term Care Consumer Guide. In addition, no appropriations were provided to fund the program.

Department of Health. The Department received an additional $500,000 each fiscal year in GRF line item 440-407, Animal Borne Disease and Prevention, for prevention activities related to West Nile Virus.

The budget act also contains a $1.7 million earmark each fiscal year for women's health services in GRF line item 440-416, Child and Family Health Services, that takes effect on January 1, 2004. The budget act outlines what services are to be provided and how the funds are to be disbursed, with priority to be given to local health departments. Funds will be made available to organizations that do not meet all federal Title V and Title X requirements. Prior to January 1, 2004, the funds are to be used as they were in the FY 2002-2003 biennium, for family planning.

The budget act raised fees charged by the Department in nine different areas, which will increase revenues by about $4.3 million annually.

Department of Alcohol and Drug Addiction Services (ODADAS). The budget act increased appropriations in GRF line item 038-401, Treatment Services (formerly Alcohol and Drug Addiction Services), by $9.0 million in FY 2004, and added new earmarking provisions for the majority of that increase. Part of the increase is the transfer of $5.0 million for TANF MOE from the General Services Fund to the GRF in FY 2004 and FY 2005.

The budget act amended section 4301.30 of the Revised Code, doubling all liquor permit fees under $300 and increasing fees over $300 by 25%. In addition, the revenue distribution formula was changed so that ODADAS will receive 20% of the profits collected and transferred into State Special Revenue Fund 475, Statewide Treatment and Prevention. Under prior law, ODADAS received an amount equal to 21%. The increased liquor permit fees will generate approximately $2.1 million in additional revenue annually. However, because of the timing of collections and distribution of these revenues, ODADAS will receive approximately $1.3 million in FY 2004.

Increased liquor permit fee revenue will be used to fund treatment services only. The revenue will be deposited in the Statewide Treatment and Prevention Fund (Fund 475). Because the budget act did not increase that line item's appropriation amount, ODADAS will need additional appropriation authority in order to spend the additional revenue. The Department may seek additional authority through legislation or from the Controlling Board.

Department of Mental Health. The key issue that the Department focused on throughout the budget process was the adequacy of funding for community care. GRF line items: 334-408, Community Mental Health and Hospital Services; 335-502, Community Mental Health Programs; and 335-508, Services for Severely Mentally Disabled, provide the majority of GRF department funds to both the community mental and health hospital systems. Over the past decade, community mental health Medicaid expenditures in Ohio have grown substantially, from approximately $60 million in FY 1990 to $267 million in FY 2002.

The budget act combines appropriation line items 335-502 and 335-508 into one line item (335-505, Local Mental Health Systems of Care) and restores funding to the $89.7 million level that existed prior to the most recent round of executive order reductions in FY 2003.

Justice and Corrections

Department of Rehabilitation and Correction. The budget act does not provide sufficient GRF funding to cover the future cost of delivering FY 2003 program and service levels. Thus, the Department will have to trim institutional operating costs over the course of the FY 2004-2005 biennium, which means reductions in payroll, maintenance, and equipment expenses. Since the lion's share of the Department's personnel are employed in its institutional program areas, it is likely that any potential Department wide reductions in force would be relatively larger than those that might occur in the Division of Parole and Community Services or Central Office. These reductions could occur through any number or mix of mechanisms, including: (1) an early retirement buyout, such as the one put into place March 1, 2003 for a period of one year, (2) a continued hiring freeze, (3) attrition, and (4) potentially more layoffs. The Department is also planning to close the Lima Correctional Institution, which was scheduled for July 1, 2003, so the savings effect would be first realized in FY 2004. As of this writing, the authority of the Governor to close a prison was undergoing a legal challenge and the Lima Correctional Institution had not been closed as scheduled.

Department of Youth Services. Because the vast majority of the Department's annual funding comes from the state's GRF, the relatively small increases in the total appropriated GRF funding for FYs 2004 and 2005 in comparison to actual total FY 2003 GRF expenditures mean that it will not be able to maintain its existing level of staff, services, and subsidies. As a result, the Department will implement a downsizing plan that will include a reduction of its overall workforce by 15%, consolidation of the Riverview Juvenile Correctional Facility into the Scioto Juvenile Correction Facility, closure of the Athens Regional Parole Office and caseload consolidation within the six remaining regional parole offices, and restructuring of Central Administration.

Ohio Public Defender Commission. Under existing permanent law, the state is required to reimburse counties at a rate of 50% of the cost of providing indigent defense services, subject to available appropriations. The level of annual GRF funding provided in the budget act will in all likelihood support a state reimbursement rate for indigent defense services in the range of 33%.

Office of the Attorney General. In the matter of GRF funding, the annual amounts appropriated to the Office of the Attorney General for the FY 2004-2005 biennium represent what can, perhaps at best, be termed a "no growth" budget. In light of the available level of annual funding relative to its ongoing operating expenses, the Office of the Attorney General has sought to reduce or shift GRF expenditures by a variety of means, including: (1) restructuring and reorganizing the agency, to more effectively utilize existing staff and make the best use of limited resources, (2) utilizing non-GRF revenue streams to maintain service and staff levels, a potentially problematic strategy as the cash flow of these non-GRF state and federal funds may not be healthy enough to provide long-term payroll support, especially one-time judgments and court settlements, the magnitude and timing of which are highly unpredictable, (3) offering an early retirement incentive (ERI) program, which will reduce the agency's total annual payroll cost, (4) consolidating six downtown office locations, including merger of information technology support, mailroom, and printing operations, into one downtown office location, and (5) reducing a fleet of 283 automobiles by 20% to 30%.

Judicial Agencies. The Supreme Court of Ohio, the Court of Claims, and the Judicial Conference of Ohio are scheduled to move into the newly restored Ohio Courts Building on Front Street in downtown Columbus by March 2004. The Supreme Court will actually operate and maintain the building, which will require it to hire an estimated 30 or so security, management, and maintenance personnel. State agencies generally are not responsible for the management and operation of space occupied in state-owned buildings. However, in this case, apparently because the judicial branch of Ohio government will be the primary tenant of the building, the Court has been delegated to assume all responsibility for the building.

General Government

Department of Administrative Services (DAS). The budget requires the implementation of a Fleet Management Program administered by DAS, whose goal is to reduce the statewide vehicle fleet by 10% by the end of FY 2005. The Department also plans to fully implement the Multi-Agency Radio Communications System (MARCS) during FY 2005, relying on user fees for the system's operating revenue.

Department of Commerce. The budget increases the fees for many permits issued by the Division of Industrial Compliance and the Division of Liquor Control. The increase in inspection fees is estimated to generate approximately $2.18 million in additional revenue each year in the Industrial Compliance Operating Fund (Fund 556). The Division of Liquor Control increased all liquor permits of $300 or less by 100% and all permits more than $300 by 25%. The Department of Liquor Control estimates an $8.11 million increase in liquor permit fee revenue in FY 2004 and a $12.14 increase in FY 2005. This increase in revenue will be distributed to the GRF, ODADAS, and the local taxing districts.

Department of Development. The Department's total GRF appropriations in FY 2004 represent a 20.8% decrease over FY 2003 spending levels; FY 2005 appropriations increase 6.9% over FY 2004 levels. Among the most significant developments in the budget concerning the programs in the Department of Development are the following:

- The Housing Trust Fund (HTF) is no longer funded with money from the GRF; a new recordation fee (called the Housing Trust Fund fee), collected by county recorders, will serve as the revenue source for the HTF. Appropriations of $40 million are made in each FY of the biennium in SSR 195-638, Low and Moderate Income Housing Trust. Also four programs that were previously GRF-funded are now funded through the HTF: 195-406, Transitional/Permanent Housing; 195-431, Community Development Corporation Grants; 195-440, Emergency Shelter Housing Grants; and 195-441, Low and Moderate Income Housing. These four line items spent $26.8 million in FY 2003; the $40 million appropriation for the HTF represents a 49.2% increase over the FY 2003 spending level.

- The Coal Development Office is transferred from the Department of Development to the Air Quality Development Authority. Accompanying that transfer are two GRF appropriation items that paid for administrative expenses of the Coal Office (195-408, Coal Research Development) and debt service on coal bonds (195-906 Coal Research/Development General Obligation). Also transferred is the appropriation item that funded coal development projects through bond obligations (195-632, Coal Research & Development Fund).

- The Technology Action Fund is renamed the Third Frontier Action Fund and appropriates $16,790,000 in each FY (flat funded from FY 2003).

- An appropriation of $7.4 million will be made in FY 2005 in GRF appropriation item 195-905, Third Frontier Research and Commercialization, to pay for debt service of bonds issued under the Research and Commercialization Program of the Third Frontier Project. These bonds will appear on the November 2003 ballot, for approval by Ohio voters.

- GRF appropriation item 195-515, Economic Development Contingency, receives appropriations of $10 million in each fiscal year. Originally enacted as a GRF transfer of $25 million over the FY 2002-2003 biennium in Am. Sub. H.B. 299 of the 124th General Assembly, this line item provides grants for large capital investment projects with the creation or retention of a significant number of jobs.

Office of Budget and Management. The Offic e of Quality Services, responsible for the Quality Services through Partnership (QStP) courses offered to government employees, was closed due to budget constraints. The Office, which had FY 2003 expenditures of approximately $480,000, will receive $30,000 in FY 2004 for final expenses.

The Governor's Blue Ribbon Task Force on Financing Student Success will receive $1.0 million in FY 2004 and $250,000 in FY 2005 through OBM's Budget Development and Implementation line item. The Task Force is a 33-member group of education, community and business leaders charged with evaluating Ohio's system of financing primary and secondary education. It began meeting last month and will report its findings to the Governor in FY 2004.

Full implementation of the Ohio Administrative Knowledge System (OAKS) has been delayed, with funding for the project held to just over $2 million in each year of this biennium, down from $3.3 million in FY 2002 and $2.6 million in FY 2003. The Office of Budget and Management expects to choose its commercial software vendor by the end of the biennium with implementation expected during the next biennium. During FY 2004 and FY 2005, staff will also develop a web-based Controlling Board application to complement the commercial software.

State Library. In FY 2004, the Ohio Public Library Information Network (OPLIN) will be funded through the Library and Local Government Support Fund (as in the previous biennium), however, in FY 2005, OPLIN funding moves back to the GRF.

HIGHLIGHTS OF THE TRANSPORTATION BUDGET ACT (AM. SUB. H.B.87)

Am. Sub. H.B. 87, the transportation budget act, provides appropriations of $2.98 billion in FY 2004 and $2.96 billion in FY 2005. Of the biennial total amount, the Department of Transportation receives 77% to support the construction and maintenance of Ohio's state transportation system, 20% is used by the Department of Public Safety to preserve the safety and well-being of Ohioans and administer the state's motor vehicle laws, and 3% supports efforts of the Public Works Commission and the Department of Development to improve local government infrastructure. The majority of these appropriations are supported by the motor fuel tax, followed by federal funds and bond issuances. No GRF money is included in Am. Sub. H.B. 87.

Motor Fuel Tax Increases: Most notably, the act increases the motor fuel tax by up to 6 cents (from 22 cents to 28 cents) with a two-cent increase in FY 2004, another two-cent increase in FY 2005, and a possible two-cent increase in FY 2006. The final two-cent increase will not take effect if it is determined that: (1) Ohio’s minimum guarantee of federal motor fuel tax revenue is increased from 89% to 95%, and (2) Ohio’s current 13 cent per gallon (cpg) tax on alternative fuels is increased to the current federal motor fuel tax rate of 18.4 cpg. Therefore, dependent upon these federal conditions, by FY 2006 the tax increase is estimated to generate an additional $276 million to $414 million per year for the state, and from this amount, $51 million to $76 million will be distributed to local governments each year. The act also includes a provision that increases motor fuel tax revenues distributed to townships by way of a new township formula.

Other Highlights. Other highlights of the act include an increase in force account limits, a fuel tax exemption for school transportation purposes, phase-out of a portion of the motor fuel use tax, $13.9 million in funding for a new Automated Title Processing System at the Bureau of Motor Vehicles, $129 million in new Public Safety appropriation authority for future federal homeland security grants, and additional funding for Highway Patrol security at state buildings. At this point, the actual amount of homeland security grants is uncertain, and the Department of Public Safety expects the grants not to be as sizable as the $129 million of appropriations. For more information, see each agency's respective page in the Final Analysis, and the "Tax Provisions" section.

Department of Transportation (H.B. 95 portion)

The general aviation license tax is increased to $100 per aircraft and is estimated to generate an additional $400,000 per year. Formerly the tax was a range of $6 to $15. Also, budget reductions in public transportation, aviation, and rail may result in increased fares, reduced runway repair projects, and limited rail line acquisition and rehabilitation initiatives.

Department of Public Safety

Am. Sub. H.B. 87 was the primary funding act for the Department of Public Safety. Funding comes from various non-GRF sources, such as motor vehicle fees. FY 2004 appropriations of $591,490,000 represent a 37.2% increase over FY 2003 spending. FY 2005 funding of $605,789,000 is a 2.4% increase over FY 2004.

The most significant change introduced by Am. Sub. H.B. 87 concerning the Department of Public Safety was the funding source for the Ohio State Highway Patrol. In previous fiscal years, the Highway Patrol was funded primarily through the motor fuel tax. The act gradually removes the Patrol from the fuel tax. In order to fund the Patrol, motor vehicle fees are increased, with all revenue from the increases to be deposited in Fund 036 (State Highway Safety Fund). Driver's license fees are increased by $12, vehicle registrations are increased by $11, and temporary license placards are increased by $5. The increases will annually generate approximately $181 million.

Most of the Department of Public Safety's funding was received through the Transportation Budget, Am. Sub. H.B. 87. The main operating budget appropriates GRF money to the Department, most of which is used to fund the Emergency Management Agency. Public Safety is funding at $4,907,000 in each fiscal year, a 2.9% decrease from FY 2003 spending. The main operating budget also created the Division of Homeland Security within the Department of Public Safety, in order to coordinate homeland security activities between state agencies and local governments.

HIGHLIGHTS OF THE BUREAU OF WORKERS' COMPENSATION AND INDUSTRIAL COMMISSION BUDGET ACTS (SUB. H.B. 91 AND AM. H.B. 92)

Sub. H.B. 91 created the Industrial Commission Operating Fund (Fund 5W3). Formerly, BWC and OIC received funding through one assessment added to employer workers' compensation premiums and deposited to the Administrative Cost Fund (Fund 023). With the creation of Fund 5W3, the Administrator of BWC is to separately calculate employers' assessments for those costs solely attributable to OIC and for those costs solely attributable to BWC, and then is to divide the assessments collected into two separate administrative assessment accounts within the State Insurance Fund (Fund 5W3 and Fund 023). These accounting procedures will allow BWC and OIC to maintain direct control over their respective operating funds and will more clearly differentiate the costs of the services provided by the two agencies by showing employers what portion of their assessment goes toward BWC and what portion goes toward OIC.

- Biennial appropriations include $2,066,161 for Operating Expenses and $419,020 for CPA Education Assistance
- Investigative work continues to rise

Accountancy Board of Ohio

Carol Robison, Budget Analyst

ROLE

The mission of the Accountancy Board of Ohio is to assure that the services received by Ohioans from Public Accountants (PAs) and Certified Public Accountants (CPAs) will be performed in an ethical, competent, and professional manner and in accordance with all appropriate laws and standards. The Board determines the level of knowledge of all applicants through means of an examination. Those who pass the examination are then licensed and regulated by the Board. The Board mandates a program of continuing education for its licensees.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
20	$1.2 million	$1.3 million	0	0	Am. Sub. H. B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

In FY 2002 the Board handled the administrative work for 29,367 public accountant and certified public accountant licenses. The Accountancy Board is one of two occupational licensing boards that operate on a triennial renewal cycle. The Board operates from two state funds, the 4K9 Fund and the 4J8 Fund.

The Accountancy Board's operating expenses are taken from the GSF 4K9 Fund, the rotary fund to which the Board contributes. The largest increases in expenditures are expected from the increases in travel expenses and the continuation of increased investigations. Other increases are expected from the conversion of the CPA examination format from paper to computer-based format beginning in 2004.

The Educational Assistance program operates from the GSF 4J8 Fund. Surcharges on license renewals are deposited into Fund 4K9 and money is transferred quarterly into Fund 4J8 to fund the educational assistance program. The education assistance program was established as a scholarship program to reduce the financial burden of the increased educational requirements and to benefit low-income students seeking to become CPAs.

The Board's investigative work of individuals practicing as CPAs continues to rise due to the Board's requirements in S.B. 200 of 1998, but is managed through the use of laptop computers, the cooperation of the Security and Exchange Commission, and referrals from other federal and state agencies such as Housing and Urban Development and the Auditor of State.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
ACC Accountancy Board of Ohio									
4J8	889-601	CPA Education Assistance	$ 104,938	$ 157,246	$103,945	$ 209,510	101.56%	$ 209,510	0.00%
4K9	889-609	Operating Expenses	$ 812,167	$ 880,929	$902,454	$ 1,010,583	11.98%	$ 1,055,578	4.45%
General Services Fund Group Total			**$ 917,105**	**$ 1,038,175**	**$ 1,006,399**	**$ 1,220,093**	**21.23%**	**$ 1,265,088**	**3.69%**
Accountancy Board of Ohio Total			***$ 917,105***	***$ 1,038,175***	***$ 1,006,399***	***$ 1,220,093***	***21.23%***	***$ 1,265,088***	***3.69%***

- Over 60% of the Adjutant General's budget comes from federal funds
- Both the Army National Guard and Air National Guard strength levels are over 100%

Adjutant General

Sara D. Anderson, Budget Analyst

ROLE

The Adjutant General's Department, administrative headquarters of the Ohio National Guard, was organized in 1803. The Adjutant General has a threefold mission that includes federal, state, and community components. Through the federal mission the agency supports U.S. national security objectives. In 2001 and 2002, several Ohio National Guard units were activated in order to provide airport security for Operation Noble Eagle in the aftermath of the events of September 11, 2001. To fulfill its state mission, the agency is the state's largest emergency response team. The Governor can activate guard units to protect life and property and to preserve peace, order, and public safety. In 2002, units were activated to assist in the recovery efforts in Stark, Ottawa, and Van Wert counties as a result of the tornados that hit these counties. To fulfill its community mission, the Adjutant General participates in many community service projects, such as GuardCare that provides free health care to Ohio's medically underserved population.

The major state-sponsored recruiting inducement for the National Guard is the Ohio National Guard Scholarship program funded by the Board of Regents at $13.3 million in FY 2004 and $14.6 million in FY 2005. This amount exceeds the amount of GRF funding that is provided directly to the Adjutant General's Department. The scholarship program was upgraded in the FY 2000-2001 budget when the reimbursement for tuition went from 60% to 100%.

Agency In Brief

Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
345	$34.1 million	$35.2 million	$10.0 million	$10.0 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Adjutant General's total appropriation is $34.1 million in FY 2004, an 8.7% increase over the FY 2003 spending level and is $35.2 million in FY 2005, a 3.0% increase over the FY 2004 appropriation. GRF appropriations decrease 0.6% from FY 2003 to FY 2004 and increase 0.5% from FY 2004 to FY 2005.

BUDGET ISSUES

NATIONAL GUARD FUNDING

Federal appropriations fund approximately 60% of the budget for the Adjutant General's Department. In addition to the appropriated federal funding, there is other federal spending for military pay and equipment, which is not appropriated by the state and is spent directly by the federal government. Federal funding supports the need for well-trained military personnel who can be called to duty when needed. Ohio's ability to continue to play a role in the national military structure depends on the state's willingness to support a National Guard presence.

Continued state support is necessary to retain a National Guard presence in Ohio. The National Guard Bureau measures the state's commitment towards its National Guard units by an assessment of the state's ability to maintain the human and physical assets entrusted to it. This requires the National Guard to keep adequate staffing levels and to maintain the armories and air bases that house its military personnel. If the state fails to maintain these standards, guard units will be moved to other states. The loss of guard units means the loss of personnel and equipment that can be used to respond to state emergencies. Current strength levels for Ohio, however, are excellent, and the possibility of Ohio adding units from other states is good.

OHIO NATIONAL GUARD SCHOLARSHIP PROGRAM

Beginning in FY 2001, the tuition grant program was renamed the Ohio National Guard Scholarship Program and was moved into the budget for the Board of Regents. In addition the tuition costs for a National Guard member at an Ohio public university are now covered 100%, as opposed to 60% before FY 2001. In the FY 2004-2005 biennium, the appropriation for this program is $27,831,124, a 20.3% increase over the spending in the FY 2002-2003 biennium.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

ADJ Adjutant General

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	745-401	Ohio Military Reserve	$ 8,992	$ 22,294	$10,142	$ 14,889	46.81%	$ 15,188	2.01%
GRF	745-403	Armory Deferred Maintenance	$ 939,657	$ 200,143	$0	$ 0	N/A	$ 0	N/A
GRF	745-404	Air National Guard	$ 1,868,422	$ 1,857,552	$1,885,328	$ 1,915,177	1.58%	$ 1,939,762	1.28%
GRF	745-409	Central Administration	$ 4,075,230	$ 3,939,731	$4,203,119	$ 3,976,734	-5.39%	$ 3,899,590	-1.94%
GRF	745-499	Army National Guard	$ 4,040,553	$ 3,866,297	$3,859,071	$ 3,987,516	3.33%	$ 4,086,222	2.48%
GRF	745-502	Ohio National Guard Unit Fund	$ 121,392	$ 101,350	$99,000	$ 100,953	1.97%	$ 102,973	2.00%
General Revenue Fund Total			**$ 11,054,247**	**$ 9,987,367**	**$ 10,056,660**	**$ 9,995,269**	**-0.61%**	**$ 10,043,735**	**0.48%**
537	745-604	Ohio National Guard Maintenance	$ 567,082	$ 370,401	$384,306	$ 219,826	-42.80%	$ 219,826	0.00%
534	745-612	Armory Improvements	$ 175,147	$ 321,057	$697,970	$ 534,304	-23.45%	$ 534,304	0.00%
536	745-620	Camp Perry/Buckeye Inn Operations	$ 1,011,226	$ 1,076,985	$1,075,860	$ 1,094,970	1.78%	$ 1,094,970	0.00%
General Services Fund Group Total			**$ 1,753,455**	**$ 1,768,444**	**$ 2,158,136**	**$ 1,849,100**	**-14.32%**	**$ 1,849,100**	**0.00%**
3S0	745-602	Higher Ground Training	----	$ 4,639	$28,871	$ 10,937	-62.12%	$ 10,937	0.00%
3R8	745-603	Counter Drug Operations	$ 3,442	$ 20,163	$8,474	$ 25,000	195.02%	$ 25,000	0.00%
341	745-615	Air National Guard Base Security	$ 1,755,066	$ 1,445,342	$1,162,804	$ 2,181,960	87.65%	$ 2,312,877	6.00%
342	745-616	Army National Guard Service Agreeme	$ 3,288,847	$ 4,915,054	$6,181,594	$ 8,109,221	31.18%	$ 8,686,892	7.12%
343	745-619	Army National Guard Training Site Agr	$ 2,791,188	----	$0	$ 0	N/A	$ 0	N/A
3E8	745-628	Air National Guard Operations & Maint	$ 10,629,676	$ 11,022,038	$11,488,007	$ 11,901,459	3.60%	$ 12,174,760	2.30%
Federal Special Revenue Fund Group Total			**$ 18,468,218**	**$ 17,407,235**	**$ 18,869,750**	**$ 22,228,577**	**17.80%**	**$ 23,210,466**	**4.42%**
528	745-605	Marksmanship Activities	$ 61,225	$ 8,940	$151,711	$ 66,078	-56.44%	$ 66,078	0.00%
5U8	745-613	Community Match Armories	----	----	$163,898	$ 0	-100.00%	$ 0	N/A
State Special Revenue Fund Group Total			**$ 61,225**	**$ 8,940**	**$ 315,609**	**$ 66,078**	**-79.06%**	**$ 66,078**	**0.00%**
Adjutant General Total			***$ 31,337,145***	***$ 29,171,985***	***$ 31,400,155***	***$ 34,139,024***	***8.72%***	***$ 35,169,379***	***3.02%***

- Zero funding for four GRF appropriation items
- Full implementation of MARCS in FY 2005 using fees as primary source of revenue
- Increased responsibility for managing State's vehicle fleet

Administrative Services, Department of

Jeremie Newman, Budget Analyst

ROLE

The Department of Administrative Services (DAS) consists of five major operating divisions: General Services Division, Human Resources Division, Collective Bargaining Division, Equal Opportunity Division, and the Computer Services Division. The Department of Administrative Services is responsible for providing state agencies with centralized services pertaining to personnel, equal opportunity, collective bargaining, real estate, information systems, and the procurement of goods and services. A large portion of the agency's operating budget comes from charges that state agencies pay for computer support, payroll, purchasing and other centralized services. These charges are deposited into and disbursed from the General Services and Intragovernmental Service Fund Groups.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
886	$2.4 billion	$2.4 billion	$153.8 million	$163.9 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

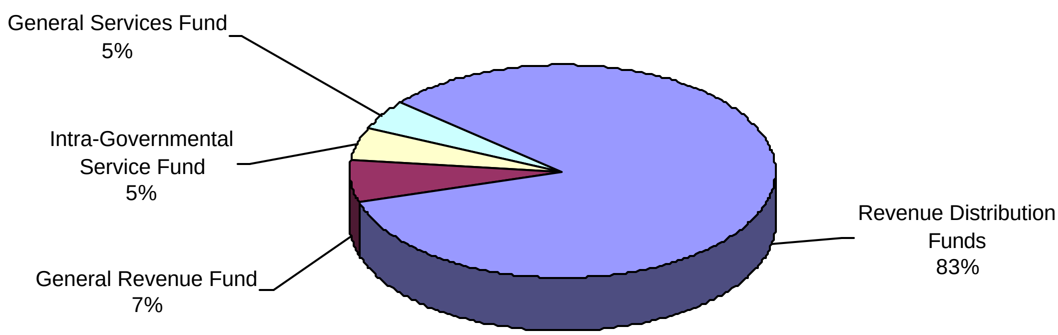
The total FY 2004 appropriation is $2.35 billion, a 2.53% increase over FY 2003 spending of $2.29 billion. The total FY 2005 appropriation increases by 3.83% over FY 2004 levels to $2.44 billion. It is important to note that in each fiscal year, pass-through dollars for payroll deductions such as health, vision, and dental insurance for all state employees, retirement contributions, and federal, state and local tax withholdings, account for about 84% of DAS's total appropriation.

The table below displays total recommended appropriations by fund group.

Fund Group	FY 2004	FY 2005	Percent Change
General Revenue Fund (GRF)	$ 153,772,203	$ 163,902,389	6.6
General Services Fund (GSF)	$ 106,499,345	$ 111,100,805	4.3
Intra-Governmental Service Fund (ISF)	$ 116,439,532	$ 112,890,004	(3.1)
Revenue Distribution and Holding Account Redistribution Funds	$1,975,220,000	$2,054,220,000	4.0
Total	**$2,351,931,080**	**$2,442,113,198**	**3.8**

The chart below displays these fund groups and their respective proportions of total FY 2004-2005 appropriations.

Sources of DAS Funding, FY 2004-2005



Four programs previously funded by the GRF did not receive appropriations for the FY 2004-2005 biennium. As a result, the Office of Communications, which markets DAS services to other agencies and the public, will have to be trimmed. The Ohio Geographically Referenced Information Program (OGRIP), a statewide Geographic Information System (GIS) initiative coordinated by DAS on behalf of other state and local agencies that use mapping data, also lost GRF funding. In addition, other technology projects under the Strategic Technology Development Programs area are affected. Finally, the Innovation Ohio program, an employee-suggestion award program, which was administered by the Human Resources Division and had been curtailed during FY 2003, has been eliminated altogether for the FY 2004-2005 biennium. As a result of the lack of GRF funding, all of these programs will either be discontinued or be funded through alternative means.

BUDGET ISSUES

MANAGEMENT IMPROVEMENT COMMISSION'S SPACE ALLOCATION STUDY

The FY 2004-2005 biennial budget authorizes the Department of Administrative Services (DAS) to implement the Management Improvement Commission's recommendations concerning facilities planning and space utilization concerning facilities planning and space utilization by state agencies. This includes: a biennial census of agency employees assigned office space by state agency locations; agency categorization of different uses of space; creation of a "master space utilization plan" incorporating space utilization metrics for all space allotted to state agencies; a cost-benefit analysis to determine the effectiveness of state-owned buildings; assessment of alternatives associated with consolidating the commercial leases for buildings located in Columbus, and a comprehensive space utilization and capacity study to determine the feasibility of consolidating existing commercially leased state agency space into a new state-owned facility. According to DAS, Real Estate Services does not have adequate staffing or funding to accomplish the new responsibilities for all State of Ohio properties and commercial lease space. Therefore, DAS plans to address these responsibilities related to only those buildings managed by DAS and OBA and commercial lease space under the leasing authority of the DAS Director (approximately 6 million square foot out of the total 46 million square foot owned by the state).

FLEET MANAGEMENT

The biennial budget contains provisions geared towards streamlining the management of the state's vehicle fleet. Specifically, these provisions grant DAS exclusive authority over the acquisition and management of motor vehicles used by state agencies, and requires DAS to establish and operate a fleet management program and a fleet reporting system for state agencies. The biennial budget prohibits the exclusive assignment of state-owned, leased, or pooled vehicles to state employees, and prohibits the assignment of a vehicle as a form of compensation or for the sole purpose of commuting. In addition, the biennial budget creates a nine-member Vehicle Management Commission and requires state agencies to reimburse DAS for all costs incurred in the assignment of motor vehicles. Altogether, these changes may result in a savings to the state due to the centralization of the fleet management system.

According to DAS, the Office of Fleet Management (OFM) plans to reduce the number of passenger vehicles by 10% by the end of fiscal year 2005. OFM has requested all state agencies that own, lease motor vehicles, or reimburses its employees for their use of a personal motor vehicle used on authorized state business to provide a fleet plan. The fleet plan submission dates start November 30, 2003.

MULTI-AGENCY RADIO COMMUNICATION SYSTEM

The FY 2004-2005 biennial budget authorizes the transfer of up to $4,887,390 in FY 2004 and $1 million in FY 2005 from the Automated Title Processing System Fund (Fund 849 in Department of Public Safety) to the Multi-Agency Radio Communication Systems Fund (Fund 5C2) to be used to complete the development of the MARCS system. In addition, the Director of DAS and the MARCS Steering Committee are authorized to develop a fee schedule for the 12 state agencies that use MARCS. All user charges, fees, and interest earnings are to be deposited in Fund 5C2. These fees will allow Fund 5C2 to be the primary source of operating revenue for the MARCS program, reducing the program's draw on the GRF. The goal is for full implementation of MARCS in FY 2005.

According to DAS, 189 land or towers out of 200 have been leased or purchased and 86 of those towers are complete. Several local health departments in addition to 21 counties (24%) are currently using MARCS. DAS has expended $106 million in capital dollars out of the $272 million appropriated to construct and implement MARCS.

EMPLOYEE EDUCATIONAL DEVELOPMENT FUND

The FY 2004-2005 biennial budget creates the Employee Educational Development Fund (Fund 5V6), and appropriates just over $800,000 in each fiscal year to provide educational programs per existing collective bargaining agreements with the following unions: District 199, Health Care and Social Service Union; State Council of Professional Educators; Ohio Education Association; National Education Association; the Fraternal Order of Police Ohio Labor Council, Unit 2; and the Ohio State Troopers Association. DAS will establish charges for recovering the costs of administering the educational programs. Training, professional development, and other programs for OCSEA employees are funded by the Workforce Development Fund (Fund 5D7). Similar offerings for non-union employees are funded by the Professional Development Fund (Fund 5L7).

REAL ESTATE LEASE COMMISSIONS AND FEES

The FY 2004-2005 biennial budget suspends DAS's authority to collect commissions and fees in connection with leases for which negotiations have commenced as of July 1, 2003, or leases for which no information pertaining to the imposition of commissions and fees was given prior to negotiations. This prohibition eliminates fee revenue that would have supplemented GRF appropriations for the Office of Real Estate Services. During the FY 2004-2005 biennium, GRF appropriation item 130-321, State Agency Support Services, will fund the Office of Real Estate Services, but it appears as though the current GRF appropriation cannot sustain the current level of service.

ENTERPRISE ARCHITECTURE/STATEWIDE TECHNOLOGY STANDARDS

The State's Enterprise Architecture and Technology Standards Program office is the State's only statewide technology standards-setting organization. According to DAS, state government uses a wide variety of inconsistent brands, types and versions of technology – over 12 different server platforms, nine different mid-tier operating systems, nine different workstation platforms, six different mainframe operating systems, seven different network operating systems, 12 different types of network protocols, and 10 different email systems. The FY 2004-2005 biennial budget eliminated funding for this office and thus this program will be suspended.

ENCOURAGING DIVERSITY, GROWTH AND EQUITY PROGRAM

A new program called Encouraging Diversity, Growth and Equity (EDGE), in addition to Minority Business Enterprise (MBE) program, was created by the Governor to assist small socially and economically disadvantaged businesses in Ohio. The EDGE initiative was established as a race and gender-neutral program to avoid potential court challenges as recommended under a 2001 study initiated by the General Assembly. The FY 2004-2005 biennial budget fully funds the EDGE program through GRF appropriation item 100-439, Equal Opportunity Certification Program.

VETOED PROVISIONS

Assessments on State Agencies, Boards, and Commissions

Am. Sub. H.B. 95 contained a provision that prohibits the Director of Administrative Services from increasing fees assessed on state agencies, boards, and commissions above the rates as of June 30, 2003, for various specified centralized services provided by DAS. The Governor argued that this rate cap would cause revenues collected for these various centralized services to fluctuate out-of-sync with actual program expenses, and thus vetoed this provision.

Alternative Purchasing Mechanism

Am. Sub. H.B. 95 contains a provision that allows a state agency to purchase services that cost more than $50,000 or supplies that cost more than $25,000 (both adjusted by the Consumer Price Index) to solicit at least three bids for the services or supplies and make the purchase directly from the lowest bidder instead of from or through DAS, if it could be proven that the direct purchase could be made more cheaply in this manner. The purchasing agency would be required to comply with the same competitive selection requirements that govern the solicitation of bids and proposals and must provide DAS with written notification of the subject and amount of the purchase. However, this provision was vetoed by the Governor and therefore is not part of the FY 2004-2005 spending plan.

Fleet Management Earmarks

The Governor also vetoed an earmark of $378,000 in FY 2004 and $122,000 in FY 2005 within appropriation item 130-321, State Agency Support Services. These earmarked amounts were to be used to administer the centralized fleet management program. Without the earmarks, DAS is permitted greater flexibility to expend the resources necessary to carry out this responsibility.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

DAS Administrative Services, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	100-402	Unemployment Compensation	$ 106,523	$ 111,679	$144,673	$ 100,000	-30.88%	$ 100,000	0.00%
GRF	100-405	Agency Audit Expenses	$ 578,853	$ 484,957	$803,211	$ 350,000	-56.42%	$ 350,000	0.00%
GRF	100-406	County/University Human Resources	$ 859,813	$ 775,156	$413,684	$ 400,000	-3.31%	$ 400,000	0.00%
GRF	100-409	Departmental Information Services	$ 572,841	$ 721,218	$756,740	$ 0	-100.00%	$ 0	N/A
GRF	100-410	Veterans' Records Conversion	----	$ 435,904	$8,473	$ 19,729	132.85%	$ 47,123	138.85%
GRF	100-414	Ohio Geographically Referenced Infor	$ 618,954	$ 895,983	$400,788	$ 0	-100.00%	$ 0	N/A
GRF	100-416	Strategic Technology Development Pro	$ 4,364,446	$ 5,155,652	$2,383,555	$ 0	-100.00%	$ 0	N/A
GRF	100-417	MARCS	$ 3,781,597	$ 4,357,979	$2,533,996	$ 900,000	-64.48%	$ 900,000	0.00%
GRF	100-418	Digital Government	----	$ 1,253,426	$3,363,716	$ 3,446,645	2.47%	$ 3,643,649	5.72%
GRF	100-419	Network Security	$ 3,602,691	$ 4,809,683	$2,003,732	$ 3,000,000	49.72%	$ 1,000,000	-66.67%
GRF	100-420	Innovation Ohio	$ 289,951	$ 114,949	$9,865	$ 0	-100.00%	$ 0	N/A
GRF	100-421	OAKS Project Implementation	$ 268,195	$ 520,594	$577,274	$ 450,000	-22.05%	$ 450,000	0.00%
GRF	100-430	Year 2000 Assistance	$ 102,714	----	$0	$ 0	N/A	$ 0	N/A
GRF	100-433	State of Ohio Computer Center	$ 4,769,388	$ 4,512,245	$4,508,077	$ 4,936,073	9.49%	$ 4,991,719	1.13%
GRF	100-439	Equal Opportunity Certification Progra	$ 656,413	$ 512,885	$491,630	$ 661,531	34.56%	$ 661,531	0.00%
GRF	100-447	OBA-Building Rent Payments	$ 78,669,482	$ 86,817,974	$95,626,591	$ 105,675,000	10.51%	$ 117,027,700	10.74%
GRF	100-448	OBA-Building Operating Payments	$ 21,974,191	$ 22,932,224	$19,759,115	$ 25,445,550	28.78%	$ 26,003,250	2.19%
GRF	100-449	DAS-Building Operating Payments	$ 3,097,263	$ 4,659,906	$4,106,167	$ 4,264,675	3.86%	$ 4,460,417	4.59%
GRF	100-451	Minority Affairs	$ 1,010,391	$ 547,644	$53,156	$ 50,000	-5.94%	$ 50,000	0.00%
GRF	100-734	Major Maintenance-State Bldgs	$ 54,595	$ 22,167	$78,577	$ 45,000	-42.73%	$ 45,000	0.00%
GRF	102-321	Construction Compliance	$ 1,160,590	$ 1,183,266	$986,248	$ 1,250,000	26.74%	$ 1,250,000	0.00%
GRF	130-321	State Agency Support Services	$ 3,783,474	$ 3,714,885	$3,383,514	$ 2,778,000	-17.90%	$ 2,522,000	-9.22%
General Revenue Fund Total			**$ 130,322,364**	**$ 144,540,375**	**$ 142,392,782**	**$ 153,772,203**	**7.99%**	**$ 163,902,389**	**6.59%**
427	100-602	Investment Recovery	$ 4,055,368	$ 5,529,010	$4,840,391	$ 4,023,473	-16.88%	$ 3,953,216	-1.75%
4P3	100-603	Departmental MIS Services	$ 3,250,579	$ 2,951,037	$2,486,802	$ 6,077,535	144.39%	$ 6,233,638	2.57%
5C2	100-605	MARCS Administration	----	$ 927,573	$2,142,196	$ 6,632,527	209.61%	$ 9,268,178	39.74%
130	100-606	Risk Management Reserve	$ 26,544	$ 154,468	$187,986	$ 217,904	15.92%	$ 223,904	2.75%
5C3	100-608	Skilled Trades	$ 2,188,069	$ 1,377,696	$991,007	$ 1,840,327	85.70%	$ 1,905,655	3.55%
5L7	100-610	Professional Development	$ 119,142	$ 2,093,092	$1,675,742	$ 2,700,000	61.12%	$ 2,700,000	0.00%

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
DAS	**Administrative Services, Department of**								
210	100-612	State Printing	$ 6,070,072	$ 6,058,678	$5,368,457	$ 6,160,200	14.75%	$ 6,674,421	8.35%
5A8	100-614	Energy Grants	----	$ 65,000	$0	$ 0	N/A	$ 0	N/A
5M6	100-615	E-Government Development	$ 9,106	$ 2,112,076	$0	$ 0	N/A	$ 0	N/A
112	100-616	Director's Office	$ 4,634,237	$ 4,483,567	$4,363,442	$ 5,503,547	26.13%	$ 5,503,547	0.00%
5V6	100-619	Employee Educational Development	----	----	$0	$ 809,071	N/A	$ 811,129	0.25%
128	100-620	Collective Bargaining	$ 2,585,781	$ 2,392,826	$2,426,124	$ 3,410,952	40.59%	$ 3,410,952	0.00%
5D7	100-621	Workforce Development	$ 13,818,140	$ 12,783,583	$17,236,196	$ 12,000,000	-30.38%	$ 12,000,000	0.00%
125	100-622	Human Resources Division - Operating	$ 15,607,612	$ 16,319,493	$15,995,137	$ 21,489,800	34.35%	$ 21,764,800	1.28%
127	100-627	Vehicle Liability Insurance	$ 1,500,601	$ 1,471,404	$1,753,214	$ 3,363,894	91.87%	$ 3,344,644	-0.57%
132	100-631	DAS Building Management	$ 10,510,932	$ 10,715,747	$9,893,968	$ 10,921,019	10.38%	$ 10,721,430	-1.83%
115	100-632	Central Service Agency	$ 855,032	$ 513,527	$2,027,576	$ 431,176	-78.73%	$ 448,574	4.04%
122	100-637	Fleet Management	$ 1,430,220	$ 1,336,397	$1,305,840	$ 4,169,589	219.30%	$ 4,352,849	4.40%
131	100-639	State Architect's Office	$ 5,691,853	$ 6,920,427	$5,640,502	$ 6,510,117	15.42%	$ 6,473,867	-0.56%
117	100-644	General Services Division - Operating	$ 5,157,710	$ 5,893,794	$5,650,444	$ 7,622,861	34.91%	$ 8,653,304	13.52%
188	100-649	Equal Opportunity Division-Operating	$ 961,744	$ 867,848	$773,192	$ 1,082,353	39.99%	$ 1,103,697	1.97%
201	100-653	General Services Resale Merchandise	$ 1,415,986	$ 1,505,552	$942,534	$ 1,533,000	62.65%	$ 1,553,000	1.30%
General Services Fund Group Total			**$ 79,888,726**	**$ 86,472,795**	**$ 85,700,750**	**$ 106,499,345**	**24.27%**	**$ 111,100,805**	**4.32%**
3H6	100-609	Federal Grants OGRIP	----	$ 16,801	$0	$ 0	N/A	$ 0	N/A
307	100-633	Federal Special Revenue	$ 113,983	$ 1,354	$0	$ 0	N/A	$ 0	N/A
Federal Special Revenue Fund Group Total			**$ 113,983**	**$ 18,155**	**$ 0**	**$ 0**	**N/A**	**$ 0**	**N/A**
133	100-607	Information Technology	$ 70,693,897	$ 74,145,324	$66,504,666	$ 100,987,526	51.85%	$ 102,272,838	1.27%
4N6	100-617	Major IT Purchases	$ 974,121	$ 2,744,333	$2,161,817	$ 15,452,006	614.77%	$ 10,617,166	-31.29%
Intragovernmental Service Fund Group Total			**$ 71,668,018**	**$ 76,889,656**	**$ 68,666,483**	**$ 116,439,532**	**69.57%**	**$ 112,890,004**	**-3.05%**
113	100-628	Unemployment Compensation Pass Th	$ 2,260,437	$ 3,573,261	$4,436,064	$ 4,200,000	-5.32%	$ 4,200,000	0.00%
124	100-629	Payroll Deductions	$ 1,763,929,486	$ 1,894,717,358	$1,992,789,254	$ 1,971,000,000	-1.09%	$ 2,050,000,000	4.01%
Agency Fund Group Total			**$ 1,766,189,922**	**$ 1,898,290,620**	**$ 1,997,225,318**	**$ 1,975,200,000**	**-1.10%**	**$ 2,054,200,000**	**4.00%**
R08	100-646	General Services Refunds	$ 1,385	$ 6,420	$3,480	$ 20,000	474.71%	$ 20,000	0.00%
Holding Account Redistribution Fund Group Total			**$ 1,385**	**$ 6,420**	**$ 3,480**	**$ 20,000**	**474.71%**	**$ 20,000**	**0.00%**
Administrative Services, Department of Total			***$ 2,048,184,399***	***$ 2,206,218,021***	***$ 2,293,988,813***	***$ 2,351,931,080***	***2.53%***	***$ 2,442,113,198***	***3.83%***

- Compared to actual expenditures in FY 2003, GRF appropriations are reduced by 1.7% for FY 2004

African American Males, Commission on

Steve Mansfield, Fiscal Supervisor

ROLE

The Commission on African-American Males (AAM) is charged with identifying, researching and promoting strategies and public policies to foster improvements in the social, economic, and educational problems that affect the African-American male population in Ohio. The Commission is mandated to conduct research in these areas, hold public hearings to collect data, identify state and local programs that address solutions to problems in these areas, implement new programs and demonstration projects, and develop community education and public awareness programs. In addition to these mandates, AAM is required to report annually on its activities, findings, and recommendations, and also is authorized to accept gifts, grants, and contributions from any public agency or private source. The Commission consists of up to 41 members, appointed by the Governor, representing a number of executive branch agencies, private associations, and other community groups, and is authorized to appoint an executive director who may hire other staff.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
3	$310,000	$310,000	$300,000	$300,000	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Commission on African-American Males was originally created as the Governor's Commission on Socially Disadvantaged Black Males in 1989. Beginning in FY 1991, AAM activities were overseen and coordinated by the Ohio Civil Rights Commission. Under Am. Sub. H.B. 283 of the 123rd General Assembly, AAM was separated from its parent organization and established as an independent agency. Chapter 4112. of the Ohio Revised Code provides statutory authority for the operation of AAM.

In FY 2002, the Commission hired a new executive director. In the FY 2002-2003 biennium the Commission held four statewide conferences, sponsored a small business development initiative, sponsored health education and awareness expositions, developed a referral process to a pre-employment training program, provided several scholarships to assist with college expenses, developed a speakers service bureau, and supported several other community-based programs.

BUDGET ISSUES

The Commission on African-American Males' funding request was for a total appropriation of $376,613 in FY 2004, and $412,890 in FY 2005. The GRF portion of the request was for $366,613 in FY 2004, and for $402,890 in FY 2005. In its core budget request, AAM sought funding for three full-time positions, and for purchasing computer equipment, travel, maintenance services, and for scholarships and community projects. In its supplemental budget request, AAM sought funding for one additional full-time position, for additional maintenance expenses that would be used to support conferences, and for additional community projects.

The FY 2004 and FY 2005 GRF funding level of $300,000 will enable nearly the same level of activity as FY 2003. In FY 2003 the Commission had an actual GRF expenditure of $305,110.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill   **Version:** Enacted

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
AAM African American Males, Commission on									
GRF	036-100	Personal Services	$ 136,336	$ 257,810	$211,480	$ 212,492	0.48%	$ 218,610	2.88%
GRF	036-200	Maintenance	$ 141,233	$ 129,014	$49,993	$ 50,180	0.37%	$ 50,180	0.00%
GRF	036-300	Equipment	$ 59,172	$ 10,053	$10,336	$ 4,000	-61.30%	$ 4,000	0.00%
GRF	036-501	CAAM Awards & Scholarships	----	$ 1,400	$11,014	$ 8,143	-26.07%	$ 765	-90.61%
GRF	036-502	Community Projects	$ 133,200	$ 55,548	$22,287	$ 25,185	13.00%	$ 26,445	5.00%
General Revenue Fund Total			**$ 469,941**	**$ 453,825**	**$ 305,110**	**$ 300,000**	**-1.67%**	**$ 300,000**	**0.00%**
4H3	036-601	African American Males-Gifts/Grants	$ 1,302	----	$2,506	$ 10,000	299.04%	$ 10,000	0.00%
State Special Revenue Fund Group Total			**$ 1,302**	**----**	**$ 2,506**	**$ 10,000**	**299.04%**	**$ 10,000**	**0.00%**
African American Males, Commission on Total			***$ 471,243***	***$ 453,825***	***$ 307,616***	***$ 310,000***	***0.77%***	***$ 310,000***	***0.00%***

- Total appropriation for FY 2004 is 7.4% more than FY 2003; FY 2005 is 4.4% more than FY 2004

Agency Rule Review, Joint Committee on

Kerry Sullivan, Budget Analyst

ROLE

The Joint Committee on Agency Rule Review (JCARR) is responsible for the review of proposed new, amended, and rescinded rules from state agencies that have rule-making authority. This review is to ensure that changes do not exceed the scope of an agency's statutory authority, that the rules do not conflict with an existing rule of the agency or another rule-making agency, and that the rules do not conflict with legislative intent. The Committee also makes sure that agencies complete a rule summary and fiscal analysis of all proposed rule changes. JCARR will recommend to the General Assembly that a rule be invalidated if the preceding criteria are not met.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
5**	$364,000	$380,000	$364,000	$380,000	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.
**Includes administrative staff only; members' salaries are paid from appropriations to the House of Representatives and the Senate.

OVERVIEW

Appropriations for FY 2004 total $363,769. This amount is $25,000 more than the revised appropriation for FY 2003 (a 7.4% increase) and is $49,653 more than actual expenditures for FY 2003. Appropriations for FY 2005 total $379,769, or $16,000 more than FY 2004 (a 4.4% increase).

The Committee consists of five members of the House of Representatives and five members of the Senate. The Committee is served by a five-member staff consisting of an Executive Director, an Assistant Director, a Rules Analyst, and administrative personnel. The Committee is funded entirely by General Revenue Fund dollars.

Language in the budget act specifies that the Chief Administrative Officer for the House and the Clerk of the Senate will determine, by mutual agreement, which of them will act as JCARR's fiscal agent.

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
JCR Joint Committee on Agency Rule Review									
GRF	029-321	Operating Expenses	$ 360,554	$ 384,411	$314,116	$ 363,769	15.81%	$ 379,769	4.40%
General Revenue Fund Total			**$ 360,554**	**$ 384,411**	**$ 314,116**	**$ 363,769**	**15.81%**	**$ 379,769**	**4.40%**
Joint Committee on Agency Rule Review Total			***$ 360,554***	***$ 384,411***	***$ 314,116***	***$ 363,769***	***15.81%***	***$ 379,769***	***4.40%***

- PASSPORT GRF funding is increased $12.6 million (18.4%) in FY 2004 and $22.7 million (28%) in FY 2005

Aging, Department of

Chris Murray, Economist

ROLE

The Department of Aging (ODA) advocates for and serves the needs of Ohio's citizens age 60 years and older. The Department strives to improve the quality of life for older Ohioans through both state and federal programs that emphasize community-based and self-care options. Over 90% of all funds appropriated in the Department's budget are for community-based long-term care (LTC) and senior independence services.

The Department administers programs such as PASSPORT (Pre-Admission Screening System Providing Options and Resources Today), Residential State Supplement (RSS), Alzheimers Respite Care, Long-Term Care Ombudsman, and the Golden Buckeye Card program. About 70% of the Department's budget is directed to PASSPORT.

Programs administered by the Department under the federal Older Americans Act include: congregate meals, home-delivered meals, senior employment, chore services, counseling, adult day care, education, employment, escort, friendly visitor, health services, home health aide, home maintenance, homemaker, information/referral, legal services, nutrition, outreach protective services, recreation, respite care, telephone reassurance, transportation, and volunteers.

The Department also provides technical assistance to the 12 Area Agencies on Aging (AAAs). The AAAs administer state and federal senior citizen programs throughout Ohio.

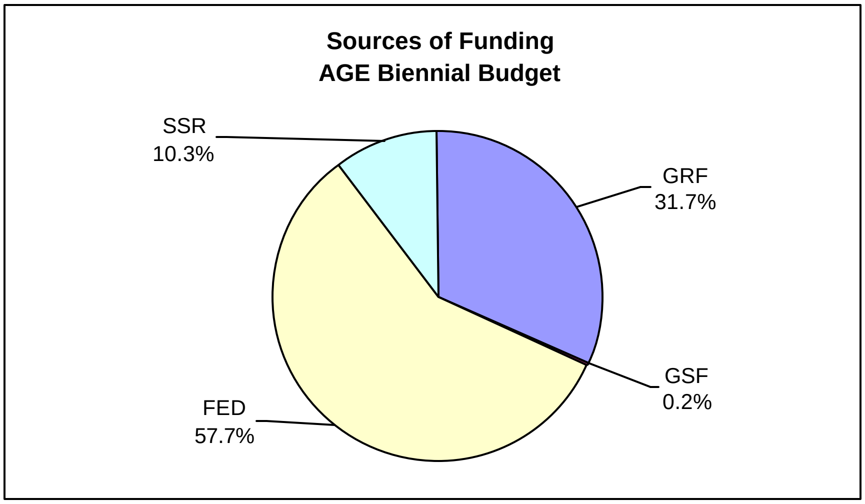
Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
126	$367.9 million	$402.1 million	$110.8 million	$133.6 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Aging payroll reports as of June 28, 2003. This number includes Ohio Community Service Council and Ohio Advisory Council on Aging employees.

OVERVIEW

The Department has a total all funds annual budget of about $368 million in FY 2004 and $402 million in FY 2005. The Department's total budget increases by 6.5% from FY 2003 expenditures and by 9.3% from FY 2004 levels. General Revenue Fund (GRF) appropriations represent about 32% of the total agency budget appropriation, with 76% of the GRF funding appropriated for PASSPORT. The GRF portion of the Department's budget increases by 10.9% in FY 2004 (over FY 2003 expenditures) and by 20.5% in FY 2005 (over FY 2004 appropriations). Appropriations for the PASSPORT and Residential State Supplement (RSS) programs account for the majority of this increase.

The following chart illustrates the various funding sources of the Department of Aging's biennial budget, as enacted by Am. Sub. H.B. 95.



BUDGET ISSUES

PASSPORT (PRE-ADMISSION SCREENING SYSTEM PROVIDING OPTIONS AND RESOURCES TODAY)

The PASSPORT home and community-based Medicaid Waiver program enables older persons who are in need of a nursing home level of care to stay at home by providing them with in-home services. The services that are available are as follows: personal care; homemaker; home delivered meals; adult day services; transportation; social work and counseling; nutrition consultant; independent living assistance; emergency response systems; home chores and home repairs; medical supplies and equipment; and adaptive and assistive equipment.

To be eligible for the program, a person must meet both financial and non-financial requirements. A person must: (1) be Medicaid eligible, (2) be 60 years old or older, (3) be in need of a nursing home level of care, (4) be in need of services not readily available from other community resources, (5) be evaluated periodically to determine need and eligibility of services, (6) be under a physician-approved service plan, (7) be adequately assured of health and safety living at home, (8) not have elected to use Medicaid or Medicare hospice benefits, and (9) be able to receive services that meet their needs within a cost cap.

The federal government restricts the number of persons who may be served each year in a Medicaid Waiver program. The maximum number that may be served in the PASSPORT program was 27,891 in FY 2003. Given the FY 2003 budget reductions, the Department served an estimated 27,058 individuals in FY 2003.

PASSPORT is funded with state GRF, nursing home franchise fees, the off-track betting tax, and federal Medicaid reimbursement. Total PASSPORT funding is increased by approximately $14.5 million in FY 2004 over FY 2003 expenditures and $31.8 million over FY 2004 appropriations. The budget act increases GRF appropriations by approximately $12.6 million in FY 2004 and $22.7 million more in FY 2005 than appropriated in FY 2004. Franchise fee revenue for the program is increased by about $9.2 million in FY 2004 and $4,068 in FY 2005. The PASSPORT program gains an additional $500,000 in appropriation from off-track betting in FY 2004 with funding levels remaining the same for FY 2005. The federal reimbursement moneys are about $7.9 million less than FY 2003 expenditures. This is because of some delays in receiving FY 2003 reimbursements and the spending down of federal moneys the Department had in reserve in order to avoid service cuts in the program during the last biennium. Federal appropriations in FY 2005 increase by about $9 million from FY 2004 levels to account for the anticipated increase in federal reimbursements because of greater GRF spending.

At these funding levels, the Department anticipates being able to meet the increasing demand for PASSPORT services and avoid waiting lists over the biennium. An estimated 29,700 people will be served in FY 2004, increasing to about 32,300 in FY 2005, pending federal approval from the Centers for Medicaid and Medicare Services (CMS) for additional waiver slots.

RSS (RESIDENTIAL STATE SUPPLEMENT)

This program provides cash assistance to aged, blind, or disabled adults who have increased financial burdens due to a medical condition. This condition, however, may not be severe enough to require institutionalization. Persons participating in the RSS program reside in a group home setting and receive a protective level of care. The program provides a cash supplement to people whose income does not exceed the RSS payment standard and who live in approved homes. Clients receive the supplemental payment directly and then pay the RSS providers themselves. The monthly supplement is currently $600 to $900 depending on the particular kind of home, apartment, or facility in which they live. The resident keeps at least $50 each month for their personal care needs. An RSS recipient is also eligible for Medicaid services such as doctors' visits and prescriptions.

The Department of Aging administers the RSS program, although the Department of Job and Family Services (JFS) issues the warrants to recipients. In addition to GRF funding, the RSS program receives a portion (approximately $2.8 million in FY 2003) of the nursing facility bed tax moneys, which are transferred from JFS to the Department of Aging's SSR Fund 4J4, and appropriated in line item 490-610, PASSPORT/Residential State Supplement.

The RSS program was nearly flat funded from FY 2003 expenditure levels, receiving GRF appropriations of just over $9.9 million in FYs 2004 and 2005. Services will continue at their FY 2003 levels. The Ohio Administrative Code limits enrollment in RSS to 2,800 residents at any given time; however, RSS has had to close enrollment because of budget constraints. At the end of FY 2003, 2,514 residents were receiving services. More than half of the recipients are under age 60 and of these, two-thirds suffer from some type of chronic mental illness. The RSS waiting list is about 1,363 individuals and will continue to fall because no new applicants are being enrolled.

PRESCRIPTION DRUG PROGRAM

S.B. 261 of the 124th General Assembly directed the Department of Aging to develop a prescription drug discount card program for individuals over the age of 60, or disabled. In FY 2003, the Department entered into a contractual agreement with Member Health to establish a prescription drug discount program for seniors (see Controlling Board AGE010 of the 124th General Assembly for details of the contract). The program is to be administered by Member Health and will use new Golden Buckeye Cards as the discount prescription card. Member Health is responsible for issuing the new cards and entering into rebate agreements with pharmaceutical companies.

The budget bill makes some changes to the prescription drug program. Language was included that allows the administrator of the prescription drug program to serve as the single enrollment point for a manufacturer's discount program. Furthermore, the bill exempts the discounts from federal best price calculations under certain circumstances and requires the program administrator to get Controlling Board approval before using rebates for purposes other than those required by law. Finally, the bill appropriates $169,986 in each fiscal year in GRF line item 490-419, Prescription Drug Discount Program, and earmarks these funds to be used for administrative purposes related to a prescription drug discount program.

As of the beginning of FY 2004, the prescription drug discount program is still in its final stages of development. In preparing for the initiation of the new program, a production contract to produce and mail the new Golden Buckeye Prescription Drug Program card has been signed. The program is expected to commence sometime in FY 2004.

LONG-TERM CARE OMBUDSMAN PROGRAM

The Ombudsman program investigates and attempts to resolve consumer complaints about long-term care services. The program is operated through 12 regional offices. Six AAAs operate the program directly, while the other six AAAs contract with a nonprofit organization to run the program. In FY 2003, the program investigated over 9,200 new complaints.

The program receives its funds from the GRF, the federal Older Americans Act, and a $3 per bed per year fee on all long-term care beds in Ohio. General Revenue Fund appropriations for the Ombudsman program is decreased 47% in FY 2004 from FY 2003 expenditure levels and flat funded for FY 2005. To offset the decrease in GRF funds, the budget bill increases the bed fee from $3 to $6. The Department estimates that services provided by the Ombudsman program will remain at FY 2003 levels.

The budget bill also makes changes to permanent law that allows the Ombudsman program to investigate complaints against community-based long-term care service providers by individuals age 60 or younger. According to the Department, there are a limited number of under-60 cases that will be absorbed by the program with minimal costs.

LONG-TERM CARE CONSUMER GUIDE

Am. Sub. H.B. 403 of the 123rd General Assembly required the Department to develop a guide to nursing homes in the state, including information related to customer satisfaction measurements and clinical quality indicator data. The Consumer Guide is a web-based resource for individuals choosing a nursing home (www.ltcohio.org). It currently includes regulatory compliance and consumer satisfaction information for nursing homes in the state, and quality indicator data. Besides having descriptions of services provided by each home, the website also includes references to community-based care alternatives. The site averages about 6,100 visitors monthly.

The budget bill repeals Revised Code sections 173.45 through 173.59, which required the Department to develop the Consumer Guide. The bill also removed funding for the program. The Department is currently funding a 0.5 FTE analyst position from federal Long-Term Ombudsman funds and using intermittent Information Technology support to keep the web page updated weekly.

RESIDENT SERVICES COORDINATOR PROGRAM

Prior to FY 2004, the Department administered the Resident Services Coordinator program for the Department of Development's Ohio Housing Trust Fund (OHTF). The Resident Services Coordinator program provides information and assistance to low-income and special-needs tenants, including the elderly, living in subsidized rental housing complexes, in obtaining community and program services and other benefits for which they are eligible. The budget bill contains language that creates the federal special revenue fund line item 490-616, Resident Services Coordinator Program, (Fund 5W1) and appropriates $250,000 in each fiscal year. The bill transfers the funds from the Department of Development's OHTF and will be disbursed via grants by the Department of Aging.

GOVERNOR'S VETOES

STARS (Seniors Teaching and Reaching Students)

This program allowed seniors to provide tutoring and mentoring in schools. It was first funded in Am. Sub. H.B. 215 of the 122nd General Assembly. The goals of the program were to improve the academic performance of students, enhance self-esteem, expand family involvement, and increase volunteer opportunities for older adults to be involved in the education of youth. The budget bill contained language that would have transferred funds from the Department of Education's OhioReads line item to the Department of Aging to fund the STARS program, as was done during the FY 2002-2003 biennium. This is the only source of funding for STARS.

The Governor vetoed the transfer of the funds to be used for the STARS program noting that STARS performed many of the same functions as OhioREADS, but at a higher cost.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

AGE Aging, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	490-100	Personal Services	$ 2,010,588	$ 1,198	$0	$ 0	N/A	$ 0	N/A
GRF	490-200	Maintenance	$ 924,185	$ 57,746	$0	$ 0	N/A	$ 0	N/A
GRF	490-300	Equipment	$ 16,966	----	$0	$ 0	N/A	$ 0	N/A
GRF	490-321	Operating Expenses	----	$ 1,908,867	$2,395,202	$ 2,308,867	-3.60%	$ 2,308,867	0.00%
GRF	490-403	PASSPORT	$ 57,951,192	$ 54,790,789	$68,416,077	$ 81,008,877	18.41%	$ 103,746,032	28.07%
GRF	490-404	Eldercare	$ 131,645	----	$0	$ 0	N/A	$ 0	N/A
GRF	490-405	Golden Buckeye Card	----	$ 267,628	$305,769	$ 297,628	-2.66%	$ 297,628	0.00%
GRF	490-406	Senior Olympics	----	$ 17,707	$16,625	$ 16,636	0.07%	$ 16,636	0.00%
GRF	490-407	Long-Term Care Consumer Guide	----	$ 555,451	$505,046	$ 0	-100.00%	$ 0	N/A
GRF	490-408	STARS	$ 2,237,713	$ 204,561	$9,356	$ 0	-100.00%	$ 0	N/A
GRF	490-409	Ohio Community Service Council Oper	$ 300,599	$ 287,689	$254,394	$ 228,048	-10.36%	$ 228,048	0.00%
GRF	490-410	Long-Term Care Ombudsman	$ 1,319,191	$ 1,303,908	$1,375,499	$ 729,685	-46.95%	$ 729,685	0.00%
GRF	490-411	Senior Community Services	$ 15,974,463	$ 13,178,453	$11,569,394	$ 11,271,431	-2.58%	$ 11,271,431	0.00%
GRF	490-412	Residential State Supplement	$ 13,346,854	$ 10,660,775	$9,963,250	$ 9,960,356	-0.03%	$ 9,960,356	0.00%
GRF	490-414	Alzheimer's Respite	$ 4,218,039	$ 4,460,262	$4,463,989	$ 4,346,689	-2.63%	$ 4,346,689	0.00%
GRF	490-416	Transportation for Elderly	----	$ 169,440	$153,217	$ 138,369	-9.69%	$ 138,369	0.00%
GRF	490-418	Area Agency on Aging Region 9	$ 604,556	----	$0	$ 0	N/A	$ 0	N/A
GRF	490-419	Prescription Drug Discount Program	----	----	$163,086	$ 169,986	4.23%	$ 169,986	0.00%
GRF	490-499	Senior Employment Program	$ 16,342	$ 173	$0	$ 0	N/A	$ 0	N/A
GRF	490-504	Senior Facilities	$ 741,500	$ 59,100	$0	$ 0	N/A	$ 0	N/A
GRF	490-506	Senior Volunteers	$ 504,707	$ 476,694	$405,626	$ 375,471	-7.43%	$ 375,471	0.00%
General Revenue Fund Total			**$ 100,298,541**	**$ 88,400,440**	**$ 99,996,530**	**$ 110,852,043**	**10.86%**	**$ 133,589,198**	**20.51%**
480	490-606	Senior Citizens Services Special Event	$ 182,494	$ 5,666	$30,905	$ 372,677	1,105.88%	$ 372,677	0.00%
5R5	490-614	OHIOREADS/STARS	----	$ 1,835,475	$1,932,205	$ 0	-100.00%	$ 0	N/A
5T4	490-615	Aging Network Support	----	$ 65,395	$121,255	$ 252,830	108.51%	$ 252,830	0.00%
General Services Fund Group Total			**$ 182,494**	**$ 1,906,536**	**$ 2,084,365**	**$ 625,507**	**-69.99%**	**$ 625,507**	**0.00%**
3C4	490-607	PASSPORT	$ 108,175,708	$ 129,640,473	$150,866,891	$ 142,926,054	-5.26%	$ 151,954,474	6.32%
3M3	490-611	Federal Aging Nutrition	$ 21,581,495	$ 21,544,668	$21,882,733	$ 25,541,095	16.72%	$ 26,818,149	5.00%
3M4	490-612	Federal Supportive Services	$ 15,522,644	$ 21,436,382	$23,072,633	$ 26,305,294	14.01%	$ 27,094,453	3.00%

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
AGE	***Aging, Department of***								
3R7	490-617	Ohio Community Service Council Progr	$ 6,702,425	$ 6,499,401	$7,287,999	$ 8,951,150	22.82%	$ 8,905,150	-0.51%
322	490-618	Older Americans Support Services	$ 9,501,762	$ 12,771,442	$10,935,115	$ 12,904,949	18.01%	$ 13,298,626	3.05%
Federal Special Revenue Fund Group Total			**$ 161,484,034**	**$ 191,892,367**	**$ 214,045,371**	**$ 216,628,542**	**1.21%**	**$ 228,070,852**	**5.28%**
4U9	490-602	PASSPORT Fund	$ 7,500,000	$ 5,000,000	$5,000,000	$ 5,500,000	10.00%	$ 5,500,000	0.00%
4H1	490-603	Aging Services	$ 19,499	----	$0	$ 0	N/A	$ 0	N/A
624	490-604	OCSC Community Support	$ 1,088	----	$1,004	$ 2,500	149.00%	$ 2,500	0.00%
4C4	490-609	Regional Long-Term Care Ombudsman	$ 403,679	$ 414,661	$340,729	$ 829,321	143.40%	$ 829,321	0.00%
4J4	490-610	PASSPORT/Residential State Supplem	$ 24,000,000	$ 24,000,000	$24,000,000	$ 33,268,052	38.62%	$ 33,263,984	-0.01%
5K9	490-613	Nursing Home Consumer Guide	$ 287,633	$ 587,946	$160,374	$ 0	-100.00%	$ 0	N/A
5W1	490-616	Resident Services Coordinator Progra	----	----		$ 250,000	N/A	$ 250,000	0.00%
State Special Revenue Fund Group Total			**$ 32,211,899**	**$ 30,002,606**	**$ 29,502,107**	**$ 39,849,873**	**35.07%**	**$ 39,845,805**	**-0.01%**
Aging, Department of Total			***$ 294,176,968***	***$ 312,201,949***	***$ 345,628,373***	***$ 367,955,965***	***6.46%***	***$ 402,131,362***	***9.29%***

- Total funding is increased by 0.7% in FY 2004 and 1.0% in FY 2005.
- Plant Industry Fee changes for nursery stock licenses will result in an additional $262,000 per fiscal year

Agriculture, Department of

Wendy Risner, Budget Analyst

ROLE

Ohio's Department of Agriculture (AGR) is primarily a regulatory agency responsible for the quality of the state's food supply. The agency's other priorities include promoting Ohio's agricultural products in domestic and international markets, controlling livestock diseases, and inspecting food supplies both at the producer level and at retail establishments. The Department administers these activities through 11 separate program areas.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
487**	$41.4 million	$41.8 million	$20.9 million	$21.0 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.
**59 are seasonal or part-time employees.

OVERVIEW

Departmental appropriations for FY 2004 total $41,367,251, which is a 0.7% increase over actual FY 2003 disbursements. Appropriations for FY 2005 total $41,788,167. This represents a 1.0% increase over FY 2004 levels. GRF appropriations receive a 4.4% increase for FY 2004 from actual FY 2003 spending levels and a 0.2% increase for FY 2005 over FY 2004 appropriations.

General Revenue Fund funding accounts for 50% of the total appropriations for the biennium. The State Special Revenue Fund represents 25% of total funding, while the Federal Special Revenue Fund is approximately 24% of total funding. General Revenue Fund funding represented approximately 52% of total funding for the previous biennium.

Notable GRF funding increases for the FY 2004-2005 biennium occur in the appropriation item 700-405, Animal Damage Control, which is increased by 107.3% from FY 2003 actual levels. This increase is due to a $50,000 earmark in each fiscal year for coyote and black vulture indemnification. The FY 2005 appropriation is the same as FY 2004 at $94,954.

In GRF appropriation item 700-411, International Trade and Market Development, $100,000 is earmarked in FY 2004 for the Ohio-Israel Agricultural Initiative. This line item is increased by 12.9% in FY 2004 and decreased by 16.7% in FY 2005.

BUDGET ISSUES

FARM SERVICE ELECTRONIC FILING

The Farm Service Electronic Filing Fund (Fund 5Y7) was created within the Department of Agriculture with a one-time cash transfer of $60,000 from Fund 382, Cooperative Contracts. The fund will consist of moneys appropriated to it as well as reimbursements from the Farm Service Agency within the U.S. Department of Agriculture. The purpose of the fund is to pay the Secretary of State's Office for fees charged in advance for the electronic filing by the Farm Service Agency of financing statements related to loans administered by the Farm Service Agency. Fund 5Y7 was appropriated $60,000 in each fiscal year. In Am. Sub. H.B. 95 of the 125th General Assembly, Fund 5Y7 is listed as a Holding Account. However, for purposes of accounting, OBM will treat the fund as a State Special Revenue account.

GYPSY MOTH PROGRAM AND LANDOWNER FEES

The gypsy moth is an insect that is highly destructive to forests, trees, and landscapes throughout the nation. It also decreases timber value, lowers the quality of life for people living in infected areas, affects water quality, and damages wildlife habitats. It is an introduced pest and as such has few natural enemies. Currently, the pest has invaded 43 of Ohio's 88 counties. The Department has two programs aimed at controlling the gypsy moth. The first program is the Suppression Program. This program prevents tree mortality through the use of aerial treatments of control products. The Slow-The-Spread Program monitors and eradicates the pest. Its objectives are to slow the advance of the pest to its natural movement of less than seven miles per year.

The Department of Agriculture is establishing a voluntary program whereby a landowner may request that the Department spray to suppress gypsy moths on his or her property. The landowner would pay an amount not to exceed 50% of the costs. The Department anticipates that this cost will range between $5 and $6 per acre of sprayed land. The increase in revenue will be used to offset the costs of the program, as well as to treat additional areas. The amount of the increase is unknown at this time due to many variables such as the number of landowners interested as well as factors affecting the gypsy moth advancement such as weather.

PLANT INDUSTRY FEE CHANGES

Under Am. Sub. H.B. 95 of the 125th General Assembly, the Department may conduct inspections of agricultural products that are required by other states, the U.S. Department of Agriculture, other federal agencies, or foreign countries to determine whether certain products are infested. If fees are charged for these services, the fees shall be set as follows:

- Phyto Sanitary Certificates - $25;
- Compliance Agreements - $20;
- Solid Wood Packing Certificates - $20;
- Agricultural Products and their Conveyances Inspections - $65.

Also, under the bill, the following fees for nursery inspections and annual licenses are increased:

- Nursery Stock Collector or Dealer Annual Fee - increased from $50 to $75;
- Nurseryperson Annual Inspection Fee - increased from $50 to $65;
- Fee for Growing Nursery Stock in Intensive Production Areas - increased from $4 per acre to $4.50 per acre;
- Fee for Growing Nursery Stock in Nonintensive Production Areas - increased from $2 per acre to $3.50;
- Nonwoody Plant Inspection Fee - increased from $30 to $65;
- Fee for Growing Nonwoody Plants in Intensive and Nonintensive Production Areas - increased from $4 per acre to $4.50 per acre.

The additional revenue collected will be approximately $262,000 per fiscal year. This will be used to administer the Nursery Stock and Plant Pests Law, as well as hiring additional inspectors for agricultural products and nursery stock.

DEPARTMENT CUTS AND/OR ADJUSTMENTS

According to the Department, adjustments to current program levels will be needed for FY 2005. This is due to additional costs for health care, a one-time 2% ratification payment for bargaining unit employees, and a 2% one-time payment for exempt employees. These costs will require the agency to reorganize and possibly reduce personnel levels. At this time, the Department is still evaluating these findings and is unsure where adjustments will be made.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill   **Version:** Enacted

AGR Agriculture, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	700-321	Operating Expenses	$ 3,283,459	$ 2,950,680	$2,871,033	$ 2,737,665	-4.65%	$ 2,771,628	1.24%
GRF	700-401	Animal Disease Control	$ 4,041,578	$ 4,051,687	$3,696,187	$ 4,121,815	11.52%	$ 4,121,815	0.00%
GRF	700-402	Amusement Ride Safety	$ 316,924	$ 212,508	$204,682	$ 278,767	36.20%	$ 275,943	-1.01%
GRF	700-403	Dairy Division	$ 1,659,076	$ 1,513,088	$1,451,132	$ 1,494,597	3.00%	$ 1,494,153	-0.03%
GRF	700-404	Ohio Proud	$ 245,461	$ 239,012	$237,213	$ 197,727	-16.65%	$ 197,229	-0.25%
GRF	700-405	Animal Damage Control	$ 94,390	$ 66,351	$45,802	$ 94,954	107.31%	$ 94,954	0.00%
GRF	700-406	Consumer Analytical Lab	$ 747,682	$ 875,623	$771,745	$ 819,281	6.16%	$ 872,241	6.46%
GRF	700-407	Food Safety	$ 1,556,979	$ 1,320,209	$1,023,631	$ 999,042	-2.40%	$ 999,042	0.00%
GRF	700-409	Farmland Preservation	$ 207,728	$ 122,019	$238,601	$ 256,993	7.71%	$ 256,993	0.00%
GRF	700-410	Plant Industry	$ 1,551,322	$ 1,556,472	$1,156,738	$ 1,109,867	-4.05%	$ 1,107,677	-0.20%
GRF	700-411	International Trade and Market Develop	$ 1,111,185	$ 876,708	$550,322	$ 621,049	12.85%	$ 517,524	-16.67%
GRF	700-412	Weights and Measures	$ 1,097,178	$ 932,575	$886,728	$ 914,137	3.09%	$ 909,120	-0.55%
GRF	700-413	Gypsy Moth Prevention	$ 307,097	$ 644,377	$365,347	$ 546,118	49.48%	$ 576,299	5.53%
GRF	700-414	Concentrated Animal Feeding Facilities	----	$ 13,960	$2,073	$ 16,521	696.96%	$ 16,086	-2.63%
GRF	700-415	Poultry Inspection	$ 311,137	$ 315,324	$294,981	$ 270,645	-8.25%	$ 267,743	-1.07%
GRF	700-418	Livestock Regulation Program	$ 582,421	$ 1,251,096	$1,300,773	$ 1,306,911	0.47%	$ 1,306,911	0.00%
GRF	700-424	Livestock Testing & Inspections	$ 157,524	$ 166,050	$91,332	$ 123,347	35.05%	$ 123,347	0.00%
GRF	700-499	Meat Inspection Program - State Share	$ 4,541,297	$ 4,468,968	$4,467,842	$ 4,651,611	4.11%	$ 4,696,889	0.97%
GRF	700-501	County Agricultural Societies	$ 466,842	$ 431,548	$390,863	$ 381,091	-2.50%	$ 381,091	0.00%
GRF	700-503	Swine & Cattle Breeder Awards	$ 122,918	$ 68,921	$10,283	$ 0	-100.00%	$ 0	N/A
General Revenue Fund Total			**$ 22,402,196**	**$ 22,077,175**	**$ 20,057,308**	**$ 20,942,138**	**4.41%**	**$ 20,986,685**	**0.21%**
382	700-601	Cooperative Contracts	$ 904,650	$ 1,654,918	$1,834,134	$ 2,400,000	30.85%	$ 2,500,000	4.17%
3J4	700-607	Indirect Cost	$ 927,153	$ 803,980	$978,495	$ 938,785	-4.06%	$ 949,877	1.18%
3R2	700-614	Federal Plant Industry	$ 1,052,451	$ 1,473,734	$1,336,907	$ 1,400,000	4.72%	$ 1,425,000	1.79%
336	700-617	Ohio Farm Loan Revolving Fund	$ 190,263	$ 159,731	$176,533	$ 181,774	2.97%	$ 181,774	0.00%
326	700-618	Meat Inspection Service- Federal Shar	$ 4,043,318	$ 4,317,795	$4,424,749	$ 4,876,904	10.22%	$ 4,951,291	1.53%
3X6	700-639	Federal Grants	----	----	$496,603	$ 0	-100.00%	$ 0	N/A
3X7	700-640	Specialty Crops Support	----	----	$274,258	$ 0	-100.00%	$ 0	N/A
3AB	700-641	Agricultural Easement	----	----	$1,612,800	----	N/A	----	N/A

Line Item Detail by Agency

AGR Agriculture, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
Federal Special Revenue Fund Group Total			**$ 7,117,834**	**$ 8,410,158**	**$ 11,134,479**	**$ 9,797,463**	**-12.01%**	**$ 10,007,942**	**2.15%**
4V0	700-602	License Fees	$ 32,324	----	$0	$ 0	N/A	$ 0	N/A
493	700-603	Fruits and Vegetables	$ 197,701	$ 23,987	$0	$ 0	N/A	$ 0	N/A
5L8	700-604	Livestock Management Program	----	----	$0	$ 250,000	N/A	$ 250,000	0.00%
4C9	700-605	Feed, Fertilizer, & Lime Inspection	$ 836,855	$ 870,329	$1,013,741	$ 986,765	-2.66%	$ 1,008,541	2.21%
4E4	700-606	Utility Radiological Safety	$ 96,964	$ 45,129	$45,926	$ 73,059	59.08%	$ 73,059	0.00%
5H2	700-608	Metrology Lab	$ 45,559	$ 70,911	$67,003	$ 105,879	58.02%	$ 108,849	2.81%
4D2	700-609	Auction Education	----	$ 25,280	$27,573	$ 30,476	10.53%	$ 30,476	0.00%
4P7	700-610	Food Safety Inspection	$ 280,129	$ 367,648	$534,440	$ 575,797	7.74%	$ 582,711	1.20%
4T6	700-611	Poultry and Meat Inspection	$ 42,976	$ 62,862	$46,371	$ 46,162	-0.45%	$ 47,294	2.45%
494	700-612	Agricultural Commodity Marketing Prog	$ 170,077	$ 169,038	$185,645	$ 170,077	-8.39%	$ 170,220	0.08%
4T7	700-613	International Trade and Market Develop	$ 41,190	$ 40,037	$76,112	$ 41,238	-45.82%	$ 42,000	1.85%
4V5	700-615	Animal Industry Lab Fees	$ 368,663	$ 488,838	$854,239	$ 711,944	-16.66%	$ 711,944	0.00%
578	700-620	Ride Inspection Fees	$ 415,555	$ 483,213	$385,269	$ 497,000	29.00%	$ 497,000	0.00%
490	700-623	Agro Ohio Fund	----	----	$9,823	$ 0	-100.00%	$ 0	N/A
5U1	700-624	Auction Recovery Fund	----	----	$500,000	----	N/A	----	N/A
496	700-626	Ohio Grape Industries	$ 641,706	$ 631,843	$780,188	$ 1,071,099	37.29%	$ 1,071,099	0.00%
497	700-627	Commodity Handlers Regulatory Progr	$ 627,151	$ 551,228	$539,209	$ 664,118	23.17%	$ 664,118	0.00%
498	700-628	Commodity Indemnity Fund	$ 470,684	$ 747,794	$407,386	$ 250,000	-38.63%	$ 250,000	0.00%
5B8	700-629	Auctioneers	----	----	$237,015	$ 291,672	23.06%	$ 365,390	25.27%
579	700-630	Scale Certification	$ 188,982	$ 266,779	$226,965	$ 168,785	-25.63%	$ 171,677	1.71%
652	700-634	Laboratory Services	$ 1,240,002	$ 1,040,171	$1,108,654	$ 1,043,444	-5.88%	$ 1,074,447	2.97%
669	700-635	Pesticide Program	$ 1,530,122	$ 1,604,605	$1,642,258	$ 2,243,232	36.59%	$ 2,243,232	0.00%
4R0	700-636	Ohio Proud Marketing	$ 70,493	$ 34,328	$3,384	$ 40,300	1,090.90%	$ 38,300	-4.96%
4R2	700-637	Dairy Inspection Fund	$ 980,477	$ 1,149,030	$1,093,988	$ 1,157,603	5.81%	$ 1,184,183	2.30%
5Y7	700-638	Farm Service Electronic Filing	----	----		$ 60,000	N/A	$ 60,000	0.00%
State Special Revenue Fund Group Total			**$ 8,277,609**	**$ 8,673,049**	**$ 9,785,189**	**$ 10,478,650**	**7.09%**	**$ 10,644,540**	**1.58%**
057	700-632	Clean Ohio Agricultural Easement	----	$ 39,912	$93,099	$ 149,000	60.04%	$ 149,000	0.00%
Clean Ohio Fund Total			**----**	**$ 39,912**	**$ 93,099**	**$ 149,000**	**60.04%**	**$ 149,000**	**0.00%**

Line Item Detail by Agency

	FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
AGR Agriculture, Department of							
Agriculture, Department of Total	$ 37,797,639	$ 39,200,295	$ 41,070,075	$ 41,367,251	0.72%	$ 41,788,167	1.02%

- Coal Development Office transferred to OAQDA from Department of Development
- Appropriation for small business assistance increased

Air Quality Development Authority

Ruhaiza Ridzwan, Economist

ROLE

The Ohio Air Quality Development Authority (OAQDA) is a non-regulatory government agency that was established in 1970 in response to environmental mandates established by the federal government in the first Clean Air Act. A seven-member board governs the Authority. The Governor appoints five of the members. The remaining two members are the directors of the Ohio Department of Health and the Ohio Environmental Protection Agency. The Authority assists Ohio businesses in complying with air quality regulations by providing technical and financial assistance.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
9	$21.7 million	$23.6 million	$7.8 million	$9.8 million	Am. Sub. H. B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003. This included seven board members.

OVERVIEW

Appropriations for FY 2004 are $21,661,926. This amount is $21,255,362 more than FY 2003 actual expenditures, a 5,228% increase. Appropriations for FY 2005 are $23,627,587. This amount is $1,965,661 greater than FY 2004 appropriations, a 9.1% increase.

Beginning in FY 2004, the Coal Development Office is transferred from the Department of Development to the Air Quality Development Authority. The transfer accounts for 98.7% of the $21.3 million difference between FY 2003 expenditures and FY 2004 appropriations. Excluding the Coal Development Office transfer, OAQDA appropriations are $674,328 for both FY 2004 and FY 2005. The appropriations are for the three line items that support the traditional functions of the OAQDA. The FY 2004 appropriations for these three line items are $267,764 greater than the FY 2003 actual expenditures, a 65.6% increase. Most of the increase (67%) is in the Small Business Assistance line item.

BUDGET ISSUES

TRANSFER OF COAL DEVELOPMENT OFFICE

Beginning July 1, 2003, the Coal Development Office was transferred from the Department of Development to the Ohio Air Quality Development Authority. The Coal Development Office co-supports research and development for environmentally sound and economical coal-based power generation. The program is open to municipal utilities, investor-owned utilities, other coal power generators, and Ohio research institutions that study mechanisms critical to emission formation and methods of control, or for uses of coal as feedstock for other processes. The Office is also charged to foster the use of Ohio coal.

List of Line Items for Ohio Coal Development Office Before and After the Transfers					
Department of Development			**Ohio Air Quality Development Authority**		
GRF	195-408	Coal Research Development	GRF	898-402	Coal Development Office
GRF	195-906	Coal Research/Development General Obligation Debt Service	GRF	898-901	Coal R&D Gen Obligation Debt Service
046	195-632	Coal Research & Development Fund	046	898-604	Coal Research and Development Fund

The transfer moved three line items from the Department of Development to the OAQDA. The line items are listed above. Total expenditures for the three line items in the Department of Development were $18.9 million in FY 2003. Fiscal year 2004 appropriations for the three new line items in the OAQDA are $21.0 million, a 10.9% increase over FY 2003 expenditures. Fiscal year 2005 appropriations are $23.0 million, a 9.4% increase over FY 2004 appropriations.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

AIR Air Quality Development Authority

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	898-402	Coal Development Office	----	----		$ 588,041	N/A	$ 599,802	2.00%
GRF	898-901	Coal R & D Gen Obligation Debt Servic	----	----		$ 7,231,200	N/A	$ 9,185,100	27.02%
General Revenue Fund Total			**----**	**----**	**----**	**$ 7,819,241**	**N/A**	**$ 9,784,902**	**25.14%**
046	898-604	Coal Research and Development Fund	----	----		$ 13,168,357	N/A	$ 13,168,357	0.00%
Coal Research/Development Fund Total			**----**	**----**	**----**	**$ 13,168,357**	**N/A**	**$ 13,168,357**	**0.00%**
570	898-601	Operating Expenses	$ 203,769	$ 219,853	$184,260	$ 243,383	32.09%	$ 243,383	0.00%
4Z9	898-602	Small Business Ombudsman	$ 224,734	$ 197,653	$204,778	$ 233,482	14.02%	$ 233,482	0.00%
5A0	898-603	Small Business Assistance	$ 30,441	$ 66,121	$17,526	$ 197,463	1,026.69%	$ 197,463	0.00%
Agency Fund Group Total			**$ 458,944**	**$ 483,627**	**$ 406,564**	**$ 674,328**	**65.86%**	**$ 674,328**	**0.00%**
Air Quality Development Authority Total			***$ 458,944***	***$ 483,627***	***$ 406,564***	***$ 21,661,926***	***5,228.05%***	***$ 23,627,587***	***9.07%***

- Department receives $9 million increase in GRF Treatment Services appropriations, of which $5 million is replacement for TANF funding
- Statewide Treatment and Prevention Fund to receive additional liquor permit fee revenue

Alcohol and Drug Addiction Services, Department of

Holly Wilson, Budget Analyst

ROLE

The Department of Alcohol and Drug Addiction Services (ODADAS) was created in 1989 with the enactment of Am. Sub. H.B. 317 of the 118th General Assembly. Section 3793.02 of the Revised Code requires ODADAS to promote, assist in developing, and coordinate or conduct educational and research programs for the prevention of alcohol and drug addiction and for the treatment of persons who abuse alcohol and other drugs. To meet these requirements, ODADAS has organized itself into four distinct budget program series: (1) prevention and intervention; (2) treatment; (3) quality assurance and improvement; and (4) administration. Approximately 80.6% of the Department's funding is spent on treatment programs, 15.9% on prevention and early intervention programs, 2.9% on administration, and 0.9% on quality assurance and improvement.

Ohio has 50 local boards, which include seven alcohol and drug addiction services (ADAS) boards, and 43 alcohol, drug addiction and mental health services boards. These 50 boards contract with local service providers that operate 684 certified alcohol and other drug programs in Ohio.

The Department certifies all alcohol and other drug addiction treatment programs and driver intervention programs. In addition, it operates two therapeutic community treatment units in two of the state's prisons, the Ohio Reformatory for Women and the Pickaway Correctional Institution.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
102	$163.2 million	$163.7 million	$39.0 million	$39.0 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Federal funds account for approximately 66% of the Department's total funding. The largest source of federal funds is the Substance Abuse Prevention and Treatment Block Grant. The Department's GRF funding accounts for approximately 24% of the Department's budget. Most of the remaining 10% of the Department's funding comes from revenue sources such as license reinstatement fees from individuals who have been convicted of drunk driving, liquor profits, and liquor permit fees.

BUDGET ISSUES

ADDITIONAL FUNDING FOR APPROPRIATION ITEM 038-401, TREATMENT SERVICES

The budget act increases appropriations in GRF line item 038-401, Treatment Services (formerly Alcohol and Drug Addiction Services), by $9 million in FYs 2004 and 2005 and adds earmarks for the majority of that increase (66%). Of the $9 million increase, $5 million will be used in lieu of funding for TANF maintenance of effort (MOE) from the General Services Fund in FYs 2004 and 2005.

1. The budget act earmarks the following funds in GRF line item 038-401:

2. A maximum of $8,190,000 can be used for program grants for priority populations in each fiscal year;

3. $4 million in each fiscal year is to be used for services to families, adults, and adolescents pursuant to the requirements of Am. Sub. H.B. 484 of the 122nd General Assembly;

4. $200,000 in each fiscal year is to establish a Talbert House facility in Butler County; (these funds are in addition to any other funds for which the facility and Butler County are eligible to receive from the Department.);

5. $5 million in each fiscal year is to be used for services to TANF-eligible individuals; and

6. $750,000 in each fiscal year is to be used for expansion of the Therapeutic Communities Program in the Department of Rehabilitation and Correction.

SERVICES FOR TANF-ELIGIBLE INDIVIDUALS

Appropriations in line items 038-629, TANF Transfer-Treatment ($4,037,681 in FY 2003), and 038-630, TANF Transfer-Mentoring ($1,440,848 in FY 2003), are not included in the budget act. However, as stated above, an additional $5 million in appropriations in each fiscal year is provided in GRF line item 038-401 Treatment Services, for this purpose.

In the past, TANF MOE dollars had been transferred to the Department from the Ohio Department of Job and Family Services (ODJFS) and were used to provide substance abuse prevention and treatment to children or their families whose income is at or below 200% of the official income poverty guideline. The Department will no longer receive this funding from ODJFS under the budget act. Instead, increased liquor permit fee revenue will be used to fund these treatment and mentoring services.

LIQUOR PERMIT FEE REVENUE CHANGES

The budget act amended section 4301.30 of the Revised Code, doubling all liquor permit fees under $300 and increasing fees over $300 by 25%. In addition, the revenue distribution formula was changed so that ODADAS will receive 20% of the profits collected and transferred into State Special Revenue Fund 475, Statewide Treatment and Prevention. Under prior law, ODADAS received an amount equal to 21%. The increased liquor permit fees will generate approximately $2.1 million in additional revenue annually. However, because of the timing of collections and distribution of these revenues, ODADAS will receive approximately $1.3 million in FY 2004.

Increased liquor permit fee revenue will be used to fund treatment services only. The revenue will be deposited in the Statewide Treatment and Prevention Fund (Fund 475). Because the budget act did not increase that line item's appropriation amount, ODADAS will need additional appropriation authority in order to spend the additional revenue. The Department may seek additional appropriation authority through legislation or from the Controlling Board.

COMMUNITY CAPITAL ASSISTANCE PROJECT FUNDS

The budget act also added a new provision regarding State Special Revenue Fund 475, Statewide Treatment and Prevention, which states that any proceeds from the repayment of the Department's community capital assistance funds from St. Anthony's Villa must be deposited into Fund 475, and must be distributed to other community capital assistance projects in Lucas County.

DEADLINE REGARDING OPTION TO COMBINE BOARDS IN COUNTIES WITH POPULATIONS OF 250,000 OR MORE

The budget act adds a provision in law setting a deadline of January 1, 2004 allowing counties with a population of 250,000 or more to combine alcohol, drug addiction, and mental health boards that were established in 1989 as separate boards. Advocates for this provision believe it could result in savings by reducing duplication in board operations for those larger counties that merge alcohol and drug addiction and mental health boards. At this time, it is difficult to know whether any counties with a population of 250,000 or more will choose to merge their separate boards.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
ADA	***Alcohol and Drug Addiction Services, Department of***								
GRF	038-321	Operating Expenses	$ 1,517,078	$ 1,403,185	$1,263,834	$ 1,200,293	-5.03%	$ 1,200,293	0.00%
GRF	038-401	Treatment Services	$ 32,068,502	$ 28,529,628	$27,796,578	$ 36,762,306	32.25%	$ 36,762,306	0.00%
GRF	038-404	Prevention Services	$ 1,486,042	$ 1,278,663	$1,053,008	$ 1,055,033	0.19%	$ 1,055,033	0.00%
General Revenue Fund Total			**$ 35,071,622**	**$ 31,211,476**	**$ 30,113,420**	**$ 39,017,632**	**29.57%**	**$ 39,017,632**	**0.00%**
5T9	038-616	Problem Gambling Services	----	----	$60,000	$ 60,000	0.00%	$ 60,000	0.00%
5B7	038-629	TANF Transfer-Treatment	$ 3,180,060	$ 4,361,087	$4,037,681	$ 0	-100.00%	$ 0	N/A
5E8	038-630	TANF Transfer-Mentoring	$ 917,915	$ 1,052,024	$1,440,848	$ 0	-100.00%	$ 0	N/A
General Services Fund Group Total			**$ 4,097,975**	**$ 5,413,111**	**$ 5,538,529**	**$ 60,000**	**-98.92%**	**$ 60,000**	**0.00%**
3G3	038-603	Drug Free Schools	$ 3,346,068	$ 3,003,665	$3,246,443	$ 3,500,000	7.81%	$ 3,500,000	0.00%
3H8	038-609	Demonstration Grants	$ 2,422,419	$ 1,347,070	$969,906	$ 7,093,075	631.32%	$ 7,093,075	0.00%
3J8	038-610	Medicaid	$ 24,377,284	$ 25,597,718	$29,079,448	$ 30,000,000	3.17%	$ 30,000,000	0.00%
3N8	038-611	Administrative Reimbursement	$ 255,932	$ 487,907	$433,313	$ 500,000	15.39%	$ 500,000	0.00%
3G4	038-614	Substance Abuse Block Grant	$ 71,732,025	$ 68,376,728	$72,509,621	$ 67,335,499	-7.14%	$ 68,079,223	1.10%
Federal Special Revenue Fund Group Total			**$ 102,133,729**	**$ 98,813,087**	**$ 106,238,731**	**$ 108,428,574**	**2.06%**	**$ 109,172,298**	**0.69%**
689	038-604	Education and Conferences	$ 85,941	$ 181,114	$207,847	$ 280,000	34.71%	$ 280,000	0.00%
5P1	038-615	Credentialing	$ 79,025	$ 379,478	$381,971	$ 225,000	-41.10%	$ 0	-100.00%
475	038-621	Statewide Treatment & Prevention	$ 15,236,543	$ 14,435,297	$13,248,825	$ 15,191,182	14.66%	$ 15,191,182	0.00%
State Special Revenue Fund Group Total			**$ 15,401,509**	**$ 14,995,889**	**$ 13,838,643**	**$ 15,696,182**	**13.42%**	**$ 15,471,182**	**-1.43%**
Alcohol and Drug Addiction Services, Department of T			***$ 156,704,834***	***$ 150,433,563***	***$ 155,729,323***	***$ 163,202,388***	***4.80%***	***$ 163,721,112***	***0.32%***

- Funding comes from fees paid by licensees
- The Board is implementing a paperless inspections system

Ambulance Licensing Board

Sean Fouts, Budget Analyst

ROLE

The Ohio Ambulance Licensing Board is responsible for the identification, inspection, and licensure of approximately 130 private ambulance services and approximately 1,000 vehicles that are operated by those services. Private ambulance services include commercial for-profit ambulance services, funeral homes that provide patient transport, and hospital based mobile intensive care units (MoICUs).

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
3	$272,000	$284,000	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Ohio Ambulance Licensing Board receives funding through licensure fees and fines. The Board charges $100 to each entity and an additional $100 for each vehicle in operation. For any service that also requires local licensing, the Board's fee is reduced by 50%. Fiscal year 2004 appropriations of $272,340 represent a 0.9% decrease from FY 2003 spending. Fiscal year 2005 appropriations increase by 4.3% to $284,054.

BUDGET ISSUES

PAPERLESS INSPECTION SYSTEM

The Ambulance Licensing Board is in the midst of converting to a paperless system during the ambulance inspections process. The Board expects this initiative to expedite the inspections process and create efficiencies by allowing inspectors to send information to the Board more quickly.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill Version: Enacted

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
AMB Ambulance Licensing Board									
4N1	915-601	Operating Expenses	$ 222,488	$ 192,508	$274,862	$ 272,340	-0.92%	$ 284,054	4.30%
General Services Fund Group Total			**$ 222,488**	**$ 192,508**	**$ 274,862**	**$ 272,340**	**-0.92%**	**$ 284,054**	**4.30%**
Ambulance Licensing Board Total			***$ 222,488***	***$ 192,508***	***$ 274,862***	***$ 272,340***	***-0.92%***	***$ 284,054***	***4.30%***

- Two boards share professional staff
- Licensed over 7,500 professionals in FY 2002

Architects, State Board of Examiners of and Landscape Architects, State Board of Examiners of

Carol Robison, Budget Analyst

ROLE

The State Board of Examiners of Architects and the State Board of Examiners of Landscape Architects are two separate boards that operate under a combined budget and shared staff and facilities. Each board meets independently. Both boards protect the public by licensing and regulating their respective professions of architecture and landscape architecture.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
12	$481,000	$480,000	0	0	Am. Sub. H. B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Combined, the boards licensed nearly 8,000 professional architects and landscape architects in FY 2002. Compared to FY 2001, the boards saw a small decrease, 1.5%, in the number of licensed individuals. For the next biennium, the boards anticipate a possible increase in the number of applications for reciprocal licensure from architects in other states as firms attempt to broaden their customer base by marketing their services farther from their home. Also anticipated are some additional revenues from architectural interns who will need to apply for registration by examination in order to become more marketable or to advance with their employers.

Line Item Detail by Agency

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Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
ARC Architects, State Board of Examiners of									
4K9	891-609	Operating Expenses	$ 398,937	$ 413,976	$384,448	$ 480,574	25.00%	$ 479,574	-0.21%
General Services Fund Group Total			**$ 398,937**	**$ 413,976**	**$ 384,448**	**$ 480,574**	**25.00%**	**$ 479,574**	**-0.21%**
Architects, State Board of Examiners of Total			***$ 398,937***	***$ 413,976***	***$ 384,448***	***$ 480,574***	***25.00%***	***$ 479,574***	***-0.21%***

- Grant program subsidies decrease by 16.9% in FY 2004 and 2.5% in FY 2005
- New federal grant from U.S. Department of Education

Arts Council, Ohio

Sara D. Anderson, Budget Analyst

ROLE

The Ohio Arts Council was established in 1965 to foster and encourage the development of the arts across Ohio and the preservation of the state's cultural heritage. With funds from the state of Ohio and the federal National Endowment for the Arts (NEA), the agency administers grant programs that provide financial assistance to artists and arts organizations; the agency also provides services that enhance the growth of the arts.

The Council consists of 19 members, with four appointed by the legislature and 15 appointed by the Governor. The agency's Executive Director is appointed by, and reports to, the Council. The administrative, clerical, and program staff of 35 employees reports to the Executive Director and administers approximately 22 grant programs and five service programs.

The agency's activities can be separated into three main program divisions: services to artists, support for organizations, and arts in communities. The services to artists division consists of three main programs: Individual Artists, Traditional Apprenticeships, and the Artists' Project. The support for organizations division provides operating support to ongoing arts programming and projects of non-profit organizations. The arts in communities division focuses on developmental assistance, services to underdeveloped areas, and the development of relationships among artists, scholars, contributors, and the public.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
35	$14.7 million	$14.3 million	$12.6 million	$12.1 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The GRF funding for the Arts Council in FY 2004 decreases 13.5% from FY 2003, and it decreases an additional 3.7% in FY 2005 from FY 2004. Total funding for the Council decreases 7.2% in FY 2004 from FY 2003, and decreases 3.2% in FY 2005 from FY 2004. GRF appropriations for the Council comprise 85% of their total budget.

GRF appropriation item 370-502, Program Subsidies, is the primary source of funding for the Arts Council's grant programs. The appropriation for this line item decreases 16.9% in FY 2004 from FY 2003 and it decreases an additional 2.5% in FY 2005 from FY 2004. These decreases in funding will reduce the level of support that the Arts Council can give to arts organizations across the state that use these grant moneys for general operating support (maintenance, equipment, etc.). Individual artist grants will also be significantly reduced. The Arts Council receives nearly 1,700 grant applications per year; it is currently funding approximately 800 grants. In the FY 2002-2003 biennium, there were several cuts imposed on the Arts Council's budget, forcing the agency to cut back on the amount of the grant awards to artists and organizations.

Line Item Detail by Agency

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ART Arts Council, Ohio

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	370-100	Personal Services	$ 2,292,463	$ 2,117,941	$2,024,585	$ 1,896,848	-6.31%	$ 1,892,879	-0.21%
GRF	370-200	Maintenance	$ 603,342	$ 594,475	$574,022	$ 547,404	-4.64%	$ 532,998	-2.63%
GRF	370-300	Equipment	$ 13,878	$ 43,941	$21,368	$ 227,788	966.02%	$ 27,056	-88.12%
GRF	370-502	Program Subsidies	$ 12,799,213	$ 12,750,126	$11,902,374	$ 9,896,320	-16.85%	$ 9,648,912	-2.50%
General Revenue Fund Total			**$ 15,708,896**	**$ 15,506,483**	**$ 14,522,349**	**$ 12,568,360**	**-13.46%**	**$ 12,101,845**	**-3.71%**
460	370-602	Operations	$ 315,549	$ 526,659	$446,649	$ 429,325	-3.88%	$ 429,325	0.00%
4B7	370-603	Percent For Art Acquisitions	$ 28,594	$ 75,035	$18,379	$ 86,366	369.92%	$ 86,366	0.00%
General Services Fund Group Total			**$ 344,144**	**$ 601,693**	**$ 465,028**	**$ 515,691**	**10.89%**	**$ 515,691**	**0.00%**
314	370-601	Federal Programs	$ 635,517	$ 740,597	$888,896	$ 1,657,300	86.44%	$ 1,657,300	0.00%
Federal Special Revenue Fund Group Total			**$ 635,517**	**$ 740,597**	**$ 888,896**	**$ 1,657,300**	**86.44%**	**$ 1,657,300**	**0.00%**
Arts Council, Ohio Total			***$ 16,688,556***	***$ 16,848,773***	***$ 15,876,273***	***$ 14,741,351***	***-7.15%***	***$ 14,274,836***	***-3.16%***

- Debt Service payments continue to comprise nearly all of GRF appropriations – over 99% in each fiscal year
- Funding for agency operations reflect continued service levels

Arts and Sports Facilities Commission

Allison Thomas, Economist

ROLE

The Ohio Arts Facilities Commission was created in 1988 to provide for the development, performance, and presentation of the arts in Ohio. Those responsibilities include the provision, operation, and management of arts facilities in cooperation with local government and nonprofit project sponsors, and the appropriate state agencies. The Commission reports to the Governor and the General Assembly on the need for any additional facilities, and conducts reviews to ensure that the uses of Ohio arts facilities are consistent with statewide interests and the Commission's purposes.

Through Am. H.B. 748 of the 121st General Assembly (as amended by Am. Sub. S.B. 310), the Ohio Arts Facilities Commission was renamed the Ohio Arts and Sports Facilities Commission (OASFC) to better reflect their expanded authority that permitted it to own, construct, furnish, and manage sports facilities. Over the last 14 years, more than $390 million has been appropriated for 135 arts and sports facility projects across the state. This number includes more than 50 State Historical Facilities projects, under which the Commission partners with the Ohio Historical Society.

The Commission consists of seven voting members appointed by the Governor and three nonvoting members, one each appointed by the Senate and House of Representatives, and the Executive Director of the Ohio Arts Council. The Commission's staff of ten includes an executive director, a finance director, a community relations director, an information systems director, three project managers, an executive assistant, an administrative assistant, and an intern.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
10	$37.7 million	$39.0 million	$36.6 million	$37.9 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Commission's current project portfolio of active projects is comprised of 119 projects that include arts facilities, sports facilities, and state historical facilities. Appropriations for these projects (funded through the biennial capital bill) total $250,680,457. In the most recent capital budget bill, H.B. 675 of the 124th General Assembly, $62.8 million in 65 arts, sports, and historical facilities projects was appropriated to the Commission for oversight; of this total, $25.3 million went to 39 new projects.

Appropriation authority for FY 2004 totals $37,659,822, an increase of 12.0% above estimated FY 2003 spending levels of $33.6 million; appropriation authority for FY 2005 is $39,032,684, or 3.7% above FY 2004 appropriation levels. Fiscal year 2004 funding for line item 371-321, Operating Expenses, increased by nearly 292.6% from FY 2003 spending of $80,851 to a FY 2004 appropriation of $317,451. Exhibiting an increase of 11.2% over FY 2003 spending and an increase of 3.7% over the FY 2004 appropriation, GRF line item 371-401, Lease Rental Payments, provides $36.3 million in FY 2004 and $37.6 million in FY 2005 for debt service payments for capital projects.

BUDGET ISSUES

CALCULATIONS OF USEFUL LIFE OF A FACILITY

A change in permanent law removed the requirement that the length of time that debt is outstanding for a cooperative or management contract entered into by an Ohio arts facility with the OASFC must be for a term not less than the time remaining to the date of payment of any state bonds issued to pay the costs of the arts project. A change in permanent law also removed the minimum time period requirement for which the state must have a property interest in an Ohio sports facility, its site, or a portion of the facility when financed from state bond proceeds. This requirement was one of the elements needed before state funds can be used to pay for the Ohio sports facility. Neither of these changes resulted in a fiscal effect to the agency's budget.

PROJECT ADMINISTRATION

Appropriation item 371-603, Project Administration (Fund 4T8), is used to pay for the operating expenses of the Commission. Because the revenue in Fund 4T8 comes from interest earned on revenue bonds issued for capital project renovations and construction, any money used for operating expenses must be directly tied to a bond-funded project. Am. Sub. H.B. 95 requires the Director of Budget and Management to determine the available interest earnings in both the Arts Facilities Building Fund (Fund 030) and the Sports Facilities Building Fund (Fund 024) and transfer them to the Arts and Sports Facilities Commission Administration Fund (Fund 4T8); the total amount transferred over FYs 2004 and 2005 cannot exceed the total biennial appropriations of $2,109,716 in appropriation item 371-603, Project Administration (Fund 4T8). For those expenses not directly tied to a bond-funded project, GRF funds in appropriation item 371-321, Operating Expenses, is used.

Line Item Detail by Agency			*FY 2001:*	*FY 2002:*	*FY 2003:*	*FY 2004 Appropriations:*	*% Change 2003 to 2004:*	*FY 2005 Appropriations:*	*% Change 2004 to 2005:*

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AFC Arts and Sports Facilities Commission

			FY 2001	FY 2002	FY 2003	FY 2004 Appropriations	% Change 2003 to 2004	FY 2005 Appropriations	% Change 2004 to 2005
GRF	371-321	Operating Expenses	$ 1,036,292	$ 126,192	$80,851	$ 317,451	292.64%	$ 317,451	0.00%
GRF	371-401	Lease Rental Payments	$ 27,628,607	$ 32,373,918	$32,633,749	$ 36,283,800	11.18%	$ 37,617,700	3.68%
General Revenue Fund Total			**$ 28,664,899**	**$ 32,500,110**	**$ 32,714,600**	**$ 36,601,251**	**11.88%**	**$ 37,935,151**	**3.64%**
4T8	371-601	Riffe Theatre Equipment Maintenance	$ 9,509	$ 1,723	$1,478	$ 23,194	1,469.28%	$ 23,194	0.00%
4T8	371-603	Project Administration	----	$ 791,146	$901,856	$ 1,035,377	14.81%	$ 1,074,339	3.76%
State Special Revenue Fund Group Total			**$ 9,509**	**$ 792,869**	**$ 903,334**	**$ 1,058,571**	**17.18%**	**$ 1,097,533**	**3.68%**
Arts and Sports Facilities Commission Total			***$ 28,674,408***	***$ 33,292,979***	***$ 33,617,934***	***$ 37,659,822***	***12.02%***	***$ 39,032,684***	***3.65%***

- Fee increases estimated to bring in an additional $14,720 in annual revenue
- FY 2002 4K9 Fund deficit of $49,186

Athletic Commission, Ohio

Sean Fouts, Budget Analyst

ROLE

The purpose of the Ohio Athletic Commission is to regulate boxing, wrestling, kickboxing, karate, tough man contests, and athlete agents in an effort to protect the safety of the athletic participants and the interests of the public. The agency carries out its mission by setting standards for licensure of individuals, granting permits, and conducting events sanctioned by the Commission.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
6	$188,000	$200,000	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Ohio Athletic Commission receives all funding from Fund 4K9, the Occupational Licensing and Regulatory Fund. Fiscal year 2004 appropriations of $188,250 are 34.4% more than FY 2003 expenditures of $140,028. Fiscal year 2005 appropriations of $200,205 constitute a 6.4% increase over FY 2004.

BUDGET ISSUES

FEE INCREASES

Various fees for licenses and permits issued by the Athletic Commission were increased by Sub. H.B. 95. The increases will affect boxing promoters, wrestling promoters, contestants, referees, judges, matchmakers, managers, timekeepers, and trainers. It is estimated that the total increased revenue from these changes will be approximately $14,720 annually. In FY 2002, the Commission spent $49,000 more than it deposited into Fund 4K9. These fee increases will help decrease this deficit.

OFFICE RELOCATION

Sub. H.B. 95 allows the Commission to relocate its office from Youngstown. The Commission indicates it will relocate to Cleveland.

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:

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ATH Ohio Athletic Commission

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
5R1	175-602	Athlete Agents Registration	----	$ 12,913	$5,420	$ 0	-100.00%	$ 0	N/A
4K9	175-609	Athletic Commission-Operating	$ 134,218	$ 138,984	$134,608	$ 188,250	39.85%	$ 200,205	6.35%
General Services Fund Group Total			**$ 134,218**	**$ 151,897**	**$ 140,028**	**$ 188,250**	**34.44%**	**$ 200,205**	**6.35%**
Ohio Athletic Commission Total			***$ 134,218***	***$ 151,897***	***$ 140,028***	***$ 188,250***	***34.44%***	***$ 200,205***	***6.35%***

- Office restructured and reorganized
- "No growth" GRF budget
- Prior GRF expenditure reductions relied largely on many one-time and temporary measures

Attorney General

Jamie L. Slotten, Budget Analyst

ROLE

The Office of the Attorney General has a variety of duties and responsibilities relative to the state's justice and corrections system including, but not limited to:

- Providing legal representation to, and initiating litigation on behalf of, statewide elected officials (including the Ohio General Assembly), and all state departments, agencies, boards, and commissions;
- Issuing formal opinions on questions submitted by state officials and agencies, as well as county prosecutors;
- Initiating legal proceedings in areas related to environmental protection, consumer fraud, antitrust, Medicaid fraud, workers' compensation fraud, and patient abuse and neglect;
- Providing Ohio's 1,200-plus law enforcement agencies with training, investigative, technological, financial, prosecutorial, and other assistance available through such arms as the Ohio Peace Officer Training Academy (POTA), the Bureau of Criminal Identification and Investigation (BCII), the Ohio Organized Crime Investigations Commission (OCIC), the Community Police Match and Law Enforcement Assistance Program, and the Capital Crimes Section;
- Administering the state's victim assistance efforts, most notably the Victims of Crime Compensation Program;
- Collecting delinquent debts owed to the state of Ohio, including taxes, fines, penalties, service fees, and loans; and
- Enforcing the state's Gambling and Charitable Bingo Laws.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
1,375**	$165.2 million	$166.3 million	$57.6 million	$57.6 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.
**The Office of the Attorney General states that the current number of filled positions as of August 2003 is 1,307.

OVERVIEW

The total amount of funding appropriated to the Office of the Attorney General in FY 2004 – $165.2 million – is $11.0 million, or 7.2%, higher than its total actual FY 2003 expenditures of $154.1 million. For FY 2005, the total amount of funding appropriated to the Office of the Attorney General is $1.1 million higher than its total FY 2005 appropriation, an increase of 0.7%. The bulk of the funding increases in each of FYs 2004 and 2005 can be attributed to two non-GRF revenue streams: (1) delinquent debt collections (Fund 419), and (2) court costs collected from persons convicted of a misdemeanor or felony (Fund 402).

In the matter of GRF funding, the annual amounts appropriated to the Office of the Attorney General for the FY 2004-2005 biennium represent what can, perhaps at best, be termed a "no growth" budget. The total amount of GRF funding expended by the Office of the Attorney General in FY 2003 was $57.9 million. The total amount of GRF funding appropriated to the Office of the Attorney General in each of FYs 2004 and 2005 is virtually identical when rounded – $57.6 million. This means that, relative to actual total FY 2003 GRF expenditures, the total amount of GRF funding appropriated to the Office of the Attorney in each of the two succeeding fiscal years is around $300,000 lower.

FY 2004-2005 BIENNIUM ENACTED GRF OPERATING BUDGET

GRF Operating Budget Request

The FY 2004-2005 biennial operating budget request submitted by outgoing Attorney General Betty Montgomery asked for total GRF funding of $62.6 million and $67.1 million in FYs 2004 and 2005, respectively, for the purpose of maintaining the current level of legal and law enforcement services. The requested amounts would have restored the Office of the Attorney General to the FY 2003 level of funding and services that was originally appropriated pursuant to Am. Sub. H.B. 94, the main operating appropriations act of the 124th General Assembly. Also included was a supplemental GRF funding request to fully cover statutory county prosecutor and county sheriff pay supplements. No new programs or initiatives were proposed in the biennial operating budget request.

GRF Enacted Operating Budget

The enacted FY 2004-2005 biennial operating budget fell short of the requested levels of annual GRF funding by $4.9 million and $9.5 million for FYs 2004 and 2005, respectively. While the appropriated levels of annual GRF funding are less than what was requested, Attorney General Petro's primary focus remains unchanged from that of his predecessor: maintaining current service levels relative to supporting law enforcement and providing legal services to various state agencies and elected officials. In light of the available level of annual funding relative to its ongoing operating expenses, the Office of the Attorney General has sought to reduce or shift GRF expenditures by a variety of means, including:

- Restructuring and reorganizing the agency, to more effectively utilize existing staff and make the best use of limited resources;
- Utilizing non-GRF revenue streams to maintain service and staff levels, a potentially problematic strategy as the cash flow of these non-GRF state and federal funds may not be healthy enough to provide long-term payroll support, especially one-time judgments and court settlements, the magnitude and timing of which are highly unpredictable;
- Offering an early retirement incentive (ERI) program, which will reduce the agency's total annual payroll cost;

- Consolidating six downtown office locations, including merger of information technology support, mailroom, and printing operations, into one downtown office location; and
- Reducing a fleet of 283 automobiles by 20% to 30%.

FY 2002-2003 BIENNIUM

GRF Expenditure Reductions

Over the course of the FY 2002-2003 biennium, the Office of the Attorney General's total GRF appropriations were reduced by $3.97 million in FY 2002 and by $3.69 million in FY 2003. The Office of the Attorney General was able to absorb the GRF expenditure reductions by: (1) leaving vacant staff positions unfilled, particularly in the legal services area, (2) tapping one-time federal project grant funding, (3) utilizing one-time moneys collected from court-ordered settlements, and (4) temporarily transferring GRF operating expenses to other non-GRF state funds.

Highlights

In the original FY 2004-2005 biennial operating budget request submitted to the Office of Budget and Management, outgoing Attorney General Betty Montgomery offered the following as highlights of the FY 2002-2003 biennium:

- Made advancements in the delivery of law enforcement services, somewhat aided by the availability of one-time federal project grants;
- Initiated the Ohio WebCheck, an Internet-based civilian background check program;
- Opened the third of three new state forensic and crime laboratories – the Northeast Forensic Laboratory and Training Center in Richfield, Ohio (operational August 2001);
- Constructed and equipped a 3,000 square foot, two-story situational training facility at the Peace Officer Training Academy in London, Ohio;
- Created the Computer Crime Task Force to assist county prosecutors and to educate schools, businesses, and citizens about the growing virtual world of Internet computer crime; and
- Continued to make changes to the Victims of Crime Compensation Program, which was transferred to the Office of the Attorney General from the Court of Claims effective July 1, 2000 (FY 2001).

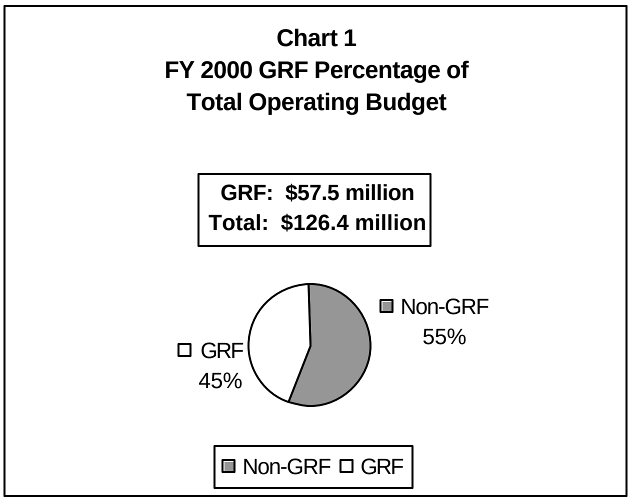
Upon taking office in January 2003, Attorney General Jim Petro initiated an assessment of the agency with the intent of streamlining and consolidating operations, cutting costs, and reducing staff. The possible outcomes of that assessment included: reorganizing or realigning staff, redefining current divisions and sections, and adding or removing divisions and sections.

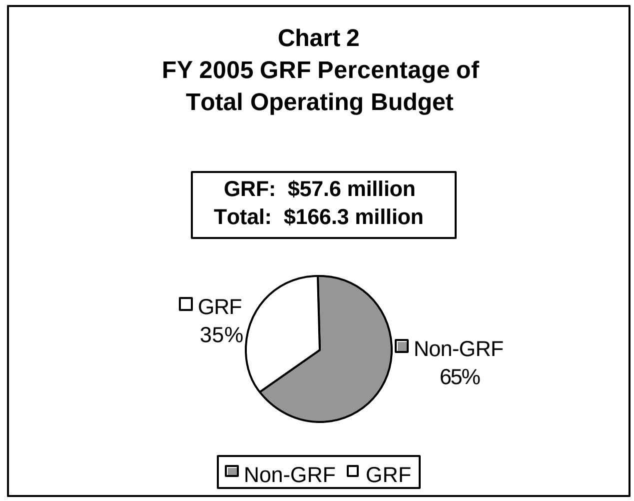
REVENUES

In the six-year period from actual FY 2000 disbursements through FY 2005 appropriations, the amount of GRF funding available to the Office of the Attorney General will have remained in the range of $57 million to $60 million annually. During the same six-year period, the Office of the Attorney General's total all funds budget will have grown from $126.4 million to $166.3 million, a rise of $39.9 million, or 31.6%. This means, as noted in Charts 1 and 2 below, while the total annual all funds budget will have continued to rise, the GRF portion of the Office of the Attorney General's total annual all funds budget will have dropped from 45% in FY 2000 down to 35% in FY 2005. This growth in the Office of the Attorney General's total annual all funds budget has been and will continue to be a function of certain non-GRF funds, most noticeably the revenue-generating capability of its accounts lodged in the State Special Revenue Fund Group.

EXPENDITURES

Over the six-year period covering actual FY 2000 disbursements through FY 2005 appropriations, roughly 75%, or three-quarters, of the Office of the Attorney General's annual expenditures will have gone to finance opera-ting expenses (personal services, purchased personal services, maintenance, and equipment). This reflects the fact that the performance of the Office of the Attorney General's duties and responsibilities are relatively labor-intensive.





BUDGET ISSUES

The Office of the Attorney General is a single program series agency, composed of almost 30 divisions, sections, units, and organizations that perform various legal representation and law enforcement-related duties. A more detailed description of these entities and their duties may be obtained through the Office of the Attorney General's website at http://www.ag.state.oh.us. For the purposes of this analysis, these entities are grouped into seven subprogram areas as follows: (1) office-wide operations, (2) civil litigation, (3) criminal justice assistance, (4) agency counsel, (5) crime victim assistance, (6) redistribution funds, and (7) education. Table 1 below displays the seven subprogram areas, including the total amount of annual funding contained in the enacted FY 2004-2005 biennial operating budget.

Table 1: Subprogram Appropriations for FYs 2004 and 2005		
Subprogram Area	**FY 2004**	**FY 2005**
Office-Wide Operations	$ 72,756,133	$ 72,756,133
Civil Litigation	$ 17,992,302	$ 17,992,302
Criminal Justice Assistance	$ 14,489,316	$ 14,756,771
Agency Counsel	$ 9,144,839	$ 9,144,839
Crime Victim Assistance	$ 45,509,635	$ 46,387,698
Redistribution Funds	$ 1,348,830	$ 1,348,830
Education Programs	$ 3,927,962	$ 3,927,962
Total Recommended Funding	**$165,169,017**	**$166,314,535**

Because of the nature of the Office of the Attorney General's activities and budget structure, it is not always possible to associate a particular line item exclusively with a particular division, section, unit, or organization. In fact, many of the Office of the Attorney General's line items, most notably 055-321, Operating Expenses, and 055-612, General Reimbursement, fund a host of legal and law enforcement-related activities. With that caveat in mind, for the purposes of this analysis, all of the Office of the Attorney General's funded line items are grouped into one of seven subprogram areas. Each of the seven subprogram areas is discussed in more detail below, including the amendment or enactment of permanent law.

OFFICEWIDE OPERATIONS

The Officewide Operations subprogram essentially captures the two major line items that finance the entire range of legal and law enforcement-related tasks performed by the Office of the Attorney General, including, but not limited to, the Bureau of Criminal Identification and Investigation (BCII) and the Ohio Peace Officer Training Academy (POTA). The line items associated with the Office-Wide Operations subprogram include GRF line item 055-321, Operating Expenses, and non-GRF line item 055-612, General Reimbursement. The primary revenue streams associated with the subprogram include: (1) GRF, (2) $15 fee for civilian background checks, (3) reimbursement payments from various state agencies for the performance of legal services by the Office of the Attorney General, and (4) court-ordered reimbursement for legal and investigative costs.

The FY 2004-2005 biennial operating budget request submitted by outgoing Attorney General Betty Montgomery asked that GRF line item 055-321 receive appropriations of $58.6 million and $63.1 million in FYs 2004 and 2005, respectively, for the purpose of maintaining the current level of legal and law enforcement services. The requested amounts would have restored the Office of the Attorney General to the FY 2003 level of funding and services that was originally appropriated pursuant to Am. Sub. H.B. 94, the main operating appropriations act of the 124th General Assembly.

Under the enacted FY 2004-2005 biennial operating budget, the Office of the Attorney General received $4.7 million and $9.2 million in FYs 2004 and 2005, respectively, less in funding for GRF line item, Operating Expenses, than was requested for the sole purpose of maintaining its current level of services. Given the somewhat limited amount of GRF funding available, Attorney General Petro's plan since taking office has been to consolidate operations, cut costs, and reduce staff, while also trying to maintain the current level of law enforcement and legal services.

Also of note is the fact that the amount of annual GRF funding appropriated to line item 055-321 – $53.9 million in each of FYs 2004 and 2005 – is less than the amount that has been disbursed from the line item annually in each of the last three fiscal years: $56.6 million in FY 2001, $55.9 million in FY 2002, and $54.4 million in FY 2003.

CIVIL LITIGATION

The Office of the Attorney General is authorized to enforce state laws, and in certain cases federal laws, that regulate the marketplace as it relates to business and consumer transactions, including the collection of overdue taxes and fees for various state agencies. The line items grouped under the Civil Litigation subprogram capture those specifically tied to regulating the marketplace. The primary revenue streams associated with the subprogram include: (1) up to 11% on all claims due to the state; and (2) various annual fees, civil penalties, court-ordered cost reimbursements, and court settlements and judgments collected by the Consumer Protection, Charitable Foundations, and Antitrust sections.

The enacted FY 2004-2005 biennial operating budget fully funded the amounts that the Office of the Attorney General requested for the purpose of maintaining the current level of civil litigation services. The requested levels of non-GRF funding included, cash flow permitting, increased appropriation authority in certain line items in an effort to shift operating expenses that might otherwise have been charged against the Office of the Attorney General's available GRF funds. Indicative of this strategy of shifting operating expenses from the GRF and into certain non-GRF revenue streams are three non-GRF line items in particular: (1) 055-623, Claims Section, (2) 055-637, Consumer Protection Enforcement, and (3) 055-603, Attorney General Antitrust.

Line Item 055-623, Claims Section

In FY 2003, disbursements from non-GRF line item 055-623 totaled $10.6 million. The line item's appropriations contained in the enacted FY 2004-2005 biennial operating budget total $13.6 million in each of FYs 2004 and 2005, an increase of $3.1 million, or 29.2%, when compared to total actual FY 2003 disbursements. The increased appropriation authority in each fiscal year appears to reflect a growth in the collection of delinquent debts owed the state of Ohio.

According to the Office of the Attorney General, since the new administration took office in January of 2003, strong emphasis has been placed on restructuring the Collections Enforcement (Claims) Section. This restructuring has included adjustments in staffing mix, implementation of a rigorous training program, enhancement of collections-related computer hardware and software, and improved outreach, all of which appear to have increased delinquent debt collection rates. The Collections Enforcement Section is averaging $1 million more per week in delinquent debt collections, and set a record for collections in June 2003, bringing in $22 million for the state of Ohio.

While the majority of the delinquent debt collection revenue retained by the Office of the Attorney General supports the operating expenses of the Collections Enforcement Section, some of these moneys are also used to support certain other agency operations whose costs of doing business might otherwise have been charged to the GRF.

Current law establishes procedures for the Attorney General to collect a debt owed to the state when it is not paid in a timely manner to the agency to which it is due (section 131.02 of the Revised Code). The enacted FY 2004-2005 biennial operating budget amended that law by: (1) applying a different rate of interest to such claims, (2) permitting the addition of fees to recover the cost of processing checks returned for insufficient funds and the cost of providing electronic payment options, and (3) authorizing the Attorney General to assess collection costs to the amount due when debts are owed to the state and not paid in a timely manner. Table 2 below provides more details on the changes to permanent law, including the Office of the Attorney General's estimate of the amount of revenue that each change would generate annually.

Table 2: Delinquent Debt Collection Assessments

Type of Delinquent Debt Assessment	Delinquent Debt Assessment Under Prior Law	Delinquent Debt Assessment Under Amended Current Law	Estimated FY 2004 Revenue	Estimated FY 2005 Revenue
Collection Costs	None	Authorizes Attorney General to assess collection costs to the amount certified in such manner and amount as prescribed by the Attorney General, whenever any amount is payable to the state, the officer, employee, or agent responsible for administering the law and has not been remitted within 45 days	$2,747,500	$3,434,375
Interest	Claims shall bear interest, from the day on which the claim became due, at the base rate per annum for advances and discounts to member banks in effect at the Federal Reserve Bank of the Second Federal Reserve District	Rate to be charged is the federal short-term rate, as determined by the Tax Commissioner on October 15 of each year, rounded to the nearest whole number percent, plus 3%	$1,570,000	$2,355,000
Cost of Returned Checks	None	If in the best interests of the state, fees may be added to recover the cost of processing checks or other draft instruments returned for insufficient funds and the cost of providing electronic payment options	$1,640,000	$1,804,000

Line Item 055-637, Consumer Protection Enforcement

In FY 2003, disbursements from non-GRF line item 055-637 totaled just shy of $643,000. The line item's appropriations contained in the enacted FY 2004-2005 biennial operating budget total $1.4 million in each of FYs 2004 and 2005, an increase of slightly over $730,000, or 113.7%, when compared to total actual FY 2003 disbursements. These increased annual appropriations signal that the cash flow associated with this non-GRF revenue stream, which exclusively supports the operations of the Consumer Protection Enforcement Section, is strong enough, at least in the short-term, to finance costs of the Section that might otherwise have been charged to the GRF.

Line Item 055-603, Attorney General Antitrust

In FY 2003, disbursements from non-GRF line item 055-603 totaled just over $256,000. The line item's appropriations contained in the enacted FY 2004-2005 biennial operating budget total just over $446,000 in each of FYs 2004 and 2005, an increase of slightly over $190,000, or 74.3%, when compared to total actual FY 2003 disbursements. These increased annual appropriations signal that the cash flow associated with this non-GRF revenue stream, which exclusively supports the operations of the Antitrust Section, is strong enough, at least in the short-term, to finance costs of the Section that might otherwise have been charged to the GRF.

Gambling and Charitable Bingo Laws

The enacted FY 2004-2005 biennial operating budget makes numerous changes to the state's Gambling and Charitable Bingo Laws as amended by Am. Sub. H.B. 512 of the 124th General Assembly. These changes include, but are not limited to:

- Modifying the basis of the license fee for the conduct of instant bingo by an organization that previously has been licensed to conduct bingo by basing it on the gross profits received by the charitable organization during a specified prior one-year period and by modifying the formula for calculating the amount of that fee;
- Increasing the fee for a distributor license or a manufacturer license from $2,500 to $5,000;
- Making January 31, 2004 the effective date of provisions related to the time deadline for issuing initial bingo licenses and the option of granting temporary licenses;
- Modifying the definitions of educational organization, veteran's organization, fraternal organization, and expenses for use in the Gambling Law, including the Charitable Bingo Law, defining game flare and historic railroad educational organization for use in that Law, and including historic railroad educational organization within the definition of "charitable organization" for those Laws; and
- Permitting certain organizations and schools to conduct a raffle to raise money for that organization or school, providing that the organization or school does not need a license to conduct bingo in order to conduct a raffle drawing that is not for profit, and prohibiting any person that is not one of those organizations or schools from conducting a raffle that is for profit or a raffle drawing that is not for profit.

Table 3 below summarizes the effects of the licensing fee changes on state revenues. Under prior law, unchanged by Am. Sub. H.B. 95, all of these licensing fee revenues are deposited in the state treasury to the credit of the Charitable Law Fund, also known as the Office of the Attorney General's Charitable Foundations Fund (Fund 418), and all of these revenues so credited are required to be used by the Office of the Attorney General, or any local law enforcement agency in cooperation with the Office of the Attorney General, to investigate, examine accounts and records, conduct inspections, and take any other necessary and reasonable actions to administer and enforce the Gambling and Charitable Bingo Laws. Also of note is that the changes contained in Am. Sub. H.B. 95 affect the amount of licensing fee revenues that would otherwise have been collected and deposited annually in Fund 418 pursuant to the enactment of the above-noted Am. Sub. H.B. 512. It is likely that the result of these changes will be to increase the amount of licensing fees that would otherwise have been collected annually under prior law, but the magnitude of that annual increase is, as of this writing, uncertain.

Table 3: Changes to the Charitable Solicitations Act						
Type of Annual Bingo License	**Prior Annual License Fee**		**New Annual License Fee**		**Estimated FY 2004 Revenue**	**Estimated FY 2005 Revenue**
Operator	**Based on gross profits**		Based on gross profits		$4.1 Million	$3.6 Million
	Gross Profits	Fee	Gross Profits	Fee		
	$50,001 to $299,999	$1,250	$50,001 to $249,999	$1,250 plus one-fourth percent (.25%) of the gross profit		
	$300,000 to $599,999	$2,250	$250,000 to $499,999	$2,250 plus one-half percent (.5%) of the gross profit		
	$600,000 to $999,999	$3,500	$500,000 to $999,999	$3,500 plus one percent (1%) of the gross profit		
	$1,000,000 or more	$5,000	$1,000,000 or more	$5,000 plus one percent (1%) of the gross profit		
Distributor of Supplies	$2,500		$5,000		$305,000	$305,000
Manufacturer of Supplies	$2,500		$5,000		$105,000	$105,000

CRIMINAL JUSTICE ASSISTANCE

The Office of the Attorney General has various responsibilities in the criminal justice area, including the provision of training, investigative, and technical assistance to local law enforcement agencies. The Criminal Justice subprogram captures all of the line items that track exclusively to the Office of the Attorney General's law enforcement-related activities. The primary revenue streams associated with the subprogram include: (1) GRF, (2) federal grants, (3) program tuition collected by the Ohio Peace Officer Training Academy, (4) annual fees collected by the Ohio Peace Officer Training Commission, and (5) forfeited assets and cost reimbursements. The enacted FY 2004-2005 biennial operating budget fully funded the amounts that the Office of the Attorney General requested for the purpose of maintaining the current level of law enforcement services.

AGENCY COUNSEL

Although the Office of the Attorney General provides legal services to numerous state agencies, the Agency Counsel subprogram captures the legal services reimbursement payments deposited into non-GRF funds that are traceable to work performed for the Ohio Civil Rights Commission, the Bureau of Workers' Compensation, the Ohio Industrial Commission, and the part of the Department of Job and Family Services formerly known as the Ohio Bureau of Employment Services. The primary revenue streams associated with the subprogram include agency reimbursement payments for legal services performed by various sections of the Office of the Attorney General. What is not captured hereunder is the GRF funding drawn from line item 055-321, Operating Expenses, which also supports the Civil Rights Section. The enacted FY 2004-2005 biennial operating budget essentially provides a continuation level of funding for the Office of the Attorney General's Civil Rights, Employment Services, and Workers' Compensation sections.

CRIME VICTIM ASSISTANCE

The Crime Victim Assistance subprogram contains various duties and responsibilities performed by the Crime Victims Services Section, including: (1) administering awards of compensation in accordance with Ohio's Crime Victims Compensation Law, (2) distributing federal and state grants to local crime victim assistance programs, (3) maintaining a missing children database, (4) disbursing service provider payments under the SAFE (Sexual Assault Forensic Exam) Program, and (5) assisting with the VINE (Victim Information and Notification Everyday) statewide project, an automated victim notification system. The primary revenue streams associated with the subprogram include: (1) court costs collected from persons convicted of a misdemeanor or felony, and (2) a federal formula grant. The enacted FY 2004-2005 biennial operating budget fully funded the amounts that the Office of the Attorney General requested for the purpose of: (1) maintaining the current level of victim assistance services, and (2) expanding victim assistance-related services as appropriate.

Perhaps most notable in the subprogram is non-GRF line item 055-616, Victims of Crime. In FY 2003, disbursements from the line item totaled $22.9 million. The line item's appropriations contained in the enacted FY 2004-2005 biennial operating budget total $27.9 million in each of FYs 2004 and 2005, an increase of $5.0 million, or 21.8%, when compared to total actual FY 2003 disbursements. According to the Office of the Attorney General, these annual appropriations reflect a number of factors, the effect of which has been to increase the demands on available revenues. For example:

- Since primary responsibility for the Victims of Crime Compensation Program was transferred from the Court of Claims to the Office of the Attorney General, effective July 1, 2000, the number of new applications for awards of compensation has continued to rise as has the average payment made to eligible victims of crime.

- The Crime Victims Compensation Unit continues to emphasize prompt and timely processing of all new applications for awards of compensation, the effect of which has been to accelerate expenditure activity.

- Sub. H.B. 427 of the 124th General Assembly, effective August 29, 2002, expanded the purposes for which the state's Victims of Crime funding may be used to include the costs associated with: (1) collecting DNA specimens for the offenses added by the bill, (2) performing DNA analysis of those DNA specimens, and (3) entering the resulting DNA records regarding those analyses into the state's DNA database.

- The enacted FY 2004-2005 biennial operating budget modified existing permissible uses of the Victims of Crime funding to increase the allowance for funeral expenses, provide reimbursement for travel and lost wages for members of deceased victims' families who attend criminal justice proceedings, limit attorney fees payable under the program, and make other changes in the program. The Office of the Attorney General has estimated that the provision could increase the expenditure of Victims of Crime funding by as much as several hundred thousand dollars or so annually.

- Am. Sub. S.B. 5 of the 125th General Assembly, effective July 31, 2003, expanded the permissible uses of the Victims of Crime funding to pay actual costs associated with the apprehension, prosecution, and accountability of offenders, and the enhancing of services to crime victims. The amount that may be used for those purposes is capped at 5% of the balance of the fund (Fund 402) at the close of the immediately previous fiscal year. In recent years, the fund's ending, unencumbered cash balance has been around $30 million. Assuming that were true in the future, then the maximum amount that could be available for these purposes would be around $1.5 million annually.

REDISTRIBUTION FUNDS

The Office of the Attorney General holds certain moneys as custodian or agent. All of the moneys are "redistributed" to individuals, corporations, private organizations, other state funds, or local governmental units. The timing and magnitude of their collection and subsequent disbursement are rather unpredictable. The moneys consist of largely unexpected one-time court-ordered judgments and settlements, which in turn typically lead to one-time spikes in annual revenues and spending. This effect on cash flow activity is clearly visible in the case of two funds – Fund R04, General Holding Account, and Fund R18 Consumer Frauds – over the last few fiscal years. Generally, appropriations reflect continuation funding or an estimate based on historical spending needs.

EDUCATION

Although the Office of the Attorney General is charged with performing numerous education-related functions, the Education subprogram captures the two line items that exclusively finance education activities: (1) GRF line item 055-405, Law-Related Education, and (2) non-GRF line item 055-606, DARE. The latter line item is supported by the Office of the Attorney General's portion ($75) of the state's $425 driver's license reinstatement fee.

With regard to these two education-related line items, the enacted FY 2004-2005 biennial operating budget:

- Provides a continuation level of funding of $3.9 million in each fiscal year for line item 055-606, primarily for grants that are distributed to law enforcement in support of Drug Abuse Resistance Education (DARE) programs in public schools; and
- Eliminates the Law-Related Education line item, associated annual GRF funding of roughly $190,000, and related temporary law earmarking the funds as a subsidy to be distributed to the Ohio Center for Law-Related Education.

As the Law-Related Education line item was not funded, the Office of the Attorney General has decided to allocate a maximum of $100,000 from its FY 2004 operating budget to be distributed as a subsidy to the Ohio Center for Law-Related Education. Future commitments will depend on available funding and office priorities. On a related note, an analogous GRF line item earmarked as a subsidy for the Ohio Center for Law-Related Education that is part of The Judiciary/Supreme Court budget (line item 005-406, Law-Related Education) was funded with appropriations of $209,836 in FY 2004 and $216,131 in FY 2005.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

AGO Attorney General

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	055-321	Operating Expenses	$ 56,554,322	$ 55,986,211	$54,388,845	$ 53,885,937	-0.92%	$ 53,885,937	0.00%
GRF	055-405	Law-Related Education	$ 195,489	$ 196,793	$189,610	$ 0	-100.00%	$ 0	N/A
GRF	055-406	Community Police Match and Law Enfo	$ 2,875,502	$ 2,350,494	$2,256,620	$ 2,258,843	0.10%	$ 2,258,843	0.00%
GRF	055-411	County Sheriffs	$ 619,291	$ 611,198	$588,890	$ 731,879	24.28%	$ 736,929	0.69%
GRF	055-415	County Prosecutors	$ 558,249	$ 512,283	$493,585	$ 717,182	45.30%	$ 723,490	0.88%
General Revenue Fund Total			**$ 60,802,853**	**$ 59,656,979**	**$ 57,917,550**	**$ 57,593,841**	**-0.56%**	**$ 57,605,199**	**0.02%**
420	055-603	Attorney General Antitrust	$ 235,005	$ 206,259	$256,126	$ 446,449	74.31%	$ 446,449	0.00%
4Y7	055-608	Title Defect Rescission	$ 70,160	$ 165,526	$601,682	$ 570,623	-5.16%	$ 570,623	0.00%
4Z2	055-609	BCI Asset Forfeiture and Cost Reimbur	$ 458,694	$ 434,452	$764,130	$ 332,109	-56.54%	$ 332,109	0.00%
106	055-612	General Reimbursement	$ 12,452,147	$ 15,685,240	$21,170,681	$ 18,870,196	-10.87%	$ 18,870,196	0.00%
418	055-615	Charitable Foundations	$ 2,249,898	$ 1,514,827	$2,158,643	$ 1,899,066	-12.03%	$ 1,899,066	0.00%
421	055-617	Police Officers' Training Academy Fee	$ 1,142,530	$ 1,086,578	$1,122,769	$ 1,193,213	6.27%	$ 1,193,213	0.00%
5A9	055-618	Telemarketing Fraud Enforcement	----	----	$0	$ 52,378	N/A	$ 52,378	0.00%
107	055-624	Employment Services	$ 797,884	$ 763,873	$728,906	$ 984,396	35.05%	$ 984,396	0.00%
590	055-633	Peace Officer Private Security Fund	$ 53,371	$ 50,710	$46,306	$ 98,370	112.43%	$ 98,370	0.00%
629	055-636	Corrupt Activity Investigation and Prose	----	$ 482,655	$20,332	$ 108,230	432.31%	$ 108,230	0.00%
631	055-637	Consumer Protection Enforcement	$ 914,589	$ 844,574	$642,979	$ 1,373,832	113.67%	$ 1,373,832	0.00%
195	055-660	Workers' Compensation Section	$ 6,761,243	$ 6,900,975	$7,215,468	$ 7,769,628	7.68%	$ 7,769,628	0.00%
General Services Fund Group Total			**$ 25,135,521**	**$ 28,135,669**	**$ 34,728,022**	**$ 33,698,490**	**-2.96%**	**$ 33,698,490**	**0.00%**
381	055-611	Civil Rights Legal Service	$ 312,459	$ 347,853	$311,521	$ 390,815	25.45%	$ 390,815	0.00%
3R6	055-613	Attorney General Federal Funds	$ 1,556,479	$ 3,088,262	$3,472,897	$ 3,730,191	7.41%	$ 3,842,097	3.00%
306	055-620	Medicaid Fraud Control	$ 2,213,990	$ 2,269,012	$2,250,943	$ 2,882,970	28.08%	$ 2,969,459	3.00%
383	055-634	Crime Victims Assistance	$ 12,709,091	$ 14,245,336	$15,179,429	$ 17,561,250	15.69%	$ 18,439,313	5.00%
3E5	055-638	Anti-Drug Abuse	$ 2,689,691	$ 1,959,835	$1,948,796	$ 1,923,400	-1.30%	$ 1,981,102	3.00%
Federal Special Revenue Fund Group Total			**$ 19,481,710**	**$ 21,910,299**	**$ 23,163,586**	**$ 26,488,626**	**14.35%**	**$ 27,622,786**	**4.28%**
4L6	055-606	DARE	$ 3,279,722	$ 3,399,849	$3,336,129	$ 3,927,962	17.74%	$ 3,927,962	0.00%
402	055-616	Victims of Crime	$ 16,293,873	$ 21,988,957	$22,932,548	$ 27,933,893	21.81%	$ 27,933,893	0.00%
417	055-621	Domestic Violence Shelter	----	----	$0	$ 14,492	N/A	$ 14,492	0.00%
108	055-622	Crime Victims Compensation	$ 129,636	----	$0	$ 0	N/A	$ 0	N/A

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
AGO	***Attorney General***								
419	055-623	Claims Section	$ 11,413,468	$ 11,705,241	$10,567,345	$ 13,649,954	29.17%	$ 13,649,954	0.00%
177	055-626	Victims Assistance Programs	$ 9,783	----	$0	$ 0	N/A	$ 0	N/A
659	055-641	Solid and Hazardous Waste Backgroun	$ 454,541	$ 525,779	$609,807	$ 621,159	1.86%	$ 621,159	0.00%
	State Special Revenue Fund Group Total		**$ 31,581,024**	**$ 37,619,826**	**$ 37,445,829**	**$ 46,147,460**	**23.24%**	**$ 46,147,460**	**0.00%**
R42	055-601	Organized Crime Commission Account	$ 200,000	$ 99,794	$0	$ 200,000	N/A	$ 200,000	0.00%
R03	055-629	Bingo License Refunds	$ 925	$ 775	$650	$ 5,200	700.00%	$ 5,200	0.00%
R18	055-630	Consumer Frauds	$ 7,282,227	$ 238,810	$309,674	$ 750,000	142.19%	$ 750,000	0.00%
R04	055-631	General Holding Account	$ 208,316	$ 2,474,500	$579,794	$ 275,000	-52.57%	$ 275,000	0.00%
R05	055-632	Antitrust Settlements	----	----	$0	$ 10,400	N/A	$ 10,400	0.00%
	Holding Account Redistribution Fund Group Total		**$ 7,691,467**	**$ 2,813,880**	**$ 890,118**	**$ 1,240,600**	**39.37%**	**$ 1,240,600**	**0.00%**
Attorney General Total			***$ 144,692,574***	***$ 150,136,652***	***$ 154,145,105***	***$ 165,169,017***	***7.15%***	***$ 166,314,535***	***0.69%***

- Works with Ohio's local governments to provide audits of three types: financial, performance, and special audits
- Reconfigured Fraud and Investigation Unit

Auditor of State

Carol Robison, Budget Analyst

ROLE

The Auditor of State is responsible for auditing all public offices in Ohio including those in cities, villages, counties, townships, schools, and universities, as well as the many departments, agencies, and commissions of state government. Over 4,600 audits are performed at least every two years. The Auditor also provides consulting services to local entities, training for public officers, and produces payroll, vendor payments, warrants for the state, and income tax refunds. The Auditor of State employs approximately 982 full time employees, of which approximately 747 are auditors who work from the state office or one of the eight regional offices.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
966	$85.2 million	$88.6 million	$33.8 million	$33.9 million	Am. Sub. H. B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Auditor of State's office is organized into three *budget programs*, each referred to as a Program Series. The three program series are the Audit Services Program (Program Series 1), Centralized Services Program (Program Series 2), and Local Government Services Group (Program Series 3). The work of the Auditor's office is completed through three *operational divisions:* Audit Division, Administration Division, and Legal Division.

BUDGET ISSUES

AUDIT SERVICES PROGRAM (PROGRAM SERIES 1)

This program series is comprised of two groups: the Audit Division and the Fraud and Investigation Group. Funding for the Audit Services Program is derived from the General Revenue Fund (to cover operating expenses and fiscal watch and emergency technical assistance) and from two rotary funds (Fund 109 to cover intrastate public audit expenses and Fund 422 to cover local government public audit expenses). The rotary moneys come from charges to state and local governments for the cost of audits provided by the Audit Division.

Under the Audit Division, the Audit Group identifies critical issues related to public entities' financial reporting, legal conditions, internal controls, high-risk investments, and operational efficiencies and inefficiencies, among other issues for local governments. The Audit Group also conducts special audits of private entities receiving public funding. Under current funding, the Fraud and Investigative Audit Group will continue to assure that institutions and programs are in compliance with state laws and local regulations.

CENTRALIZED SERVICES PROGRAM (PROGRAM SERIES 2)

This program series is comprised of two divisions, the Administrative Division and the Legal Division, and two groups, the Information Technology Group and the Public Affairs Group. Funding sources for Program Series 2 are the General Revenue Fund and, Fund 109 and Fund 422, which are derived from charges to state and local governments for the cost of audits provided by the Audit Division.

The funding for the Centralized Services Program is used by the Administrative Division for all centralized support to the office's full-time employees and office operations, including the writing of several million warrants (checks) annually for state employee payroll, recipients of Aid to Families with Dependent Children, and suppliers of goods and services used by the state. Funds to the Legal Division are used for professional support and legal guidance to state agencies and local governments. Funding to the Information Technology Group allows for thousands of electronic fund transfers per year and maintenance of a Local Area Network (LAN) and a Wide Area Network (WAN) connecting the Auditor's nine regional offices. The Public Affairs Group uses funds for responding to thousands of requests for information per year and for media expenses.

LOCAL GOVERNMENT SERVICES GROUP (PROGRAM SERIES 3)

This program series is comprised of one group, the Local Government Services Group, which provides professional and technical services and assistance to local governments in the areas of accounting and operational activities. These services include assistance with GAAP conversion, assistance with financial forecasts, fiscal watch and emergency analysis, records reconstruction and reconciliation, and help in using the Uniform Accounting Network (UAN). The Uniform Accounting Network is an accounting system for townships, villages, and libraries.

Funding sources for Program Series 3 are the General Revenue Fund and four rotary funds (Funds 109, 422, 584, and 675). Money in these funds is derived from charges to state and local governments for the cost of audits, consulting services, technical assistance, and from fees paid by local governments for participation in the UAN and a variety of training sessions for local officials.

FEE INCREASES AND CHANGES AFFECTED BY STATE AUDIT FLAT RATE

The Auditor of State increased the state audit flat rate from $57.28 to $57.84, effective July 1, 2003, so this will produce new revenue of $80,293 for FY 2004. The state audit flat rate affecting FY 2005 was set at $56.94, or a 1.6% decrease from the FY 2004 rate, so that there is no new revenue, rather a decrease of $131,379 from FY 2004 to FY 2005.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

AUD Auditor of State

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	070-321	Operating Expenses	$ 32,141,810	$ 30,278,217	$30,698,832	$ 30,813,217	0.37%	$ 30,813,217	0.00%
GRF	070-403	Fiscal Watch/Emergency Technical As	$ 236,159	$ 735,180	$811,669	$ 400,000	-50.72%	$ 500,000	25.00%
GRF	070-405	Electronic Data Processing Administrat	$ 984,487	$ 823,193	$896,111	$ 823,193	-8.14%	$ 823,193	0.00%
GRF	070-406	Uniform Accounting Network/Technolo	$ 7,565,008	$ 1,774,394	$1,774,694	$ 1,774,394	-0.02%	$ 1,774,394	0.00%
General Revenue Fund Total			**$ 40,927,464**	**$ 33,610,983**	**$ 34,181,306**	**$ 33,810,804**	**-1.08%**	**$ 33,910,804**	**0.30%**
422	070-601	Public Audit Expense-Local Governme	$ 28,859,091	$ 31,983,724	$31,869,701	$ 37,617,072	18.03%	$ 39,497,925	5.00%
109	070-601	Public Audit Expense-Intrastate	$ 7,642,565	$ 7,856,212	$9,960,011	$ 10,592,547	6.35%	$ 11,651,800	10.00%
584	070-603	Training Program	$ 61,404	$ 146,615	$105,444	$ 124,999	18.55%	$ 131,250	5.00%
675	070-605	Uniform Accounting Network	$ 1,941,720	$ 1,324,744	$3,987,381	$ 3,015,760	-24.37%	$ 3,317,336	10.00%
General Services Fund Group Total			**$ 38,504,780**	**$ 41,311,296**	**$ 45,922,537**	**$ 51,350,378**	**11.82%**	**$ 54,598,311**	**6.33%**
R06	070-604	Continuous Receipts	$ 27,921	$ 33,777	$12,364	$ 50,000	304.40%	$ 60,000	20.00%
Holding Account Redistribution Fund Group Total			**$ 27,921**	**$ 33,777**	**$ 12,364**	**$ 50,000**	**304.40%**	**$ 60,000**	**20.00%**
Auditor of State Total			***$ 79,460,164***	***$ 74,956,055***	***$ 80,116,207***	***$ 85,211,182***	***6.36%***	***$ 88,569,115***	***3.94%***

- Fee increases are effective in FY 2004
- Two major areas of regulation are sanitation issues and identification of barbers who are operating without a license

Barber Examiners, Board of

Carol Robison, Budget Analyst

ROLE

The Ohio State Barber Board was established to ensure that the consuming public is protected from communicable diseases. The Board requires that all barbers attend a licensed barber school, pass an examination, and obtain a license. In addition to licensing barbers, the Board regulates barber schools and barber shops, sets and enforces standards for licensure through examinations and investigations, and takes disciplinary actions.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
10	$536,000	$555,000	0	0	Am. Sub. H. B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

As of August 2002, the Barber Board was regulating more than 9,000 barbers, more than 3,100 shops, 50 teachers, and 14 schools. In FY 2002, the Board made 7,275 inspections of shops resulting in 155 actual violations being written. Recent changes to the minimum size of a barber school have reduced the minimum square footage and number of students, so the Board anticipates that new schools may open.

BUDGET ISSUES

FEE INCREASES IN AM. SUB. H. B. 95

The following Board fee increases have been enacted in Am. Sub. H. B. 95. The estimated revenue shown in the table below reflects the total amount expected from the new fees for each fiscal year.

Barber Board – Fee Increases						
Fee Description	**R.C. Section**	**Prior Fee**	**New Fee**	**Effective Date**	**Estimated FY 2004 Revenue***	**Estimated FY 2005 Revenue**
1. Application to take barber exam	4709.12	$ 60	$ 90	10/1/03	$ 22,770	$ 31,500
2. Application to retake part/all barber exam	4709.12	$ 30	$ 45	10/1/03	$ 2,685	$ 2,925
3. Initial license – barber	4709.12	$ 20	$ 30	10/1/03	$ 6,600	$ 9,000
4. Biennial renewal license – barber	4709.12	$ 75	$ 110	10/1/03	$ 33,000	$ 935,000
5. Restoration of expired barber license – each year lapsed	4709.12	$ 150	$ 175	10/1/03	Unknown	Unknown
5a. Restoration of expired barber license – maximum	4709.12	$ 460	$ 690	10/1/03	$ 1,500	$ 45,000
6. Issue duplicate barber or shop license	4709.12	$ 30	$ 45	10/1/03	$ 1,230	$ 855
7. Inspect new/reopen former barber shop, and issue shop license	4709.12	$ 75	$ 110	10/1/03	$ 36,120	$ 39,380
8. Biennial renewal of barber shop license	4709.12	$ 50	$ 75	10/1/03	$ 1,500	$ 187,500
9. Restore barber shop license	4709.12	$ 75	$ 110	10/1/03	$ 16,720	$ 18,700
10. Inspect new/reopen former barber school	4709.12	$ 500	$ 750	10/1/03	0	0
11. Initial barber school license	4709.12	$ 500	$ 1,000	10/1/03	0	0
11a. Renewal of barber school license	4709.12	$ 500	$ 1,000	10/1/03	0	$ 15,000
12. Restoration of barber school license	4709.12	$600	$ 1,000	10/1/03	0	0
13. Issue student registration	4709.12	$ 25	$ 40	10/1/03	$ 12,470	$ 16,640
14. Examine and issue biennial teacher license	4709.12	$ 125	$ 185	10/1/03	$ 185	$ 185
15. Renewal of biennial teacher's license	4709.12	$ 100	$ 150	10/1/03	0	$ 7,500
16. Restore retired teacher's license	4709.12	$ 150	$ 225	10/1/03	Unknown	Unknown
16a. Restore retired teacher's license – each additional year	4709.12	$ 40	$ 60	10/1/03	0	0
16b. Restore retired teacher's license – maximum	4709.12	$ 300	$ 450	10/1/03	0	0
17. Issue barber license by reciprocity	4709.12	$ 200	$ 300	10/1/03	$ 11,000	$ 11,700
18. Provide license information on an applicant	4709.12	$ 25	$ 40	10/1/03	$ 1,850	$ 2,040
Totals					$ 147,630	$1,322,925

* FY 2004 fee increases are prorated.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
BRB	***Barber Examiners, Board of***								
4K9	877-609	Operating Expenses	$ 384,892	$ 435,729	$475,496	$ 535,853	12.69%	$ 555,037	3.58%
General Services Fund Group Total			**$ 384,892**	**$ 435,729**	**$ 475,496**	**$ 535,853**	**12.69%**	**$ 555,037**	**3.58%**
Barber Examiners, Board of Total			***$ 384,892***	***$ 435,729***	***$ 475,496***	***$ 535,853***	***12.69%***	***$ 555,037***	***3.58%***

- FY 2004 transfer of $242.8 million tobacco settlement funding to GRF
- Postponed implementation of OAKS
- $1.25 million Governor's Blue Ribbon Task Force on Financing Student Success

Budget and Management, Office of

Erin N. Jones, Budget Analyst

ROLE

The primary mission of the Office of Budget and Management (OBM) is to provide fiscal accounting and budgeting services to state government. OBM ensures that Ohio's fiscal resources are used in a manner consistent with state laws and policies. The office advises the Governor on budget concerns and helps state agencies to coordinate their financial activities.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
115	$14.5 million	$13.9 million	$3.3 million	$2.5 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The FY 2004 appropriation of $14,471,194 is less than 1% below FY 2003 expenditures of $14,476,278. Appropriations are reduced 4% for FY 2005 to $13,933,892.

Of particular note is new GRF funding of $1.25 million over the biennium for the Governor's Blue Ribbon Task Force on Financing Student Success. This increase in GRF appropriation is offset by savings from the elimination of the Office of Quality Services and the suspension of payments for the Central State University (CSU) deficit reduction plan. The CSU deficit reduction plan, suspended now that CSU has been removed from fiscal emergency, was used to reduce CSU's operating deficit, alleviate or address issues that led CSU into fiscal emergency, address any audit findings, and assist with the accreditation of academic programs.

Finally, funding for the development of the Ohio Administrative Knowledge System (OAKS) continues, albeit at levels that will require the implementation of this project to be postponed. The overall FY 2004-2005 appropriation for this project is $1.13 million. When completed, this system will combine the state's budgeting, accounting, human resources, and capital and fixed asset management program and procurement reporting functions into a single application.

BUDGET ISSUES

OFFICE OF QUALITY SERVICES CLOSURE

The budget act eliminates funding for the Office of Quality Services (OQS), responsible for the Quality Services through Partnership (QStP) program. The Office closed July 11, 2003. Originally established in 1993, the OQS provided training services to employees through the Quality Academy, which supported the implementation of QStP. The total FY 2003 appropriation for the OQS was $480,105. The OQS is funded at $30,000 in FY 2004 for final payroll expenses.

Commission Closures Line Item

The Commission Closures Line Item is provided $65,000 for FY 2004 to cover costs associated with closing the Office of Quality Services. This line item is used to pay for expenses related to an agency’s closing, including unemployment and other costs. It was previously utilized by the Department for final expenses incurred by the closure of the Women’s Policy and Research Commission in FY 2002.

GOVERNOR’S BLUE RIBBON TASK FORCE ON FINANCING STUDENT SUCCESS

The budget act appropriates GRF funding of $1 million in FY 2004 and $250,000 in FY 2005 to support the Governor’s Blue Ribbon Task Force on Financing Student Success, a 33-member group of education, community and business leaders charged with evaluating Ohio's system of financing primary and secondary education. The funds will be used to increase staffing to provide analysis of education finance, hire consultants, and provide equipment and supplies to support staff to assist the Blue Ribbon Task Force. The Task Force will report its findings and recommendations to the Governor in early 2004.

Operations of the Task Force will conclude with the report to the Governor in FY 2004; FY 2005 appropriations will be used for final salaries of staff assigned to the Task Force, increased staffing in the OBM Education section, and any final expenses for the Task Force.

OAKS IMPLEMENTATION DELAY

The budget act appropriates $4.13 million over the biennium for the OAKS project, intended to integrate state government budgeting, accounting, human resources, and other reporting functions into a single application. This appropriation compares to funding of $5.9 million for this project during the FY 2002-2003 biennium. However, state budget concerns have delayed OAKS implementation; the project timeline, including an expected date for vendor selection, is currently under review. Nevertheless, the department expects the OAKS project to be on track for full implementation by the end of the FY 2004-2005 biennium. The overall estimated cost of the OAKS project remains $156 million.

Regardless of the delays in the other areas, OAKS staff will develop a web-based application to streamline processing procedures related to Controlling Board requests.

TRANSFERS TO GRF

The budget act contains a provision that permits the Director of OBM to transfer up to $242.8 million from the Tobacco Master Settlement Agreement Fund to the GRF in FY 2004. Of that amount, $120.0 million would otherwise have been transferred to Fund H87, the Tobacco Use Prevention and Cessation Trust Fund. The bill requires that Fund H87 be reimbursed from the Tobacco Master Settlement Agreement Fund in FY 2015. The remaining $122.8 million transfer to the GRF would otherwise have been transferred to the Education Facilities Trust Fund (Fund N87) for school construction funding. Instead, this sum will be transferred to the GRF as well. In place of this transfer to the Education Facilities Trust Fund, this bill authorizes the School Facilities Commission to issue $122.8 million in bonds for school building construction.

The budget act also transfers $2 million from appropriation line item 4K9, the Occupational Licensing and Regulatory Fund, to the GRF in FY 2004.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill Version: Enacted

OBM Budget and Management, Office of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	042-321	Budget Development and Implementati	$ 2,262,388	$ 2,207,657	$1,985,238	$ 3,092,469	55.77%	$ 2,405,243	-22.22%
GRF	042-401	Office of Quality Services	$ 571,104	$ 525,283	$475,676	$ 30,000	-93.69%	$ 0	-100.00%
GRF	042-402	ERP Project Implementation	$ 488,775	$ 64,365	$0	$ 0	N/A	$ 0	N/A
GRF	042-406	Attorney Indemnification	$ 2,500	$ 2,500	$4,191	$ 0	-100.00%	$ 0	N/A
GRF	042-407	CSU Deficit Reduction	$ 393,022	$ 449,983	$781,814	$ 0	-100.00%	$ 0	N/A
GRF	042-409	Commission Closures	----	$ 3,671	$0	$ 65,000	N/A	$ 0	-100.00%
GRF	042-410	National Association Dues	$ 24,800	$ 25,500	$26,300	$ 27,089	3.00%	$ 27,902	3.00%
GRF	042-412	Audit of Auditor of State	$ 44,000	$ 46,000	$48,000	$ 62,110	29.40%	$ 55,760	-10.22%
GRF	042-434	Financial Planning Commissions	$ 269,612	$ 38,675	$0	$ 0	N/A	$ 0	N/A
General Revenue Fund Total			**$ 4,056,201**	**$ 3,363,634**	**$ 3,321,219**	**$ 3,276,668**	**-1.34%**	**$ 2,488,905**	**-24.04%**
4C1	042-601	Quality Services	$ 31,740	$ 37,458	$4,429	$ 0	-100.00%	$ 0	N/A
105	042-603	State Accounting	$ 8,326,870	$ 8,875,638	$8,502,645	$ 9,131,651	7.40%	$ 9,375,862	2.67%
General Services Fund Group Total			**$ 8,358,610**	**$ 8,913,096**	**$ 8,507,074**	**$ 9,131,651**	**7.34%**	**$ 9,375,862**	**2.67%**
5N4	042-602	OAKS Project Implementation	$ 463,994	$ 3,260,124	$2,647,985	$ 2,062,875	-22.10%	$ 2,069,125	0.30%
State Special Revenue Fund Group Total			**$ 463,994**	**$ 3,260,124**	**$ 2,647,985**	**$ 2,062,875**	**-22.10%**	**$ 2,069,125**	**0.30%**
Budget and Management, Office of Total			***$ 12,878,805***	***$ 15,536,854***	***$ 14,476,278***	***$ 14,471,194***	***-0.04%***	***$ 13,933,892***	***-3.71%***

- Total appropriation for FY 2004 is 4.9% more than FY 2003; FY 2005 is 0.8% less than FY 2004

Capitol Square Review and Advisory Board

Kerry Sullivan, Budget Analyst

ROLE

The Capitol Square Review and Advisory Board (CSR) provides all educational, maintenance, support, and security services for the Capitol Square Complex, the Statehouse, and its grounds. The agency also operates a museum shop and an underground public parking garage, oversees operations of the Capitol Cafe, works with the Ohio Government Telecommunications studio to provide media services around Capitol Square, and provides public tours of the Statehouse through a cooperative agreement with the Ohio Historical Society.

The Board consists of 11 members, including two members from the House of Representatives, two members from the Senate, a former Speaker of the House appointed by the current Speaker, a former President of the Senate appointed by the current President, and five persons appointed by the Governor. The daily operations of the Board are performed by an executive director and a staff of approximately 76 employees.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
77	$6.8 million	$6.8 million	$3.1 million	$3.0 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Appropriations for FY 2004 total $6,835,947. This amount is $319,800 more than the revised appropriation for FY 2003 (a 4.9% increase) and is $710,964 more than actual expenditures for FY 2003. Appropriations for FY 2005 total $6,779,534, or $56,413 less than FY 2004 (a 0.8% decrease).

Costs associated with the administration of the Board and the maintenance of the Statehouse are largely supported by General Revenue Fund (GRF) dollars. Revenue obtained by the Board from the Statehouse parking garage is directed toward the operation and maintenance of the garage itself and to repay bond obligations issued for the restoration of the Statehouse. Revenue obtained from the Statehouse museum shop is directed toward salary, inventory purchases for the shop, and special event services.

From the Board's original GRF request of $3,021,424 in FY 2004 and $3,048,424 in FY 2005, the Board is appropriated $3,053,662 in FY 2004 (a 1.1% increase from the Board's request) and $3,034,329 in FY 2005 (a 0.5% decrease from the Board's request). Funding at these levels will allow the Board to maintain its current staff and to coordinate the maintenance, grounds keeping, and custodial services necessary for the day-to-day operation of the Statehouse and its grounds.

BUDGET ISSUES

UNDERGROUND PARKING GARAGE

In FY 2003, the Statehouse underground parking garage generated a total of $2.52 million in revenue for the Capitol Square Review and Advisory Board, down from $2.64 million in FY 2000. In recent years, revenue from the garage has decreased, due in part to increased competition in the downtown parking market. Since January 1997, 12 parking garages, primarily intended for office workers, have been built in downtown Columbus, resulting in nearly 10,000 new parking spaces.[1]

In addition, various costs related to the maintenance of the 30 plus year old structure have totaled more than $1 million since 1998. Upgrades to the garage have included the installation of drainage pumps, new elevators and entrances doors, a revenue control/access system, collapsing tunnel repairs, garage office renovations, and the purchase of a floor sweeper. Since 1995, revenues from the garage have also been used to repay bond obligations issued during the restoration of the Statehouse. These debt repayments total $750,000 annually and will continue until 2015. Garage moneys also pay the salaries of 41 Board employees and pay for all of the Board's elevator maintenance contracts, water costs, and other smaller obligations. In the last two fiscal years, garage revenue has helped bridge the gap left by reductions in General Revenue funding during the biennium.

[1] Source: The Columbus Dispatch, March 2002

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill**   *Version:* **Enacted**

CSR Capitol Square Review and Advisory Board

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	874-100	Personal Services	----	----		$ 2,031,400	N/A	$ 2,051,400	0.98%
GRF	874-320	Maintenance and Equipment	----	----		$ 1,022,262	N/A	$ 982,929	-3.85%
GRF	874-321	Operating Expenses	$ 5,135,963	$ 3,331,257	$2,684,679	$ 0	-100.00%	$ 0	N/A
General Revenue Fund Total			**$ 5,135,963**	**$ 3,331,257**	**$ 2,684,679**	**$ 3,053,662**	**13.74%**	**$ 3,034,329**	**-0.63%**
4S7	874-602	Statehouse Gift Shop/Events	$ 585,685	$ 666,393	$799,723	$ 770,484	-3.66%	$ 770,484	0.00%
4G5	874-603	Capitol Square Maintenance Expenses	$ 43,842	$ 171,168	$43,882	$ 15,000	-65.82%	$ 15,000	0.00%
4T2	874-604	Government Television/Telecommunic	$ 105,466	$ 8,704	$0	$ 0	N/A	$ 0	N/A
General Services Fund Group Total			**$ 734,994**	**$ 846,265**	**$ 843,605**	**$ 785,484**	**-6.89%**	**$ 785,484**	**0.00%**
208	874-601	Underground Parking Garage Operatin	$ 2,427,818	$ 2,530,031	$2,596,699	$ 2,996,801	15.41%	$ 2,959,721	-1.24%
Underground Parking Garage Fund Total			**$ 2,427,818**	**$ 2,530,031**	**$ 2,596,699**	**$ 2,996,801**	**15.41%**	**$ 2,959,721**	**-1.24%**
Capitol Square Review and Advisory Board Total			***$ 8,298,774***	***$ 6,707,553***	***$ 6,124,983***	***$ 6,835,947***	***11.61%***	***$ 6,779,534***	***-0.83%***

- Board will no longer receive any GRF funding and will be completely funded by their fee revenues beginning in FY 2004

Career Colleges and Schools, State Board of

Sara D. Anderson, Budget Analyst

ROLE

The State Board of Career Colleges and Schools, formerly the State Board of Proprietary School Registration, monitors and regulates many of Ohio's proprietary (private and for-profit post-secondary career) schools to ensure compliance with minimum standards set by state law. The Board establishes standards for the registration and operation of these schools, including standards to ensure each school's financial stability. The Board has seven board members, a full-time staff of four, and four consultants who work under purchased service contracts and perform on-site evaluations of all schools at least once every two years. The Board also maintains the Ohio Student Tuition Recovery Fund that provides tuition recovery options for the students of closed schools. Schools are required to make initial and annual deposits to this fund. In 2002, 261 proprietary schools registered with the Board.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
4	$404,000	$432,000	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the State Board of Career Colleges and Schools as of June 28, 2003. This number does not include board members.

OVERVIEW

The Board's appropriation for FY 2004 is $404,025, an 11.2% increase over FY 2003 spending level. The appropriation for FY 2005 is $431,525, a 6.8% increase over the FY 2004 appropriation. Beginning in FY 2004, the Board will no longer receive any GRF funding. The Board is now responsible for raising enough revenue through fees to cover their entire spending plan. Formerly, it was only required that the Board's fee revenue equal at least 50% of its annual expenditures and the Board received GRF funding to supplement their spending plan.

Line Item Detail by Agency

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Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
SCR Career Colleges and Schools, State Board of									
GRF	233-100	Personal Services	$ 318,566	$ 296,810	$289,667	$ 0	-100.00%	$ 0	N/A
GRF	233-200	Maintenance	$ 84,713	$ 78,154	$72,767	$ 0	-100.00%	$ 0	N/A
GRF	233-300	Equipment	$ 3,419	$ 3,322	$1,000	$ 0	-100.00%	$ 0	N/A
General Revenue Fund Total			**$ 406,697**	**$ 378,286**	**$ 363,434**	**$ 0**	**-100.00%**	**$ 0**	**N/A**
4K9	233-601	Operating Expenses	----	----	$0	$ 404,025	N/A	$ 431,525	6.81%
General Services Fund Group Total			**----**	**----**	**$ 0**	**$ 404,025**	**N/A**	**$ 431,525**	**6.81%**
Career Colleges and Schools, State Board of Total			***$ 406,697***	***$ 378,286***	***$ 363,434***	***$ 404,025***	***11.17%***	***$ 431,525***	***6.81%***

- Newly created Board will work to establish rules and transition licensure procedures from the Ohio Department of Alcohol and Drug Addiction Services

Chemical Dependency Professionals Board

Holly Wilson, Budget Analyst

ROLE

Am. Sub H.B. 496 of the 124th General Assembly created the Chemical Dependency Professionals Board. The Board's main purpose is to license chemical dependency counselors and certify alcohol and drug abuse prevention specialists. Am. Sub. S.B. 172 of the 123rd General Assembly delegated responsibility of certifying and credentialing chemical dependency counselors and drug abuse prevention specialists to the Ohio Department of Alcohol and Drug Addiction Services (ODADAS). The bill included a sunset date of July 1, 2002. According to ODADAS, the termination date was included because from the outset ODADAS' acquisition of the credentialing function was viewed only as a temporary solution. Therefore, the Department will continue to receive fee revenue and incur the costs associated with certifying and credentialing in FY 2004 until the newly created Board assumes these responsibilities.

Under the budget act, the Chemical Dependency Professionals Board will join the Occupational Licensing and Regulatory Board Fund (Fund 4K9).

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
17	$225,000	$450,000	$0	$0	Am. Sub. H.B. 95

*Employee head count is an estimate from the Ohio Department of Alcohol and Drug Addiction Services. Of the 17, 12 are Board members.

OVERVIEW AND BUDGET ISSUES

According to ODADAS, the Chemical Dependency Professionals Board will spend the first four to six months of FY 2004 transitioning licensure and credentialing responsibilities. The Board has named its Board members and has filled four staff positions. The Board is searching for an executive director. The Department estimates that the Board will hire an executive director in the first four months of FY 2004 making the total FTE and head count five. The Board has developed rules and hopes to get them approved by the Joint Committee on Agency Rule Review in the near future. After rules are approved, the Board will relocate from office space it is occupying at ODADAS, to its own office space located nearby.

Line Item Detail by Agency

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			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
CDP Chemical Dependency Professionals Board									
4K9	930-609	Operating Expenses	----	----	$0	$ 225,000	N/A	$ 450,000	100.00%
General Services Fund Group Total			**----**	**----**	**$ 0**	**$ 225,000**	**N/A**	**$ 450,000**	**100.00%**
Chemical Dependency Professionals Board Total			***----***	***----***	***$ 0***	***$ 225,000***	***N/A***	***$ 450,000***	***100.00%***

- 2,125 licensees in FY 2002

Chiropractic Board, State

Clay Weidner, Budget Analyst

ROLE

In 1975, the Ohio General Assembly created the Ohio State Chiropractic Board to regulate the chiropractic industry. The Board is responsible for the examination and licensure of chiropractors and the enforcement of the provisions of Chapter 4734. of the Revised Code. The Chiropractic Board oversees the licensure and regulation of over 2,000 chiropractic physicians.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
13	$592,000	$592,000	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Ohio State Chiropractic Board is appropriated $591,724 in both FY 2004 and FY 2005. This represents an 11% increase over FY 2003 expenditures. The appropriations will enable the Board to maintain its current level of service and cover increased administrative fees. The appropriations will also allow the Board to implement the mandates of Sub. H.B. 506 of the 123rd General Assembly, create an advisory committee to address scope of practice issues, and replace five computers during the biennium. The Board is confident that it can meet its statutory requirements with the appropriations provided.

BUDGET ISSUES

NEW LICENSING SYSTEM

The occupational licensing boards, in partnership with the Department of Administrative Services (DAS), are working to implement a new licensing system. The system will be phased in over the biennium and each board will pay its share of the costs out of Fund 4K9. The Chiropractic Board will pay DAS an annual fee of $602 during the biennium and a monthly fee of $45 in FY 2004 and $47 in FY 2005 to maintain the system.

INCREASED ADMINISTRATIVE FEES

During the previous biennium, occupational licensing boards absorbed increased administrative costs charged by other state agencies. Many boards contracted for services that were once provided for free by other state agencies.

The Chiropractic Board estimates that increased administrative fees cost the Board approximately $26,340 in FY 2003 for DAS Central Service Agency fees, computer technical support, and computer networking fees.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
CHR Chiropractic Examiners, State Board of									
4K9	878-609	Operating Expenses	$ 489,885	$ 488,900	$533,209	$ 591,724	10.97%	$ 591,724	0.00%
General Services Fund Group Total			**$ 489,885**	**$ 488,900**	**$ 533,209**	**$ 591,724**	**10.97%**	**$ 591,724**	**0.00%**
Chiropractic Examiners, State Board of Total			***$ 489,885***	***$ 488,900***	***$ 533,209***	***$ 591,724***	***10.97%***	***$ 591,724***	***0.00%***

- Heavier reliance on federal funding continues
- Operating costs to be cut; more staff reductions forecast
- Series of budget reductions will mean three out of every ten staff positions eliminated in five years

Civil Rights Commission, Ohio

Jamie L. Slotten, Budget Analyst

ROLE

The Ohio Civil Rights Commission is charged with enforcing Chapter 4112. of the Revised Code, which prohibits discrimination in the following areas:

- Employment on the basis of race, color, sex, religion, national origin, age, ancestry, or disability;
- Places of public accommodation on the basis of race, color, sex, religion, national origin, age, ancestry, or disability;
- Housing on the basis of race, color, sex, religion, national origin, ancestry, disability, or familial status;
- Granting of credit on the basis of race, color, sex, religion, national origin, age, ancestry, disability, or marital status; and
- Higher education on the basis of disability.

The Commission is a single-program series agency with two major activities. First, it investigates complaints and adjudicates discrimination charges filed by citizens of Ohio pertaining to discrimination in employment, housing, places of public accommodation, credit, and admission to and participation in, activities sponsored by institutions of higher education. Second, in addition to its enforcement responsibilities, the Commission is mandated to conduct educational and public outreach programs.

The Commission receives approximately 5,000 official charges of discrimination each year, and thousands of inquiries from the public with questions and/or concerns regarding discrimination. State law mandates that investigations must be completed within one year. Over two-thirds of the Commission's GRF budget is allocated for staff that investigates and resolves charges of discrimination. Additional funding is provided with federal funds through contracts with two federal agencies: the Equal Employment Opportunity Commission (EEOC) and the Department of Housing and Urban Development (HUD).

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
154**	$11.5 million	$11.3 million	$7.5 million	$7.5 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.
**The Commission cannot support the above noted number of employees reported by DAS. In August 2003, the Commission reported that its number of employees had dropped to 151. Specifically, funding levels for this biennium will support only 140 of the Commission's August number of 151 full-time equivalent employees.

OVERVIEW

The Commission originally requested $9.4 million in GRF funding for FY 2004 and $9.7 million in GRF funding for FY 2005. This level of GRF funding was sought solely to maintain current service levels. The Commission planned to undertake no program expansions or new initiatives. The enacted budget fell short of this requested level of GRF funding by $1.9 million and $2.2 million for FYs 2004 and 2005, respectively.

From the Commission's perspective, the implications of the enacted level of GRF funding are twofold. First, the Commission will not be able to support its August 2003 level of 151 full-time equivalent (FTE) staff over the course of the FY 2004-2005 biennium. This likely means that the Commission will have to find a way to cut an additional 11 FTE staff positions, presumably through some mix of attrition, early retirement incentives, and job abolishment. Second, the Commission will continue to rely more heavily on its federal funding and restrict maintenance and equipment spending in order to cover the payroll costs associated with its labor-intensive duties and responsibilities.

For historical context, the FY 2002-2003 operating budget essentially provided the Commission with no growth in GRF appropriations. At that time, the Commission anticipated difficulties in maintaining its FY 2001 level of services. Additional GRF funding reductions were instituted over the course of the FY 2002-2003 biennium. In response to these GRF funding reductions, the Commission implemented several cost cutting measures, including abolishing 11 FTE staff positions, leaving various staff positions vacant, suspending the practice of employing college interns, implementing an early retirement incentive plan, transferring the FY 2003 payroll costs associated with 20 FTEs out of the GRF by tapping into a surplus of federal funds built up over time, and postponing indefinitely a major computer database project.

BUDGET ISSUES

FEDERAL FUNDING

As stated above, the Commission will continue to place a heavier reliance on its federal funding sources. From the Commission's perspective, this could prove problematic for several reasons. First, the Commission cannot predict with any degree of certainty the availability of federal funds. Second, the amount of federal funding fluctuates from year to year based on available funding and the number of contracted cases. Third, the timeliness of the federal government's reimbursement payments is unpredictable. Fourth, there is no guarantee that federal funding will remain available at current levels, or at all for that matter. Finally, its federal funding covers only a portion of the Commission's cost involved in handling discrimination charges; the remainder of the cost must then be absorbed by GRF funds. The Commission has no discretion in pursuing these cases and must investigate all charges of discrimination, regardless of its level of available funding.

STAFFING LEVELS

As can be seen in Table 1 below, the Commission's annual staffing level, as measured by the number of FTEs, remained relatively steady at around 200 between FYs 1998 and 2000. In subsequent fiscal years, as a result of budget reductions and various related actions taken to reduce costs, the Commission's number of FTEs has declined annually. The Commission has made those staff reductions through a variety of mechanisms, including abolishing positions, implementing an early retirement incentive plan, downsizing by attrition, and ending the practice of using college interns.

Table 1: Ohio Civil Rights Commission Staffing Levels*

1998	1999	2000	2001	2002	2003	2004*	2005*
203	200	199	189	179	151	140	140

*The staffing levels displayed in the above table represent full-time equivalents (FTEs). The number of FTEs for FYs 2004 and 2005 are estimates.

The Commission closed FY 2003 with a staffing level of 150-plus FTEs. Based on the enacted budget, the Commission has estimated that it will be able to afford a staffing level of 140 FTEs over the course of the FY 2004-2005 biennium. In order to reach that staffing level, the Commission will need to cut around 10 or so FTEs, a goal that will be realized through the abolishment of more positions, an ongoing early retirement incentive program, and the continued process of downsizing by attrition. Assuming that its staffing level was reduced to around 140 FTEs, this means that, in the period of four to five years, the Commission will have eliminated 30% of its workforce, or three out of every ten staff positions.

GENERAL REIMBURSEMENT FUND

The enacted budget amended preexisting permanent law to require moneys received by the Commission, and moneys awarded by a court to the Commission, for attorney's fees, court costs, expert witness fees, and other litigation expenses be deposited into the state treasury to the credit of the Commission's existing General Reimbursement Fund (Fund 217). It appears that, under preexisting permanent law and practice, if a court awarded such moneys, the moneys would be awarded to the Office of the Attorney General, which provides legal services to the Commission. As of this writing, the amount of additional revenue that might generate annually as a result of that amendment for deposit to the credit of the Commission's Fund 217 is uncertain.

Under preexisting permanent law, Fund 217 received all moneys collected by the Commission for copies of Commission documents and other goods and services furnished by the Commission. The purpose of the moneys deposited to the credit of Fund 217, which was unchanged by the amendment, is to pay the Commission's operating costs. Since its establishment in FY 2000, Fund 217's annual revenue stream has been in the range of around $15,000 to $25,000 or so.

REAL ESTATE COST REDUCTIONS

In addition to staff reductions as a means to decrease annual operating costs, the Commission is working closely with the Department of Administrative Services to cut its annual real estate expenses by: (1) reducing the square footage of its central office in Columbus, and (2) reducing both the square footage and the lease rate for its regional office in Cincinnati. The Commission anticipates such reductions will save approximately $250,000 in real estate expenses over the FY 2004-2005 biennium.

Line Item Detail by Agency

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			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
CIV	**Ohio Civil Rights Commission**								
GRF	876-100	Personal Services	$ 9,199,274	$ 8,463,470	$7,454,000	$ 7,000,000	-6.09%	$ 7,000,000	0.00%
GRF	876-200	Maintenance	$ 1,080,499	$ 928,222	$822,092	$ 400,000	-51.34%	$ 400,000	0.00%
GRF	876-300	Equipment	$ 126,946	$ 109,431	$93,782	$ 91,298	-2.65%	$ 91,298	0.00%
General Revenue Fund Total			**$ 10,406,718**	**$ 9,501,123**	**$ 8,369,874**	**$ 7,491,298**	**-10.50%**	**$ 7,491,298**	**0.00%**
334	876-601	Federal Programs	$ 1,727,386	$ 3,148,960	$4,144,123	$ 3,965,000	-4.32%	$ 3,790,000	-4.41%
Federal Special Revenue Fund Group Total			**$ 1,727,386**	**$ 3,148,960**	**$ 4,144,123**	**$ 3,965,000**	**-4.32%**	**$ 3,790,000**	**-4.41%**
217	876-604	General Reimbursement	----	$ 29	$1,027	$ 20,951	1,940.02%	$ 20,951	0.00%
State Special Revenue Fund Group Total			**----**	**$ 29**	**$ 1,027**	**$ 20,951**	**1,940.02%**	**$ 20,951**	**0.00%**
Ohio Civil Rights Commission Total			***$ 12,134,104***	***$ 12,650,111***	***$ 12,515,024***	***$ 11,477,249***	***-8.29%***	***$ 11,302,249***	***-1.52%***

- Planned GRF transfers from liquor profits in the range of $93 million in FY 2004 and $85 million in FY 2005
- Increased fee revenues in FY 2004-2005 biennium

Commerce, Department of

Jeremie Newman, Budget Analyst

ROLE

The Department of Commerce is a multi-functional regulatory agency that emphasizes economic development, public safety, and oversight of the state's liquor, finance, real estate, and building industries. Commerce is organized into eight operating divisions and one administrative division. These divisions are: Financial Institutions, Industrial Compliance, Liquor Control, Real Estate and Professional Licensing, Securities, State Fire Marshal, Unclaimed Funds, Labor and Worker Safety, and Administration.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
985	$495.7 million	$523.2 million	$4.3 million	$4.4 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Department of Commerce operates with the use of little General Revenue Funds, funding most programs by assessing fees and charges on the industries that it regulates. The Department also transfers profits and excess cash balances from these programs regularly to the GRF and other state agencies. The agency's FY 2004 appropriation, totaling $495,663,973, is 1.64% more than FY 2003 spending of $487,655,789. Fiscal year 2005 appropriations, totaling $523,157,022, are 5.55% higher than FY 2004.

A large percentage of these appropriations are in the Liquor Control Fund Group, whose primary source of revenue is wholesale and retail spirituous liquor sales. In FY 2004, $341 million is appropriated for liquor merchandising, increasing to $353 million in FY 2005. A portion of the liquor profits is transferred to the GRF. The Department of Commerce estimates that these transfers will amount to approximately $93 million in FY 2004 and $85 million in FY 2005.

Another notable funding issue is an apparent shortfall in the FY 2004 appropriation for the State Fire Marshal's office. As enacted, the budget provides $7,855,076 in funding for FY 2004, a 35% decrease over FY 2003 spending of $12,043,907. It appears as though this cut was made in anticipation of the transfer of the State Fire Marshal's office to the Department of Public Safety, which was contemplated during budget hearings. Ultimately, the transfer was not included in the enacted budget; however, the planned FY 2004 funding for the office was not restored to the intended level. In order to adjust for this oversight, the Department of Commerce will need to obtain Controlling Board approval to restore the needed appropriation authority.

BUDGET ISSUES

INCREASE IN FEES

Am. Sub. H.B. 95 included many changes to existing fees and created new fees charged by the Department of Commerce. The fee increases apply to services provided by the Division of Industrial Compliance and the Division of Liquor Control.

Industrial Compliance Fees

The Division of Industrial Compliance, which regulates and licenses the state's building trades, assesses fees for a number of inspections. Am. Sub. H.B. 95 increases the fees for the following three services listed in the table below. Altogether, these increases will generate approximately $2.18 million in additional revenue each year in the Industrial Compliance Operating Fund (Fund 556).

Fee increases within the Division of Industrial Compliance			
Purpose	**Old Fee Amount**	**New Fee Amount**	**Estimated Annual Revenue Gain**
Filing an Appeal with the Board of Building Standards	$100 maximum	$200 maximum	$75,000
Annual Boiler Inspection	$30	$45	No gain*
Six Month Certificate of Operation for Elevator	$105	$200	$2.1 million

*Am. Sub. H.B. 95 merely codifies this increase, which was previously authorized by the Controlling Board.

Liquor Permit Fees

The Division of Liquor Control issues 47 different types of permits, totaling about 24,000 liquor permits each year. Fees for all permit types have been increased for the FY 2004-2005 biennium. Permits costing $300 or more are increased by 25%, and all permits less than $300 are increased by 100%. For example, an A1 permit for beer manufacturers will now cost $3,906, up from $3,125. An A2 permit for wine manufacturers will now cost $126, up from $63. The Division of Liquor Control estimates an $8.1 million increase in liquor permit fee revenue in FY 2004 and a $12.1 million increase in FY 2005.

In addition to these increases, the biennial budget made changes to the way liquor permit fee revenue is distributed. The percentage of the liquor permit fees distributed from the Undivided Liquor Permit Fund to the GRF is increased from 29% to 45%; the percentage transferred to the Statewide Treatment and Prevention Fund (ODADAS) is decreased from 21% to 20%; and the percentage transferred to the local taxing districts is changed from 50% to an amount determined by the Superintendent of Liquor Control out of the remaining funds in the Undivided Liquor Permit Fund after distribution to the GRF and the Undivided Liquor Permit Fund.

The FY 2004-2005 biennial budget created one new liquor permit, an F-5 liquor permit for riverboats in an Ohio riverboat festival, and authorizes the Division of Liquor Control to sell at wholesale spirituous liquor in 50 milliliter sealed containers to any holder of certain liquor permits. The biennial budget also expands the authority of two existing liquor permits. The D-5i liquor permit, issued to a retail food establishment or food service operation, may now be issued in a municipal corporation or township with a population of 75,000 or less, rather than 50,000 or less. In addition, the D-5j liquor permit may now be issued in a community entertainment district that is located in a township with a population of at least 40,000 or a municipal corporation with a population of at least 20,000 and other qualifying characteristics. These changes will potentially increase the number of liquor permits issued and sale of spirituous liquor, thus increasing liquor revenue and liquor permit revenue in the Undivided Liquor Permit Fund (Fund 066) and the Liquor Control Fund (Fund 043).

TRANSFER OF FUNDS TO THE GRF

The FY 2004-2005 biennial budget allows the Director of Budget and Management to transfer the following funds to the GRF: up to $2 million from the Banks Fund (Fund 544); up to $10 million from the Fire Marshal Fund (Fund 546); up to $1 million from the Real Estate Fund (Fund 549); and up to $1 million from the Industrial Compliance Fund (Fund 556). The budget also authorizes the Director of Budget and Management to request the transfer of up to $25 million of the unclaimed funds that have been reported by holders of unclaimed funds to the GRF.

Line Item Detail by Agency

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COM Commerce, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	800-402	Grants-Volunteer Fire Departments	$ 795,210	$ 844,768	$647,953	$ 647,953	0.00%	$ 647,953	0.00%
GRF	800-410	Labor and Worker Safety	----	$ 3,550,430	$3,224,492	$ 3,700,040	14.75%	$ 3,725,040	0.68%
GRF	800-412	Prevailing/Minimum Wage & Minors	$ 2,131,006	$ 254,001	$0	$ 0	N/A	$ 0	N/A
GRF	800-413	OSHA Match	$ 138,430	$ 9,347	$0	$ 0	N/A	$ 0	N/A
GRF	800-417	Public Employee Risk Reduction	$ 1,217,323	$ 91,111	$0	$ 0	N/A	$ 0	N/A
General Revenue Fund Total			**$ 4,281,969**	**$ 4,749,657**	**$ 3,872,445**	**$ 4,347,993**	**12.28%**	**$ 4,372,993**	**0.57%**
163	800-620	Division of Administration	$ 4,701,654	$ 5,825,516	$5,419,460	$ 3,385,803	-37.53%	$ 3,490,056	3.08%
5F1	800-635	Small Government Fire Departments	----	----	$180,491	$ 250,000	38.51%	$ 250,000	0.00%
163	800-637	Information Technology	----	----	$0	$ 2,753,299	N/A	$ 2,772,924	0.71%
General Services Fund Group Total			**$ 4,701,654**	**$ 5,825,516**	**$ 5,599,951**	**$ 6,389,102**	**14.09%**	**$ 6,512,980**	**1.94%**
348	800-622	Underground Storage Tanks	$ 207,355	$ 194,554	$193,937	$ 195,008	0.55%	$ 195,008	0.00%
348	800-624	Leaking Underground Storage Tanks	$ 1,395,236	$ 1,285,423	$1,317,395	$ 1,850,000	40.43%	$ 1,850,000	0.00%
349	800-626	OSHA Enforcement	$ 1,095,491	$ 1,412,598	$1,401,951	$ 1,527,750	8.97%	$ 1,604,140	5.00%
Federal Special Revenue Fund Group Total			**$ 2,698,082**	**$ 2,892,575**	**$ 2,913,283**	**$ 3,572,758**	**22.64%**	**$ 3,649,148**	**2.14%**
543	800-602	Unclaimed Funds-Operating	$ 4,757,392	$ 6,496,019	$5,534,537	$ 7,051,051	27.40%	$ 7,051,051	0.00%
547	800-603	Real Estate Education/Research	$ 244,020	$ 166,689	$183,515	$ 250,000	36.23%	$ 250,000	0.00%
552	800-604	Credit Union	$ 2,034,057	$ 2,255,632	$2,261,608	$ 2,613,356	15.55%	$ 2,751,852	5.30%
4D2	800-605	Auction Education	$ 25,761	----	$0	$ 0	N/A	$ 0	N/A
553	800-607	Consumer Finance	$ 1,789,601	$ 2,070,555	$2,442,459	$ 3,764,279	54.12%	$ 3,735,445	-0.77%
4H9	800-608	Cemeteries	$ 239,718	$ 254,988	$251,266	$ 273,465	8.83%	$ 273,465	0.00%
4L5	800-609	Fireworks Training & Education	----	$ 10,490	$230	$ 10,976	4,672.17%	$ 10,976	0.00%
546	800-610	Fire Marshal	$ 10,850,168	$ 13,650,948	$12,043,907	$ 7,855,076	-34.78%	$ 11,787,994	50.07%
548	800-611	Real Estate Recovery	$ 26,667	----	$10,000	$ 100,000	900.00%	$ 100,000	0.00%
544	800-612	Banks	$ 4,742,339	$ 5,479,110	$5,448,545	$ 6,657,997	22.20%	$ 6,657,997	0.00%
545	800-613	Savings Institutions	$ 2,048,627	$ 2,575,319	$2,711,672	$ 2,765,618	1.99%	$ 2,894,330	4.65%
549	800-614	Real Estate	$ 2,677,505	$ 2,798,339	$3,015,799	$ 3,586,754	18.93%	$ 3,705,892	3.32%
556	800-615	Industrial Compliance	$ 19,249,729	$ 21,360,130	$21,215,004	$ 24,627,687	16.09%	$ 25,037,257	1.66%
550	800-617	Securities	$ 3,612,127	$ 3,715,158	$3,864,918	$ 4,600,000	19.02%	$ 4,800,000	4.35%
4X2	800-619	Financial Institutions	$ 1,479,701	$ 1,820,089	$1,556,663	$ 2,020,798	29.82%	$ 2,200,843	8.91%

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
COM	**Commerce, Department of**								
5K7	800-621	Penalty Enforcement	----	----	$5,131	$ 50,000	874.47%	$ 50,000	0.00%
543	800-625	Unclaimed Funds-Claims	$ 28,255,863	$ 34,884,793	$43,434,905	$ 25,512,867	-41.26%	$ 25,512,867	0.00%
5B8	800-628	Auctioneers	$ 235,433	$ 50,028	$0	$ 0	N/A	$ 0	N/A
653	800-629	UST Registration/Permit Fee	$ 1,068,824	$ 900,403	$1,068,093	$ 1,353,632	26.73%	$ 1,249,632	-7.68%
6A4	800-630	Real Estate Appraiser-Operating	$ 495,864	$ 506,065	$521,369	$ 658,506	26.30%	$ 664,006	0.84%
4B2	800-631	Real Estate Appraisal Recovery	----	----	$10,000	$ 60,000	500.00%	$ 60,000	0.00%
5B9	800-632	PI & Security Guard Provider	$ 804,053	$ 1,027,676	$1,002,241	$ 1,188,716	18.61%	$ 1,188,716	0.00%
State Special Revenue Fund Group Total			**$ 84,637,449**	**$ 100,022,430**	**$ 106,581,862**	**$ 95,000,778**	**-10.87%**	**$ 99,982,323**	**5.24%**
043	800-321	Liquor Control Operating	$ 12,759,406	$ 701,490	$0	$ 0	N/A	$ 0	N/A
043	800-601	Merchandising	$ 324,475,937	$ 313,164,919	$335,330,014	$ 341,079,554	1.71%	$ 353,892,432	3.76%
043	800-627	Liquor Control Operating	----	$ 13,195,027	$13,865,808	$ 17,248,488	24.40%	$ 15,981,346	-7.35%
043	800-633	Development Assistance Debt Service	----	$ 15,993,211	$16,069,417	$ 23,277,500	44.86%	$ 29,029,500	24.71%
861	800-634	Salvage & Exchange	$ 84,655	----	$0	$ 0	N/A	$ 0	N/A
043	800-636	Revitalization Debt Service	----	----	$3,423,009	$ 4,747,800	38.70%	$ 9,736,300	105.07%
Liquor Control Fund Group Total			**$ 337,319,998**	**$ 343,054,647**	**$ 368,688,248**	**$ 386,353,342**	**4.79%**	**$ 408,639,578**	**5.77%**
Commerce, Department of Total			***$ 433,639,152***	***$ 456,544,824***	***$ 487,655,789***	***$ 495,663,973***	***1.64%***	***$ 523,157,022***	***5.55%***

- FY 2004 and FY 2005 appropriations maintained at FY 2003 level
- No GRF funding

Consumers' Counsel, Office of

Ross Miller, Economist

ROLE

The Office of Consumers' Counsel (OCC), established in 1976, is the statutory advocate for residential utility customers. Consumers' Counsel has the statutory responsibility to represent the interests of 4.5 million residential customers of Ohio's investor-owned electric, natural gas, telecommunications, and water companies. Consumers' Counsel resolves complaints individual customers may have with utilities, either through informal dispute resolution or through litigation, and educates consumers on utility issues.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
78	$9.3 million	$9.3 million	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

All operations and programs of the OCC are funded through a single appropriation line item. The FY 2004 appropriation to that line item is 25.7% greater than actual spending in FY 2003. The FY 2005 appropriation is equal to the FY 2004 appropriation.

Funding for the agency is derived solely from an assessment on utilities operating in Ohio. The amount appropriated in the main operating budget is apportioned between those utilities based on their intrastate gross revenues. As indicated in the table, the OCC receives no funding from the General Revenue Fund.

BUDGET ISSUES

The General Assembly increased the appropriation recommended by the Governor. The Governor recommended appropriations of $8,401,478 in FY 2004 and $8,394,316 in FY 2005. The Governor's proposed appropriation for FY 2004 was 9.4% less than the FY 2003 appropriation. The Office of Consumers' Counsel typically spends less than its entire appropriation, and in FY 2003 it spent nearly $1.9 million (20.4%) less than its appropriation. The savings were realized by a combination of not filling staffing vacancies, reducing purchased media used to educate consumers, and delaying purchases of replacement computer hardware and software until FY 2004. When the agency spends less than its appropriation, the difference is refunded to utilities.

Restructuring of utility regulation, often referred to as deregulation, has increased demand for OCC services. For example agency officials report that call volume to OCC's Consumer Response Center has increased by 18% each year since 2000. Office of Consumers' Counsel officials expect further increases in demand for their services as we approach the end of calendar year 2005, when the market development period will end for several of the state's electric utilities. Under existing law the rates those utilities charge will no longer be regulated when their market development periods end.

Consumers' Counsel officials expect that the agency's appropriation authority will be sufficient to meet the increased demand for services at least through FY 2004. The agency plans to hire staff to increase the number of employees to the approved staffing level of 81.5 full-time equivalent workers, and to replace computer hardware and software that was originally scheduled to be replaced during FY 2003. It will continue to develop the OCC consumer contact database, implementing needed improvements. Finally, OCC officials are considering implementing issue-specific representation, education, and customer support activities if such a change is determined to improve efficiency in performing the agency's duties.

Line Item Detail by Agency

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			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
OCC Consumers' Counsel, Office of									
5F5	053-601	Operating Expenses	$ 7,237,747	$ 8,015,215	$7,381,914	$ 9,277,519	25.68%	$ 9,277,519	0.00%
General Services Fund Group Total			**$ 7,237,747**	**$ 8,015,215**	**$ 7,381,914**	**$ 9,277,519**	**25.68%**	**$ 9,277,519**	**0.00%**
Consumers' Counsel, Office of Total			***$ 7,237,747***	***$ 8,015,215***	***$ 7,381,914***	***$ 9,277,519***	***25.68%***	***$ 9,277,519***	***0.00%***

- $5 million in GRF each fiscal year for 911-401, Emergency Purposes/Contingencies
- $1.46 million in each fiscal year to offset costs related to three unfunded mandates

Controlling Board

Nelson D. Fox, Fiscal Supervisor

ROLE

The Controlling Board consists of seven members: six legislators (three from the House of Representatives and three from the Senate) and the Director of Budget and Management, or the director's designee, who serves as the president of the Board. The Board meets every two or three weeks to consider requests for action that are submitted to it by various state agencies. Although the Board has numerous duties, its chief responsibilities are to act on agency requests for 1) waivers of competitive selection for purchasing goods and services, including real estate leases; 2) creation of new state funds and accompanying appropriation authority; 3) increased appropriation authority for existing funds; 4) release of capital funds for construction projects, and 5) acquisition of new real estate.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
N/A	$11.4 million	$7.0 million	$7.4 million	$7.0 million	Am. Sub. H.B. 95

*The Controlling Board staff consists of the president and the secretary, who are employed by the Office of Budget and Management (OBM) and thus included in OBM's employee count.

OVERVIEW

Unlike other state agencies, the Controlling Board does not spend any of the funds appropriated to it. Instead, the appropriations are transferred to other state agencies, are carried forward to the next fiscal year within the biennium, or are lapsed. In general, Controlling Board appropriations are used to cover costs related to unexpected events such as natural disasters, and to reimburse local governments for the cost of carrying out certain mandates created by state law. A separate appropriation is also available to reimburse county boards of elections for the cost of legal advertisements for statewide ballot issues. Occasionally, funding for planned, one-time occurrences is also appropriated. Previous examples include appropriations for Ohio's Bicentennial celebration in 2003 and additional funding for upgrades to state computer equipment for the year 2000. For the FY 2004-2005 biennium, there are no appropriations for such one-time events.

Total appropriations for FY 2004 are $11,350,000 and $6,950,000 in FY 2005. Two factors account for the decrease in appropriations between fiscal years. First, a $4 million appropriation for line item 911-601, Disaster Services, (Fund 5E2) is made for FY 2004 only. Although no FY 2005 appropriation is made, accompanying temporary law requires that any unencumbered FY 2004 amount be transferred for use in FY 2005. Second, funding for GRF appropriation item 911-441, Ballot Advertising Costs, declines from $887,500 in FY 2004 to $487,500 in FY 2005. Although it is not specified in temporary law, the additional FY 2004 amount is slated to cover the anticipated costs of publishing legal announcements concerning the Governor's $500,000,000 Third Frontier technology research and commercialization bond program, which is on the statewide ballot in November 2003.

BUDGET ISSUES

As stated earlier, the Controlling Board approves transfers of funds to other state agencies and operates no programs of its own. The following section outlines the intended uses of the FY 2004-2005 biennial appropriations and permanent and temporary law provisions in Section 31 of Am. Sub. H.B. 95 governing the way these funds are to be used.

GRF APPROPRIATIONS FOR EMERGENCY PURPOSES/CONTINGENCIES

The budget act appropriates $5 million in each fiscal year for GRF appropriation item 911-401, Emergency Purposes/Contingencies. In the past, these appropriations have been used to assist state agencies and political subdivisions in responding to disasters and emergency situations and are released at the discretion of the Controlling Board. Division (E) of section 127.14 of the Revised Code permits the Controlling Board to transfer all or part of these funds to a state agency, while division (H) of section 127.14 of the Revised Code allows for the temporary transfer of these funds. Only state agencies may request such transfers, but these agencies may request funds on behalf of a local government unit.

For the FY 2002-2003 biennium, the funding source for these emergency purposes was a $5 million cash transfer from the Budget Stabilization Fund to a new Emergency Purposes Fund (Fund 5S4). The ending FY 2003 cash balance in Fund 5S4 was $3.78 million.

REQUESTS FOR TRANSFERS FROM EMERGENCY PURPOSES FUND (FUND 5S4)

Two separate temporary law provisions outline the purposes for which the remaining moneys in the Emergency Purposes Fund (Fund 5S4) may be used. First, the Department of Public Safety (DHS) may request transfers from Fund 5S4 to any of DHS's GRF accounts to provide emergency assistance funding to political subdivisions recovering from natural disasters or emergencies. This is in addition to any amounts that may be transferred from the Disaster Services Fund (Fund 5E2), another Controlling Board fund established for such purposes. The following section describes temporary law affecting that fund.

Second, subject to the approval of the Director of Budget and Management, the Office of Criminal Justice Services and the Public Defender may also submit requests to tap Fund 5S4 for costs remaining from the disturbance that occurred in 1993 at the Southern Ohio Correctional Facility in Lucasville.

REQUESTS FOR TRANSFERS FROM DISASTER SERVICES FUND (FUND 5E2)

The budget act appropriates $4,000,000 in funding for line item 911-601, Disaster Services, (Fund 5E2) during FY 2004, and requires the automatic transfer of any remaining amounts in this fund for use in FY 2005. The Department of Public Safety may request cash transfers from Fund 5E2 in order to help political subdivisions cope with the costs of disaster recovery or the expenses associated with emergency situations. In addition to the Department of Public Safety, other state agencies may request cash transfers from Fund 5E2 to offset their program expenses associated with the recovery from tornadoes, storms, and floods, as well as other disasters declared by the Governor.

As the preceding section concerning the Emergency Purposes Fund (Fund 5S4) noted, should any disaster or emergency occur during FY 2005, state agencies would be able to request Controlling Board approval for transfers from both the Disaster Services Fund (Fund 5E2) as well as the Emergency Purposes Fund (Fund 5S4).

MANDATE ASSISTANCE

The FY 2004-2005 biennial budget contains funding of $1,462,500 in each fiscal year for GRF appropriation item 911-404, Mandate Assistance. Temporary law requires that these appropriations be used by the Office of Criminal Justice Services, the Department of Commerce, and the Department of Education to offer county prosecutors, fire departments, and school districts, financial assistance to cope with the expenses related to "three unfunded state mandates." Up to $146,500 in each fiscal year is available to offset local costs related to felony prosecutions of crimes that occur on the grounds of state institutions operated by the Department of Rehabilitation and Correction and the Department of Youth Services. The Department of Commerce may use up to $731,000 in each fiscal year to provide grants to small villages and townships for firefighter training, equipment, and gear. Finally, the Department of Education may tap up to $585,000 in each fiscal year to reimburse school districts for in-service training costs related to child abuse detection programs. After these requests have been fulfilled, the Public Defender may request Controlling Board approval to use any remaining funds to offer additional reimbursement to counties for the cost of indigent defense services.

BALLOT ADVERTISING COSTS

The budget act includes funding of $887,500 in FY 2004 and $487,500 in FY 2005 for appropriation item 911-441, Ballot Advertising Costs. The Controlling Board may authorize transfers from this GRF line item to the Ballot Board, which in turn will use the funds to reimburse county boards of elections for the cost of providing public notices concerning statewide ballot initiatives. The greater appropriation is needed for FY 2004 because of legal notices advertising for the Governor's $500,000,000 Third Frontier technology and research commercialization bond package on the November 2003 ballot.

Line Item Detail by Agency			*FY 2001:*	*FY 2002:*	*FY 2003:*	*FY 2004 Appropriations:*	*% Change 2003 to 2004:*	*FY 2005 Appropriations:*	*% Change 2004 to 2005:*

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CEB Controlling Board

GRF	911-401	Emergency Purposes/Contingencies	$ 0	----		$ 5,000,000	N/A	$ 5,000,000	0.00%
GRF	911-404	Mandate Assistance	$ 0	$ 0	$0	$ 1,462,500	N/A	$ 1,462,500	0.00%
GRF	911-441	Ballot Advertising Costs	$ 0	$ 0	$0	$ 887,500	N/A	$ 487,500	-45.07%
General Revenue Fund Total			**$ 0**	**$ 0**	**$ 0**	**$ 7,350,000**	**N/A**	**$ 6,950,000**	**-5.44%**
5E2	911-601	Disaster Services	$ 0	$ 0	$0	$ 4,000,000	N/A	$ 0	-100.00%
State Special Revenue Fund Group Total			**$ 0**	**$ 0**	**$ 0**	**$ 4,000,000**	**N/A**	**$ 0**	**-100.00%**
Controlling Board Total			***$ 0***	***$ 0***	***$ 0***	***$ 11,350,000***	***N/A***	***$ 6,950,000***	***-38.77%***

- Cosmetology Board is one of the first licensing boards to implement the electronic license renewal system from DAS
- Appropriations are the same as the Governor's recommendations

Cosmetology, State Board of

Carol Robison, Budget Analyst

ROLE

The State Board of Cosmetology establishes sanitary and professional standards for the cosmetology industry in Ohio and licenses individuals, salons, and schools. After a recent peak of 123,012 active total licenses in FY 2001 in the branches of cosmetology, including hair, nails, esthetics, and indoor tanning, the Board recorded 115,076 licenses in FY 2003.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
42	$2.7 million	$2.8 million	0	0	Am. Sub. H. B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Ohio State Board of Cosmetology is one of the first licensing boards to be using the new licensing system provided through the Department of Administrative Services' MIS division. The Board has implemented online renewals through the state's licensing website, http://mylicense.ohio.gov. The most recently collected data shows that 4,883 licenses were renewed online in January 2003. The new system has been proposed to link together multiple licenses, in order to simplify processing and the ability to answer questions.

Over the past few years, the Board has seen expansion in the nail and tanning branches of the industry. Salon/spa facilities are also becoming more popular. Salons have found that they can increase their competitiveness by increasing the number of services they provide. Among the newest services are those that merge some medical practices with cosmetic treatments in a spa environment. In these cases, the doctor, nurse, or other licensed professional would be working under the statutes and rules of their appropriate licensing boards.

Due to biennial licensing, the Board of Cosmetology experiences fee revenue peaks in the odd numbered fiscal years and fee revenue lows in the even numbered fiscal years. The Board is appropriated $2,681,359 for FY 2004 and $ 2,822,359 for FY 2005 – the same as recommended by the Governor. The Board of Cosmetology operates with funding from one appropriated line item, rotary Fund 4K9.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill**   *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
COS	**Cosmetology, State Board of**								
4K9	879-609	Operating Expenses	$ 2,270,338	$ 2,273,472	$2,648,035	$ 2,681,359	1.26%	$ 2,822,359	5.26%
General Services Fund Group Total			**$ 2,270,338**	**$ 2,273,472**	**$ 2,648,035**	**$ 2,681,359**	**1.26%**	**$ 2,822,359**	**5.26%**
Cosmetology, State Board of Total			***$ 2,270,338***	***$ 2,273,472***	***$ 2,648,035***	***$ 2,681,359***	***1.26%***	***$ 2,822,359***	***5.26%***

- The funding level for FY 2004 is a 12.9% increase over FY 2003 expenditures and for FY 2005 is a 2.3% increase over the appropriation for FY 2004.
- As of April 7, 2003, the Board became responsible for licensing marriage and family therapists.

Counselor, Social Worker, and Marriage and Family Therapist Board

Maria Seaman, Senior Analyst

ROLE

The Counselor, Social Worker, and Marriage and Family Therapist Board was created in 1984. In accordance with Chapter 4757. of the Revised Code, the Board regulates the professions of counseling, social work, and marriage and family therapy by establishing licensure and practice standards. To accomplish this, the Board administers examinations, reviews academic credentials, and evaluates supervised training experiences.

There are over 30,000 licenses on file with the Board. Additionally, the Board has over 3,500 individuals registered as counselor trainees who are working towards licensure as professional counselors or clinical counselors. The Board began its duties related to marriage and family therapists on April 7,2003.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
11	$1.0 million	$1.0 million	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Board's appropriation for fiscal year (FY) 2004 is $1,021,524, which is a 12.9% increase ($116,343) over FY 2003 expenditures. For FY 2005, the funding level is $1,044,812, which is an increase of 2.3% ($23,288) over the FY 2004 appropriation.

BUDGET ISSUES

LICENSING OF MARRIAGE AND FAMILY THERAPISTS

Am. Sub. H.B. 374 of the 124th General Assembly, effective April 7, 2003, expanded the responsibility of the Board to include licensing marriage and family therapists. According to the Board's Executive Director, the funding level will allow the Board to maintain its operations and to hire one additional clerical staff person to assist in the additional responsibility of licensing marriage and family therapists.

AUTHORITY TO INCREASE FEES

All revenue from the Board, along with 23 other occupational licensing boards, is deposited in Fund 4K9. Dollars are then reallocated to each board to cover its operating expenses. Each board must raise enough revenue through its license fees to cover its expenses.

Prior to FY 2003, the Board always contributed more to Fund 4K9 than it had expended. However, the Board has begun to expend more than it contributes to Fund 4K9. Section 4757.31 of the Revised Code allows the Board to adjust fees from time to time, pursuant to a statutorily established cap. Am. Sub. H.B. 374 of the 124th General Assembly (effective April 7, 2003) raised the fee cap from $75 to $125. The Board will set the fees for licensing marriage and family therapists, but does not expect any revenue from these fees until late 2003 or early 2004. Other fees have remained the same since June 1985. According to the Board's Executive Director, since the Board has in the past contributed more to Fund 4K9 than it expended it does not expect to increase fees during the FY 2004-2005 biennium.

Line Item Detail by Agency

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			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
CSW Counselor, Social Worker, and Marriage and Family Therapist Board									
4K9	899-609	Operating Expenses	$ 769,220	$ 894,660	$905,181	$ 1,021,524	12.85%	$ 1,044,812	2.28%
General Services Fund Group Total			**$ 769,220**	**$ 894,660**	**$ 905,181**	**$ 1,021,524**	**12.85%**	**$ 1,044,812**	**2.28%**
Counselor, Social Worker, and Marriage and Family T			***$ 769,220***	***$ 894,660***	***$ 905,181***	***$ 1,021,524***	***12.85%***	***$ 1,044,812***	***2.28%***

- Relocation to Ohio Courts Building scheduled for Spring 2004
- "No growth" GRF budget

Court of Claims

Laura A. Potts, Budget Analyst

ROLE

The Court of Claims, established in 1975, is the only statutory court with statewide jurisdiction. The court performs two notable roles. First, the Court has original, exclusive jurisdiction over all civil actions (i.e., personal injury, property damage, contracts, and wrongful imprisonment) filed against the State of Ohio and its agencies. Prior to the Court's creation, there was no forum for such civil action. The Court's Civil Division handles these cases.

Second, the Court has a role in the state's Victims of Crime Compensation Program. From 1976 until July 1, 2000, the Court's Victims of Crime Division had administrative control of the program and handled all claims for reparations awards. The Office of the Attorney General's role was to investigate each claim and file a finding of fact and recommendation with the Court. Pursuant to Am. Sub. S.B. 153 of the 123rd General Assembly, effective July 1 2000, primary responsibility for administration of the program was shifted from the Court to the Office of the Attorney General, leaving as the Court's only remaining responsibility the hearing of appeals of reparations awards.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
43**	$3.9 million	$4.1 million	$2.5 million	$2.4 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.
**This number includes what DAS defines as full-time permanent, part-time permanent, and other employees. It is higher than what the would Court consider its level of staffing, as measured in terms of full-time equivalents (FTEs), because it includes certain personnel, e.g., part-time assigned judges and panel commissioners, which the Court generally does not include in their own employee counts. If one were to adjust for the Court's perspective, its level of staffing would be approximately 29 FTEs.

OVERVIEW

While the Court still receives some non-GRF Victims of Crime funding because of its involvement as the appellate arm of that program, that level of financial support has been significantly reduced. In its last full year of administering the program (FY 2000), the Court expended a total of $18.2 million in Victims of Crime funding. Since the start of FY 2002, the amount of Victims of Crime funding appropriated for the Court's use has totaled less than $2.0 million annually. Because of the loss of the revenue associated with the program's transfer, GRF funding now typically accounts for around two-thirds of the Court's total annual budget. Prior to the alteration of the Court's role in the program, GRF funding accounted for only about one-tenth of its annual budget.

The Court's FY 2004 all funds appropriation totals $3.9 million, roughly $234,000, or 6.2%, more than the Court's total actual FY 2003 expenditures of $3.7 million. The Court's FY 2005 all funds appropriation totals $4.1 million, around $76,000, or 1.9%, more than its total FY 2004 all funds appropriation. These increases in the all funds appropriation in each of FYs 2004 and 2005 are almost entirely a function of additional non-GRF funding for the Court's appellate role in the Victims of Crime Compensation Program.

Of the Court's total FY 2004-2005 biennial operating budget, GRF funding accounts for $2.5 million, or 61.5%, in FY 2004 and $2.5 million, or 61.0%, in FY 2005. Those enacted levels of annual GRF funding are less than what the Court requested for the purpose of maintaining its FY 2003 level of services, and covering the costs associated with the relocation to the Ohio Courts Building, by $803,597, or 24.7%, in FY 2004 and by $897,404, or 26.6%, in FY 2005. In response to these lower than requested levels of annual GRF funding, the Court will continue to closely monitor payroll, maintenance, and equipment expenses and constrain or reduce such expenses as necessary. The resulting effect on the Court's ability to manage civil lawsuits is probably best seen as potentially causing increased backlogs and reduced administrative efficiency. It appears that the Court also anticipates realizing certain savings in relation to its relocation to the Ohio Courts Building. First, the Court will no longer have to spend around $280,000 annually on office space rent. Second, new furniture and equipment, estimated to cost in excess of $500,000, will not be purchased.

BUDGET ISSUES

OHIO COURTS BUILDING

Between February and May of 2004, the Court expects to be relocating all office operations to the newly restored Ohio Courts Building, formerly known as the Ohio Departments Building. The Supreme Court of Ohio will operate and maintain the building. As of this writing, the Court anticipates spending $26,680 to physically move its operation, and appears to have no plans to purchase new furniture and equipment. That said, the Court had previously estimated its total costs related to the move at $563,810, an amount that included $523,810 for the purchase of copiers, computers, servers, tables, desk, chairs, modular work stations, high-density shelving.

OFFICE SPACE RENTAL EXPENSES (VETOED PROVISION)

Pursuant to a temporary law provision in the FY 2004-2005 biennial operating budget as enacted, $302,000 of the $2.5 million in GRF funding appropriated to the Court's line item 015-312, Operating Expenses, in FY 2005 was earmarked exclusively for the purpose of paying FY 2005 office space rental expenses. The Governor vetoed the provision, thus removing the restriction that would otherwise have been in place on the Court's use of that portion of its FY 2005 GRF appropriation.

The rationale behind the provision appeared to reflect some uncertainty, subsequent to its scheduled relocation to the restored Ohio Courts Building on Front Street in March 2004, as to how much money, if any, the Court would need to allocate for FY 2005 office space rental expenses. Currently, the Court rents private office space at 65 East State Street in Columbus. The Supreme Court of Ohio will be managing the Ohio Courts Building, and as of this writing, does not appear to intend to charge the Court of Claims for any building operating expenses.

SPLIT FUNDING OF SHARED COSTS

As a result of the budget and staffing reductions brought about by the enactment of Am. Sub. S.B. 153 of the 123rd General Assembly, the Court contracted for the assistance of a consultant, DMG-MAXIMUS, to conduct a financial review of the operational costs shared by the Court's Civil and Victims of Crime divisions. Shared costs include expenses such as office rent, clerks and clerk administration, judicial and administrative services staff, computer services, and fiscal services.

In previous years, the Court had split shared costs evenly (50/50) between the Civil and Victims of Crime divisions. Since the majority of the Victims of Crime Compensation Program had shifted to the Office of the Attorney General, the Court wanted to examine how those shared costs should be adjusted. With the help of the consultant, the Court determined that the shared costs between the two divisions should be divided such that the Civil Division would pay 67% and the Victims of Crime Division would pay 33%. As a result, since the start of FY 2002, the Court's GRF budget has had to assume more of the shared funding for operating expenses.

STAFFING LEVELS

Prior to the transfer of primary responsibility for the Victims of Crime Compensation Program, the Court's budget was able to support a staffing level of about 60 full-time equivalents (FTEs). As a result of the program's transfer and the related drop in funding, the Court's budget can only support roughly half that number of FTEs, or around 30. It should be noted that these staffing numbers do not reflect individuals who serve as part-time assigned judges and panel commissioners, although those personnel are all paid from the Court's budget.

ADMINISTRATIVE RESOLUTION OF SMALL CLAIMS OF INMATES

Under preexisting law, an inmate of a state correctional institution who wanted to pursue a claim against the state for property damage was required to bring a civil action in the Court of Claims, regardless of the size of the claim. The FY 2004-2005 biennial operating budget as enacted amends that preexisting law (section 2743.02of the Revised Code) to require that an inmate who has a claim of $300 or less for the loss of or damage to property first attempt to settle the claim through an administrative procedure established by rule by the Director of Rehabilitation and Correction. This provision creates an administrative duty for the Department, while potentially relieving the Court of Claims of inmate claims that it might otherwise have had to resolve.

The Court has previously estimated that, as a result of amending the provision, it might realize as much as a 7% annual decrease in the number of administrative case filings (meaning those cases with claims under $2,500). Such an outcome would produce at most a minimal savings in the amount of funds that might otherwise have been disbursed annually from the Court's GRF line item 015-321, Operating Expenses. A decrease in the number of administrative case filings would also mean that the $25 filing fee that might otherwise have been collected and deposited to the credit of the GRF could be lost. The magnitude of that revenue loss annually, however, appears unlikely to be more than negligible, as many inmates are likely to be indigent and the related filing fee would probably have been waived in any event.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

CLA Court of Claims

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	015-321	Operating Expenses	$ 2,131,295	$ 2,527,521	$2,630,088	$ 2,452,000	-6.77%	$ 2,477,000	1.02%
GRF	015-402	Wrongful Imprisonment Compensation	$ 841,237	----	$0	$ 0	N/A	$ 0	N/A
General Revenue Fund Total			**$ 2,972,532**	**$ 2,527,521**	**$ 2,630,088**	**$ 2,452,000**	**-6.77%**	**$ 2,477,000**	**1.02%**
5K2	015-603	CLA Victims of Crime	$ 10,423,254	$ 1,840,596	$1,119,669	$ 1,532,043	36.83%	$ 1,582,684	3.31%
State Special Revenue Fund Group Total			**$ 10,423,254**	**$ 1,840,596**	**$ 1,119,669**	**$ 1,532,043**	**36.83%**	**$ 1,582,684**	**3.31%**
Court of Claims Total			***$ 13,395,786***	***$ 4,368,117***	***$ 3,749,757***	***$ 3,984,043***	***6.25%***	***$ 4,059,684***	***1.90%***

- Tight budget triggers more expenditure reductions
- Staffing level cut by 30% in last two to three years

Criminal Justice Services, Office of

Holly Wilson, Budget Analyst

ROLE

Prior to fiscal year (FY) 2002, the primary role of the Office of Criminal Justice Services (OCJS) had been to administer federal financial assistance intended to improve state and local criminal and juvenile systems. In addition, the Office's role expanded over time to include coordination and development of the state's Criminal Justice Information System (CJIS), policy development, research and analysis, and program evaluation. Thus, the mission of the Office had evolved from administering federal grant funding to providing leadership in the criminal justice arena by collecting, coordinating, maintaining, analyzing, and disseminating a wide array of information for the purpose of preventing and controlling crime and delinquency in the state of Ohio.

Since the enactment of the FY 2002-2003 biennial operating budget, two notable changes have occurred in the Office's duties and responsibilities. First, administrative control over the state's federal juvenile justice and delinquency prevention programs was transferred to the Department of Youth Services (DYS). Second, administrative control over the federal Family Violence Prevention and Services program was transferred to the Office from the Department of Job and Family Services (JFS).

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
43	$34.4 million	$33.1 million	$2.7 million	$2.7 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

FY 2002-2003 BIENNIUM GRF EXPENDITURE REDUCTIONS

The Office's total GRF appropriations for FYs 2002 and 2003 were $3.67 million and $3.69 million, respectively. Subsequently, the FY 2002 GRF appropriated total was reduced by around $260,000, or 7.1%, and the FY 2003 GRF appropriated total was reduced by around $486,000, or 13.2%.

In response to those GRF expenditure reductions instituted over the course of FYs 2002 and 2003, the Director of the Office reviewed and reorganized the Office's operations with the twin goals of cutting annual operating costs and refocusing its mission. The Office managed to cut its annual operating costs by: (1) reducing the number of staff, largely through attrition, and only filling staff positions considered essential to maintaining core services, and (2) systematically reviewing many of its long-established administrative procedures and processes. To accomplish the latter, many actions were taken, including, but not limited to, streamlining fiscal processes, automating and reducing paperwork, merging several independent sections, minimizing equipment purchases, redesigning guidelines for attending and sponsoring conferences and training, restricting travel, increasing web-based forms and information, and centralizing the ordering of supplies.

FY 2004-2005 Biennium Enacted Budget

The Office's FY 2004 appropriation for all funds totals $34.4 million, which is $2.9 million, or 7.9%, lower than the Office's total actual FY 2003 expenditures of $37.3 million. The Office's FY 2005 appropriation for all funds totals $33.1 million, which is $1.4 million, or 3.9%, lower than its total FY 2004 appropriation for all funds. The bulk of the Office's annual funding, around 90%, is composed of moneys made available to the state through a mix of federal grant programs. This decrease in the Office's all funds budget between FYs 2003 and 2005 largely reflects the phasing out of its involvement in the federal Juvenile Accountability Incentive Block Grant (JAIBG) program, administrative control of which was previously transferred to the Department of Youth Services.

Of the Office's total FY 2004-2005 biennial operating budget, GRF funding accounts for $2.7 million, or 7.8%, in FY 2004 and $2.7 million, or 8.0%, in FY 2005. Those enacted levels of annual GRF funding are less than what the Office requested for the purpose of maintaining its core mission and essential services by $832,889 in FY 2004 and by $946,603 in FY 2005. As a result of this reduced level of GRF funding, the Office continues to cut operating expenditures. Through a layoff effective May 16, 2003, the Office has eliminated two staff positions and reclassified another six staff positions to lower pay ranges. Further cuts in its annual operating expenditures will be realized by relocating to less expensive office space, limiting travel, reducing supply inventory levels, and eliminating unused telephone lines. The Office also plans to focus available resources on the following four essential functions:

1. Grants administration;
2. Research, planning, and development;
3. Family violence prevention; and
4. Justice technology.

Around 20% or so of the annual GRF funding will be used as the required state cash match that allows the Office to utilize a relatively small percentage of certain federal grants to absorb a portion of its annual operating costs. The Office estimates that, in each of FYs 2004 and 2005, around $558,000 in GRF operating funds will be spent as the required state cash match that will then allow it to utilize around $2.1 million in federal funds for operating costs as well. The matter of using state GRF funds as the required match in order to use certain federal grant moneys for administrative expenses is discussed in more detail below.

Budget Issues

State GRF Matching Funds for Federal Administrative Moneys

Historically, the Office has used some of its annual GRF appropriations as the required cash match that permits the state to use a portion of certain federal grants to finance some of the Office's administrative expenses, including staff salaries and fringe benefits. For example, in the typical fiscal scenario, if the

Office has $100,000 in administrative costs that it generates in relation to a particular federal grant, it must spend $25,000 in state funds (a 25% match), and in turn, the remainder of those costs, $75,000, can be charged against the federal grant.

Table 1 immediately below displays: (1) the six federal grants that the Office plans to tap for its annual administrative expenses in each of FYs 2004 and 2005, (2) the amount of each of those federal grants that is currently projected to be used for annual administrative expenses in each of FYs 2004 and 2005, and (3) the currently projected amount of GRF funds that would be required as the state match necessary to use the projected amount of federal administrative funds in each of FYs 2004 and 2005.

Table 1: Federal Administrative Moneys and State GRF Matching Funds

Federal Grant	FY 2004		FY 2005	
	Federal Amount	State GRF Match	Federal Amount	State GRF Match
Byrne Memorial	$1,422,408	$401,624	$1,422,408	$401,624
National Criminal History	$ 252,670	$ 31,600	$ 252,670	$ 31,600
Violence Against Women	$ 163,514	$ 54,505	$ 163,514	$ 54,505
Family Violence Prevention	$ 140,294	$ 35,074	$ 140,294	$ 35,074
Residential Substance Abuse	$ 104,024	$ 32,251	$ 104,024	$ 32,251
Local Law Enforcement	$ 33,440	$ 3,716	$ 33,440	$ 3,716
Totals	**$2,116,350**	**$558,770**	**$2,116,350**	**$558,770**

FEDERAL COMPLIANCE

The federal government had ordered Ohio and 13 other states to amend their Sex Offender Registration and Notification (SORN) laws to comply with federal requirements by October 2001 or risk reductions in certain federal grant moneys. In June 2001, the federal Bureau of Justice Assistance stated that non-complying states, such as Ohio, would have 10% of certain grant moneys withheld each year if that state failed to be in compliance by October 2, 2001. That compliance deadline was extended for Ohio to October 1, 2002 for a portion of the federal requirements. The state also failed to bring Ohio's SORN Law into compliance with other federal requirements that did not require state compliance until mid-November 2002.

The specific federal grants that were affected by Ohio's failure to comply with federal requirements include the Byrne Memorial Criminal Justice Block Grant (CFDA #16.579) and the Local Law Enforcement Block Grant (CFDA #16.592). Between the two federal block grant programs, the state receives roughly $18.9 million a year. These moneys are handled by the state's Office of Criminal Justice Services and are deposited in federal Fund 3L5, Justice Programs.

As Ohio failed to comply with federal law, the federal government withheld 10% of the aforementioned federal grant moneys in FY 2003. This amounts to around $1.89 million. Most of the moneys associated with these fund grant programs are distributed to local governments. According to the Office, the withholding of these federal moneys caused the loss or reduction of funding for some programs on both the state and local level, especially if those affected state and local agencies did not find alternate revenue streams.

As of this writing, it appears that the state is being viewed by the federal government as having brought Ohio's SORN Law into compliance with these requirements. Thus, the portion of certain federal grant moneys that would in all likelihood have been withheld in FY 2004 and annually thereafter until the state reached compliance, will instead by awarded to Ohio. Apparently, however, the state will not recover the roughly $1.89 million in federal moneys that were withheld in FY 2003.

STAFFING LEVELS

The Office has noticeably reduced its level of staffing, as measured by the number of full-time equivalents (FTEs), in a relatively short period of time. As a reference point, the Office maintained a staffing level of around 62 FTEs over the course of the FY 2000-2001 biennium. Since that time, around 12 or so FTEs have been eliminated largely as a function of two factors. First, control of the state's federal juvenile justice and delinquency prevention programs was transferred to the Department of Youth Services, along with six existing full-time staff effective July 1, 2001 (the start of FY 2002). Second, as a result of reduced levels of GRF funding, the Office has eliminated staff, largely through attrition, and only filled staff positions considered essential to maintaining core services. It seems likely that the level of funding appropriated for the FY 2004-2005 biennium will require the Office to eliminate another four or more FTEs. This means that, over the course of approximately two to three years, the Office's level of staffing will have declined by around 30%.

FAMILY VIOLENCE PREVENTION CENTER

The Family Violence Prevention Center provides public awareness, education, and training programs and services to organizations and individuals who work to prevent family violence and provide assistance to victims. The amount of annual GRF funding requested by the Office to operate the Center – $182,647 in FY 2004 and $186,172 in FY 2005 – reflected the future cost of maintaining the Center's FY 2003 level of services, including the cost of 1.5 FTEs. The enacted amount of annual GRF funding explicitly appropriated for the Center's operation – $20,000 in each of FYs 2004 and 2005 – was noticeably lower than what was requested by the Office.

In response to that reduced level of annual GRF funding available to cover the Center's operating costs, the Office plans to:

- Allocate $60,000 in each fiscal year from its annual federal Byrne Memorial Criminal Justice Block Grant to assist the Center, the first time that federal moneys will have been used to help fund the Center;
- Cut one FTE; and
- Decrease certain services or activities, e.g., workshops and presentations, publications, and product development and dissemination.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

CJS Criminal Justice Services, Office of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	196-401	Criminal Justice Information System	$ 688,833	$ 1,406,237	$472,457	$ 534,570	13.15%	$ 520,503	-2.63%
GRF	196-403	Center for Violence Prevention	$ 496,647	$ 199,346	$148,080	$ 20,000	-86.49%	$ 20,000	0.00%
GRF	196-405	Violence Prevention Subsidy	----	$ 763,375	$677,278	$ 707,076	4.40%	$ 688,469	-2.63%
GRF	196-424	Operating Expenses	$ 974,226	$ 1,590,067	$1,666,290	$ 1,431,371	-14.10%	$ 1,427,971	-0.24%
GRF	196-499	State Match	$ 750,653	$ 28,372	$0	$ 0	N/A	$ 0	N/A
GRF	196-502	Lucasville Disturbance Costs	$ 92,349	$ 56,070	$41,114	$ 0	-100.00%	$ 0	N/A
GRF	196-505	SOCF Judicial & Defense Costs	----	----	$19,679	$ 0	-100.00%	$ 0	N/A
General Revenue Fund Total			**$ 3,002,708**	**$ 4,043,467**	**$ 3,024,898**	**$ 2,693,017**	**-10.97%**	**$ 2,656,943**	**-1.34%**
4P6	196-601	General Services	$ 33,636	$ 24,081	$44,532	$ 135,450	204.16%	$ 86,500	-36.14%
General Services Fund Group Total			**$ 33,636**	**$ 24,081**	**$ 44,532**	**$ 135,450**	**204.16%**	**$ 86,500**	**-36.14%**
3U1	196-602	Criminal Justice Federal Programs	$ 5,267,376	$ 2,222,252	$31,886	$ 1,000,000	3,036.17%	$ 0	-100.00%
3L5	196-604	Justice Programs	$ 32,441,368	$ 32,494,085	$31,572,348	$ 30,334,908	-3.92%	$ 30,311,870	-0.08%
3V8	196-605	Federal Program Purposes FFY 01	----	----	$2,673,981	$ 250,000	-90.65%	$ 0	-100.00%
Federal Special Revenue Fund Group Total			**$ 37,708,744**	**$ 34,716,338**	**$ 34,278,215**	**$ 31,584,908**	**-7.86%**	**$ 30,311,870**	**-4.03%**
Criminal Justice Services, Office of Total			***$ 40,745,089***	***$ 38,783,885***	***$ 37,347,645***	***$ 34,413,375***	***-7.86%***	***$ 33,055,313***	***-3.95%***

- The Board licensed 6,975 dentists, 6,506 dental hygienists, and 7,918 dental radiographers in FY 2002

Dental Board, Ohio State

Clay Weidner, Budget Analyst

ROLE

The Ohio State Dental Board regulates the dental profession under Chapter 4715. of the Revised Code. The Board protects the health and welfare of the public by mandating appropriate training, ethical standards, and competency levels for its licensees. The Board meets its responsibilities through management of the licensure process, overseeing regulation of the industry, and enforcement through surveillance of licensees and investigation of complaints.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
21	$1.3 million	$1.3 million	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Ohio State Dental Board is appropriated $1,324,456 in FY 2004, which represents an increase of 6.5% over FY 2003 expenditures. For FY 2005, the Board is appropriated $1,346,656, which represents a 1.7% increase over FY 2004. The appropriations will enable the Board to maintain its current level of service and will cover its increased administrative fees. The appropriations include funding for increased health care costs, Riffe Center rent, and publishing of bi-annual newsletters.

BUDGET ISSUES

NEW LICENSING SYSTEM

The occupational licensing boards, in partnership with the Department of Administrative Services (DAS), are working to implement a new licensing system. The system will be phased in over the current biennium and each board will pay its share of the costs out of Fund 4K9. The Dental Board will pay DAS an annual fee of $6,094 and a monthly fee of $458 to maintain the system.

ADMINISTRATIVE FEES

During the previous biennium, occupational licensing boards absorbed increased administrative costs charged by other state agencies. Many boards contracted for services that were once provided for free such as lock-box services and computer technical support. According to a spokesperson for the Board, increased rent in the Vern Riffe Center and a projected 15% increase in health care costs are contributing to increases in the Board's operating costs. The Dental Board estimates that administrative fees will cost the Board approximately $16,500 in each fiscal year for computer technical support and license renewal banking and revenue processing fees.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill　　**Version:** Enacted

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
DEN	**Dental Board, Ohio State**								
4K9	880-609	Operating Expenses	$ 1,069,544	$ 1,199,283	$1,243,832	$ 1,324,456	6.48%	$ 1,346,656	1.68%
General Services Fund Group Total			**$ 1,069,544**	**$ 1,199,283**	**$ 1,243,832**	**$ 1,324,456**	**6.48%**	**$ 1,346,656**	**1.68%**
Dental Board, Ohio State Total			***$ 1,069,544***	***$ 1,199,283***	***$ 1,243,832***	***$ 1,324,456***	***6.48%***	***$ 1,346,656***	***1.68%***

- The Board of Deposit uses no GRF moneys
- The Board of Deposit designates which financial institutions serve as public depositories

Deposit, Board of

Ruhaiza Ridzwan, Economist

ROLE

The State Board of Deposit was created in 1904 and operates under the authority of Ohio Revised Code Chapter 135., the Uniform Depository Act. The Board's major functions are to designate financial institutions and banks to function as public depositories and to regulate the deposits of state money into these institutions. The Uniform Depository Act outlines the requirements for eligible banks, and the Board of Deposit applies these guidelines in its selection of eligible financial institutions. The Board also approves bank service charges and confirms the designation and investment of interim moneys of the state.

The Board is composed of three elected officials or designees of these officials: the Treasurer of State, the Auditor of State, and the Attorney General. The Treasurer serves as the Board's chairperson. The cashier of the state treasury serves as the secretary of the Board.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
N/A	$1.7 million	$1.7 million	$0	$0	Am. Sub. H. B. 95

*The Board consists of three elected officials or their designees. The Board has no administrative employees.

OVERVIEW

The Board of Deposit uses no GRF moneys. The Board of Deposit Expenses Fund receives transfers of cash from the Interest Holding Distribution Fund (Fund 608) after certification of the Board's expenses by the Director of Budget and Management. The Board's funding is used to pay for banking charges and fees required for the operation of the state treasurer's regular bank account and two auxiliary accounts: the Consolidated Check Clearing Account and the Treasurer's Custodial Contingency Account.

The Board of Deposit received appropriations of $1,676,000 for both FY 2004 and FY 2005. This amount is 59% higher than FY 2003 actual expenditures. The increase over FY 2003 is due to an increase in banking charges and fees in the current biennium and additional expenses related to the "acceleration of sales tax payments."

BUDGET ISSUES

ACCELERATION OF SALES TAX PAYMENTS

Under Am. Sub H.B.40, vendors are allowed to use Electronic Fund Transfers for sales and use tax payments. The bill also allows the vendors to pay one-fourth of the total sales and use tax liability for the same month in the preceding calendar year on the 11th, 18th, and 25th, and reconciliation amount on the 23rd. Previously, sales and use tax payments are made once, on the 23rd of the month.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
BDP	**Board of Deposit**								
4M2	974-601	Board of Deposit	$ 635,617	$ 679,382	$1,056,298	$ 1,676,000	58.67%	$ 1,676,000	0.00%
General Services Fund Group Total			**$ 635,617**	**$ 679,382**	**$ 1,056,298**	**$ 1,676,000**	**58.67%**	**$ 1,676,000**	**0.00%**
Board of Deposit Total			***$ 635,617***	***$ 679,382***	***$ 1,056,298***	***$ 1,676,000***	***58.67%***	***$ 1,676,000***	***0.00%***

- Overall increase in FY 2004 funding over FY 2003 expenditures
- $10 million in each fiscal year for Economic Development Contingency Fund
- Recordation fee is new funding source of Housing Trust Fund

Development, Department of

Allison Thomas, Economist

Role

The Ohio Department of Development (ODOD) facilitates economic and community development in Ohio through activities that include business financial assistance, industrial training, technology development, international trade promotion, housing development, urban development, and travel and tourism promotions.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
470	$824.6 million	$841.6 million	$100.3 million	$107.2 million	Am. Sub. H.B. 87 Am. Sub. H.B. 95

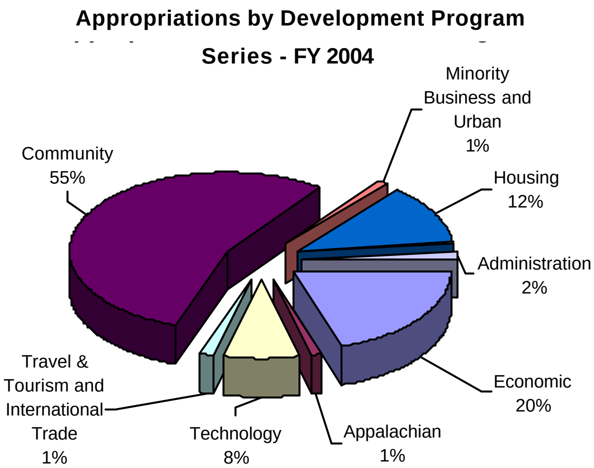
*Employee head count obtained from the Department of Development that includes 464 full-time employees and 6 part-time employees as of June 28, 2003.

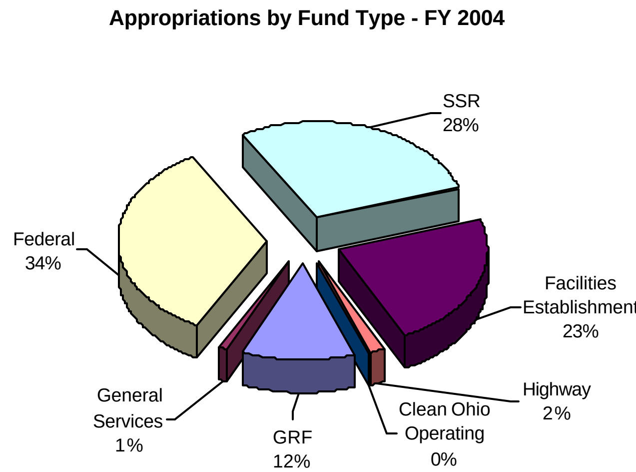
Overview

Development's increasing appropriations continue the trend of the last three biennial budgets. The Department's total budget in FY 2004 grew to $824,600,539 and to $841,636,148 in FY 2005, which includes $12.7 million of appropriations in each fiscal year for the Roadwork Development grant program funded in the Transportation Budget, Am. Sub. H.B. 87. Total funding for FY 2004 is $141 million, or 20.6% above FY 2003 actual expenditures of $683.5 million. Funding for FY 2005 is $17.0 million, or 2.1% above FY 2004 appropriation levels.

Notable changes in FY 2004 funding levels from FY 2003 spending levels for each of Development's funds are as follows: the General Revenue Fund (-20.8%), General Services Fund (+13.1%), Federal Special Revenue Fund (+12.4%), State Special Revenue Fund (+6.4%), Coal Research and Development Fund (-100.0%), the Facilities Establishment Fund (+207.6%), and Clean Ohio Operating Fund (+100.0%).

The following charts show the breakdown of appropriations by both program series and fund type.





In general for FY 2004, GRF line items exhibit decreases in funding from FY 2003 spending levels. A few line items to note include a $309,000 decrease for the Small Business Development Program, a $1.3 million decrease for Urban/Rural Initiative grants, and a decrease of $5 million due to the elimination of GRF funding for the Utility Bill Credits program. In addition, the transfer of the Coal Development Office from ODOD to the Air Quality Development Authority resulted in:

- a decrease of nearly $600,000 in administration funds in each fiscal year;
- a decrease of $7.8 million in debt service appropriations in FY 2004; and
- a decrease of $9.8 million in debt service appropriations in FY 2005.

Furthermore, the Housing Trust Fund will now be funded through a Housing Trust Fund Fee collected by county recorders and deposited in the SSR Low and Moderate Housing Trust Fund. This change caused the elimination of four housing line items:

- 195-406, Transitional/Permanent Housing;
- 195-431, Community Development Corporation Grants;
- 195-440, Emergency Shelter Housing Grants; and
- 195-441, Low and Moderate Income Housing.

Notable increases in appropriations include a $530,000 increase for the Business Development Grant program, a $1.6 million increase in the Travel and Tourism, a $2.5 million appropriation for the new Shovel Ready Sites program, and a new appropriation of $10.0 million for the Economic Development Contingency Fund.

Fiscal year 2004 appropriation authority for the General Services Fund Group of $8.8 million reflects an increase of 13.1% above the 2003 expenditure of $7.7 million. International Trade and General Reimbursements received increases of 44.8% and 88.6%, respectively.

Federal assistance funding for FY 2004, received through the Federal Special Revenue Fund Group, shows growth of 12.4% for FY 2004, and minimal growth of 0.1% during FY 2005. Appropriations total over $279 million for both FYs 2004 and 2005. Nearly all line items experienced an increase in appropriations, including a $5.9 million, or 229.0% increase in Oil Overcharge funds and a $13.9 million, or 53.3% increase in HOME Program funds over FY 2003 spending levels; however, three line items underwent a decrease in funding, including the elimination of the TANF Housing Program (-100.0%), the Home Energy Assistance Program (-2.4%), and the Federal Projects line item (-9.3%). Traditionally, additional federal funds are received for the Home Energy Assistance Program later in the fiscal year. At the time of this writing, the Department has been awarded two increases in appropriation authority totaling $6.9 million by the Controlling Board to FED line item 195-605, Federal Projects for FY 2004; the additional funds, received in the form of two federal grants, break down into $2.4 million for Brownfield Revitalization and $4.5 million for the Manufacturing Extension Program. This raises the FY 2004 appropriation in the Federal Projects line item to $22.2 million.

The increase in the State Special Revenue Fund reflects substantial movement in only a few line items. The Universal Service Fund decreased 11.8%, or $22.7 million, in appropriations; however, this decrease is not an accurate reflection of a future decline in activities of the fund. During the last biennium, the fund received appropriations of $160.0 million in each fiscal year, and the Department sought and received an increase in appropriation authority for the fund of $35.5 million due to an increase in the number of low-income households needing utility payment assistance. In addition to the increase in appropriation authority, the Department borrowed $10.0 million in cash from the Energy Efficiency Revolving Loan Fund (Fund 4M5) for activities of the Universal Service Fund (Fund 5M4) to cover a shortfall in cash. Because of an excess amount of cash and a decrease in activities of the Energy Efficiency Revolving Loan Fund, the transfer was possible. Within the Energy Efficiency Revolving Loan Fund, the $12.0 million appropriation reflects an unchanging appropriation for the fund over the past biennium; however the appropriation is approximately a 1,280.0% increase over FY 2003 spending levels. The Low and Moderate Income Housing Trust Fund saw appropriations increase to $40.0 million in each fiscal year, an increase of $21.7 million over FY 2003 spending levels. Although it disbursed funds in FY 2003, the Scrap Tire and Loan Program was transferred to the Environmental Protection Agency in FY 2002.

The Coal Research and Development Fund was transferred to the Air Quality Development Authority as part of the transfer of the Clean Ohio Office. In FY 2003, $8.5 million was spent from the general obligation Coal Research and Development Fund (Fund 046) on coal development projects. Debt service for this fund was previously paid through GRF appropriation item 195-906, Coal Research and Development General Obligation Debt Service.

The Facilities Establishment Fund Group received a 207.6% increase of $127.5 million in funding for FY 2004 and a 5.3% increase of $10.0 million for FY 2005; these numbers include appropriations made in both the main operating budget, Am. Sub. H.B. 95, and a bill relating to the Third Frontier, Am. Sub. H.B. 1. All programs, except the Port Authority Bond Reserves, which was eliminated, saw significant increases in funding over FY 2003 expenditures; it is important to note the appropriation levels remain fairly constant from biennium to biennium as indicated in the following table. For example, although the Rural Development Initiative appears to have received a 900.0% increase in its funding over FY 2003 expenditures of $500,000, it actually received a 0.0% increase over FY 2003 appropriation levels.

Appropriation and Expenditure Data for Facilities Establishment Fund Group					
Program	FY 2003 Appropriation	FY 2003 Expenditures	FY 2004 Appropriation	% Change between FY 2003 Expenditures and Appropriations	% Change between FY 2003-2004 Appropriations
Rural Development Initiative	$5,000,000	$500,000	$5,000,000	+900.0%	0.0%
Capital Access Loan	$3,000,000	$425,542	$3,000,000	+605.0%	0.0%
Rural Industrial Park Loan	$5,000,000	$1,200,000	$5,000,000	+316.7%	0.0%
Urban Redevelopment Loans	$10,000,000	$3,210,540	$10,475,000	+226.3%	+4.8%
Family Farm Loan Guarantee	$2,246,375	$639,554	$1,500,000	+134.5%	-33.2%
Facilities Establishment	$58,119,226	$53,433,611	$63,391,149	+19.7%	+9.1%

Furthermore, both the Innovation Ohio and Research and Development programs receive their first installment of appropriations of $50.0 million and $55.0 million in FYs 2004 and 2005, respectively.

The Clean Ohio Operating Fund (Fund 003) received appropriations of $150,000 in each fiscal year through appropriation item 195-663, Clean Ohio Operating. Appropriations in this appropriation item consist of interest earnings on the Clean Ohio Revitalization obligations. Although $150,000 was appropriated in Am. Sub. H.B. 3 of the 124th General Assembly for Clean Ohio operating expenses, no money was disbursed from this appropriation.

BUDGET ISSUES

TECHNOLOGY DEVELOPMENT

Funding for the Department's technology programs saw some significant changes for the new biennium. The Coal Development Office was transferred from the ODOD to the Air Quality Development Authority, the Technology Action line item was given a new name and an infusion of additional appropriation authority, and Am. Sub. H.B. 1 created new programs and appropriations for the Third Frontier Project.

Coal Development Office

Am. Sub. H.B. 95 transferred the Coal Development Office and its FYs 2004 and 2005 appropriations from ODOD to the Air Quality Development Authority. The bill also included a provision that after the Office is transferred to the Authority, the Office's employees are in the unclassified service and serve at the pleasure of the Authority. Two GRF appropriation items, 195-408, Coal Research Development, and 195-906, Coal Research and Development General Obligation Debt Service, and one bond-funded appropriation item 195-632, Coal Research and Development Fund (within the Coal Research/Development Fund - Fund 046) were also transferred; this amounts to nearly $600,000 in GRF administration funds in each fiscal year, $7.87 million in FY 2004 and $9.8 million in FY 2005 in debt service appropriations and $13.2 million in bond funds for coal development projects that were attributed to the Department's budget in past years.

Thomas Edison Program

The Thomas Edison Program strives to provide technology-based opportunities that (1) increase the competitive position of Ohio's critical manufacturing sectors through advanced business practices (e.g., e-business and lean manufacturing technologies), (2) accelerate the growth of emerging industries (e.g., biotechnology, IT, advanced materials, power and propulsion, and instruments, controls, and sensors), and (3) nurture the success of high-technology, high-growth start-up companies. It is funded through GRF appropriation item 195-401, Thomas Edison Program, at $16.6 million in FY 2004 and $16.3 million in FY 2005.

Through support of various technology development entities, such as the seven Edison Technology Centers, seven Edison Technology Incubators, one federal technology transfer center — the Great Lakes Industrial Technology Center (GLITeC)/Battelle Memorial Institute, and CAMP, Inc. and TechSolve, Inc. both part of the Manufacturing Extension Program, assistance is provided to all types of companies: whether large or small, mature or early-stage. A major portion of the Edison resources support efforts directed towards small- to medium-sized mature companies in Ohio's manufacturing industries that utilize advanced materials, factory automation, life sciences, food processing technologies, materials joining, high-speed machining, and information technology. Over the FY 2004-2005 biennium, the program will focus on product and process innovation, product commercialization, incubation and acceleration of high technology, high-growth companies in Ohio. Operating expenses from the Thomas Edison line item are limited to $2.0 million in FY 2004 and $2.3 million in FY 2005.

Third Frontier

The Third Frontier Project is Ohio’s economic development initiative to invest $1.6 billion over a ten-year period in its research and development (R&D) technologies, workforce, and future. The initiative is composed of multiple parts: (1) funding of $500 million over a ten-year period to the existing programs, (2) $50 million per year for ten years for the Wright Brothers Capital Fund to provide competitive grants for capital assets (funded through the biennial capital budget), (3) a proposed $500 million bond issue for applied research and technology commercialization, (4) $100 million fixed-asset Innovation Ohio Loan Program for targeted industry sectors in Ohio, (5) other initiatives of the project, and (6) programs not included in the Third Frontier Project related to it within the Department of Development (e.g., the Thomas Edison Program discussed in the previous section).

Continued Funding of Existing Programs. The first component of the Third Frontier Project is the continued funding of existing programs. The following programs are those that receive funding in the main operating budget.

Third Frontier Action Fund

A key program of the Third Frontier is funded through GRF appropriation item 195-422, Third Frontier Action, previously called the Technology Action Fund. This program provides competitive grants that support entrepreneurial activity in various technology sectors across the state and will create economic growth and jobs in technology-related sectors. This line item was flat funded from previous years at $16.8 million per fiscal year. The previous capital budget, H.B. 675, created the Third Frontier Commission and the Third Frontier Advisory Board (see below). Temporary language in the budget bill gave the Third Frontier Commission that authority to award funding to technology projects. In past budget bills, temporary language gave that authority to the Technology Action Board. Of the $16.8 million appropriated in each fiscal year, up to 6.0% in each fiscal year can be used for administrative expenses and an additional $1.5 million over the biennium for proposal evaluation, research and analyses, and marketing efforts deemed necessary to receive and disseminate information about science and technology-related opportunities in the state.

Science and Technology Collaboration

The Science and Technology Collaboration is an initiative intended to coordinate the state's existing technology programs to better align the state's economic development programs, maximize their impact, and leverage other funding sources. Discussions of this initiative began in FY 2002 with the Ohio Plan Study Committee, which was created in the previous budget bill, Am. Sub. H.B. 94 of the 124th General Assembly. The initiative was designed to promote collaborative efforts among state government, higher education, business, and industry to identify research and growth opportunities in science and technology in Ohio.

Temporary language in this biennial budget bill again requires the Department of Development to work in close collaboration with the Board of Regents in relation to the various programs within the agencies toward a coherent state strategy in science and technology; in addition, the Third Frontier Commission will play a coordinating role in the annual review. All appropriate programs must provide annual reports to the Commission discussing existing, planned, or possible collaborations between programs and recipients of grant funding related to technology, development, commercialization, and supporting Ohio's economic development. The annual review by the Third Frontier Commission shall stand as a comprehensive review of the entire state science and technology program portfolio rather than a review of individual programs.

Third Frontier Commission and Advisory Board

The most recent capital budget, H.B. 675 of the 124th General Assembly, created both the Third Frontier Commission and the Third Frontier Advisory Board. The Commission coordinates the many initiatives of the Third Frontier Project, while the Board counsels and advises the Commission on issues such as strategic planning for Commission programs, budget and funding priorities, RFP criteria, coordination of programs, progress measures and methodologies, and studies relating to the goals of the Third Frontier Project. The Commission, composed of the Director of Development, Chancellor of the Board of Regents, and the Governor's Science and Technology Advisor, assumed the responsibilities of the Biomedical Research and Technology Transfer Commission (BRTTC) and the Technology Action Board on July 1, 2003, and has the authority to make grants under the programs by using their appropriated funds. The Third Frontier Advisory Board is comprised of 16 members (nine business representatives, five university or nonprofit research institutions, one member from the House of Representatives, and one member from the Senate).

New Programs. The following program received its first installment of appropriations relating to its activities.

Third Frontier Research and Commercialization

The third component of the Third Frontier Project is a $500 million bond issue to support research and technology commercialization, which breaks down into $50 million each year for ten years. These activities would be non-capital in nature and would complement the capital activities of the Wright Brothers Capital Fund. An appropriation of $7.4 million was made in FY 2005 in GRF appropriation item 195-905, Third Frontier Research and Commercialization, to pay for debt service of bonds issued under the Research and Commercialization Program of the Third Frontier Project. These bonds will appear on the November 2003 ballot, for approval by Ohio voters.

Other elements of the Third Frontier Project are discussed under Am. Sub. H.B. 1.

Am. Sub. H.B. 1

Am. Sub. H.B. 1 of the 125th General Assembly provided changes to existing Department programs and included funding for new programs relating to the Governor's Third Frontier Project. Except for the Innovation Ohio Loan Program, the components in Am. Sub. H.B. 1 are part of the fifth category of other initiatives that belong to the Third Frontier Project.

Innovation Ohio Loan Fund. The fourth component of the Third Frontier Initiative is the Innovation Ohio Fund. This $100 million proposal is for fixed-asset loans in targeted industry sectors across Ohio. The purpose of the initiative is to build upon Ohio's strengths, allowing for high growth in these sectors and for high-wage companies to remain competitive in the industry. Program funding will be generated from economic development bonds that will be backed by liquor profits. Liquor profits currently support economic development bonds that fund the Department of Development's Facilities Establishment Fund, which includes programs such as the 166 Direct Loan Program; in FY 2002, $16.1 million was used toward debt service for these issues. Am. Sub. H.B. 1 created an appropriation of $50 million in FY 2003 for the Innovation Ohio Loan Program; however, due to the enactment of the bill at the end of FY 2003, the appropriations simply lapsed and were not tapped. The FY 2004 and FY 2005 appropriations of $50.0 million and $55.0 million, respectively, were made in the budget bill.

Research and Development Loan Fund. Created under the umbrella of the Facilities Establishment Fund and funded by liquor profits, the Research and Development (R&D) Loan Fund received appropriations of $50.0 million in FY 2004 and $55.0 million in FY 2005 in this bill. These appropriations appear in LSC's final appropriations spreadsheet, as they were made as stand-alone main operating appropriations in addition to those made in the budget bill. The appropriations will be used to award Research and Development Loans, loans to projects involving the discovery of information that is technological in nature and used to develop new or improved products or processes. Any loan provided through the R&D Loan Fund cannot exceed 75% of the total eligible costs of the project and must be approved by the Controlling Board.

Research and Commercialization Grant Program. In addition, the bill created the Ohio Research Commercialization Grant Program to provide commercialization grants, awarded by the Third Frontier Commission, to businesses that receive federal research and development funding.

Tax Credits. Several tax credits were also increased in the bill. The bill increases the amount of investments by one person, for which a technology tax credit can be claimed from $150,000 to $250,000, raising the tax credit per person to $62,500, up from $37,500. Also, the maximum amount of investments that an investor can make in one business increases from $150,000 to $250,000. The bill expands the eligibility of the technology investment tax credit by increasing the maximum revenue of eligible firms or their net book value and the maximum investments eligible for the technology investment tax credit for each firm. In addition, the bill increases the ceiling of technology investment tax credits that may be issued from $10 million to $20 million. Also, the bill creates a new nonrefundable and transferable credit against the corporation franchise and income taxes for qualified payments made on loans issued by the Director of Development. The amount of the credit cannot exceed $150,000 per year and per taxpayer. Furthermore, the bill increases the amount and size of tax credits relating to Encouraging Diversity, Growth and Equity (EDGE) certified businesses. The Department's EDGE Program, which was launched by the Governor via Executive Order in December 2002, provides assistance to small businesses by promoting, nurturing, and encouraging diversity, growth, and equity in Ohio's marketplace. The Department of Administrative Services certifies eligible businesses.

Liquor Profits. Finally, the bill increases the ceiling on the amount of liquor profits that can be used for economic development programs. The bill increases the ceiling on the aggregate principal amount of obligations that may be issued to fund economic development programs from $300 million to $500 million, excluding those financing obligations for which bond service charges are not paid from liquor profits. The bill also adds the R&D Loan Fund to the list of funds whose obligations are supported by liquor profits; the list of other programs includes the Facilities Establishment Fund, Loan Guarantee Fund, Innovation Ohio Loan Guarantee Fund, and Innovation Ohio Loan Fund. The $25 million limit for the aggregate amount of liquor profits that may be used to back the obligations issued for economic development is raised to $45 million by the bill. Finally, the limit on the aggregate amount of loan guarantees made under the Loan Guarantee Fund and the Innovation Ohio Loan Guarantee Fund and the unpaid principal of loans made from the Facilities Establishment Fund and the Innovation Ohio Loan Fund is raised to $800 million, up from $700 million; loans made under the R&D Loan Fund are placed under this ceiling.

ECONOMIC DEVELOPMENT

The Economic Development Division assists and promotes the creation, expansion, and attraction of employment-generating enterprises in Ohio. The Division carries out this purpose by providing information, grants, loans, training, counseling, and technical assistance.

Economic Development Contingency

General Revenue Fund appropriation item 195-515, Economic Development Contingency, received appropriation authority of $10 million in each fiscal year. Originally enacted as a GRF transfer of $25 million over the FY 2002-2003 biennium in Am. Sub. H.B. 299 of the 124th General Assembly, this line item provides grants for large capital investment projects with the creation or retention of a significant number of jobs. Additionally, the projects must have interstate competition.

Shovel Ready Sites

A new program created by this budget bill, the Shovel Ready Sites program will provide funding for pilot projects with three port authorities, two from urban counties (with populations of 200,000-600,000) and one from a rural county. The moneys will be used to leverage federal funds, local funds, or both, to provide grants for the preparation of sites for immediate construction for infrastructure in the state. General Revenue Fund appropriation item 195-516, Shovel Ready Sites, received appropriations of $2.5 million in each fiscal year.

HOUSING

Housing Trust Fund

Previously funded through GRF appropriations, the Housing Trust Fund received a new funding source in Am. Sub. H.B. 95. Effective August 1, 2003, housing trust fund fees, equal in amount to the recordation fees charged and collected by county recorders, will provide the revenue for the Low and Moderate Income Housing Trust Fund. State Special Revenue Fund appropriation item 195-646, Low and Moderate Income Housing Trust, was appropriated $40 million in each fiscal year for various housing programs. With the change in the funding source of the Housing Trust Fund came the elimination of funding of GRF line item 195-441, Low and Moderate Income Housing that was previously transferred in its entirety to the SSR appropriation item, 195-646, Low and Moderate Income Housing Trust; also eliminated were three other GRF line items, 195-406, Transitional/Permanent Housing; 195-431, Community Development Corporation Grants; and 195-440, Emergency Shelter Housing Grants. Instead, their funding is also to be provided by the Housing Trust Fund.

Funding Changes to Housing Trust Fund			
Program	**FY 2003 Spending**	**FY 2004 Appropriations**	**Percent Change**
Transitional/Permanent Housing (GRF 195-406)	$3,929,511	$0	-100.0%
Community Development Corporations (GRF 195-431)	$2,160,187	$0	-100.0%
Emergency Shelter Grants (GRF 195-440)	$2,373,235	$0	-100.0%
Low & Moderate Income Housing Trust (SSR 195-638)*	$18,348,622	$40,000,000	+81.0%
Total	**$26,811,555**	**$40,000,000**	**+49.2%**

*Because the entirety of GRF appropriation line item 195-441, Low and Moderate Income Housing, is transferred to the SSR appropriation line item 195-638, Low and Moderate Income Trust, for expenditure on HTF programs, it is not reflected in the chart above. Including the GRF line item in the chart would cause a double counting of dollars in an expenditure sense, since the GRF dollars are accounted for in the SSR expenditure figure.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill　　**Version: Enacted**

DEV Development, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	195-100	Personal Service	$ 2,503,241	$ 2,426,520	$2,350,207	$ 0	-100.00%	$ 0	N/A
GRF	195-200	Maintenance	$ 560,335	$ 555,675	$462,998	$ 0	-100.00%	$ 0	N/A
GRF	195-300	Equipment	$ 65,526	$ 66,448	$73,633	$ 0	-100.00%	$ 0	N/A
GRF	195-321	Operating Expenses	----	----	$0	$ 2,695,236	N/A	$ 3,020,115	12.05%
GRF	195-401	Thomas Edison Program	$ 25,022,180	$ 18,514,946	$16,308,887	$ 16,634,934	2.00%	$ 16,334,934	-1.80%
GRF	195-404	Small Business Development	$ 2,539,499	$ 2,294,712	$2,049,714	$ 1,740,722	-15.07%	$ 1,740,722	0.00%
GRF	195-405	Minority Business Development Divisio	$ 2,373,482	$ 2,218,355	$1,859,143	$ 1,620,755	-12.82%	$ 1,669,378	3.00%
GRF	195-406	Transitional & Permanent Housing	$ 2,545,853	$ 2,922,213	$3,929,511	$ 0	-100.00%	$ 0	N/A
GRF	195-407	Travel and Tourism	$ 6,916,480	$ 4,405,656	$4,490,755	$ 6,049,345	34.71%	$ 7,049,345	16.53%
GRF	195-408	Coal Research Development	$ 582,376	$ 573,802	$488,776	$ 0	-100.00%	$ 0	N/A
GRF	195-409	Energy Credit Administration	$ 660,512	$ 4,094	$0	$ 0	N/A	$ 0	N/A
GRF	195-410	Defense Conversion Assistance	$ 896,375	$ 128,958	$0	$ 1,500,000	N/A	$ 0	-100.00%
GRF	195-412	Business Development Grants	$ 17,139,161	$ 6,622,400	$8,375,716	$ 8,905,530	6.33%	$ 8,905,530	0.00%
GRF	195-414	First Frontier Match	$ 437,165	$ 493,639	$334,229	$ 389,987	16.68%	$ 389,987	0.00%
GRF	195-415	Economic Development Division & Reg	$ 6,101,074	$ 6,563,313	$5,527,392	$ 5,594,975	1.22%	$ 5,594,975	0.00%
GRF	195-416	Governor's Office of Appalachia	$ 1,775,403	$ 2,491,594	$4,617,536	$ 4,372,324	-5.31%	$ 4,372,324	0.00%
GRF	195-417	Urban/Rural Initiative	$ 2,019,950	$ 1,315,244	$1,838,911	$ 589,390	-67.95%	$ 589,390	0.00%
GRF	195-418	School-to-Work Training Initiative	$ 39,663	----	$0	$ 0	N/A	$ 0	N/A
GRF	195-421	Environmental Clean-up	$ 1,446,060	$ 72,515	$0	$ 0	N/A	$ 0	N/A
GRF	195-422	Third Frontier Action Fund	$ 6,124,503	$ 12,590,896	$16,902,454	$ 16,790,000	-0.67%	$ 16,790,000	0.00%
GRF	195-426	Clean Ohio Administration	----	$ 285,669	$387,827	$ 518,730	33.75%	$ 518,730	0.00%
GRF	195-428	Project 100	$ 3,000,000	----	$0	$ 0	N/A	$ 0	N/A
GRF	195-431	Community Development Corporation	$ 2,835,509	$ 1,908,236	$2,160,187	$ 0	-100.00%	$ 0	N/A
GRF	195-432	International Trade	$ 5,145,447	$ 5,357,015	$4,109,397	$ 4,492,713	9.33%	$ 4,492,713	0.00%
GRF	195-434	Investment in Training Grants	$ 14,809,270	$ 14,473,692	$13,288,007	$ 12,227,500	-7.98%	$ 12,227,500	0.00%
GRF	195-436	Labor/Management Cooperation	$ 1,042,071	$ 1,043,606	$1,098,542	$ 811,869	-26.10%	$ 811,869	0.00%
GRF	195-440	Emergency Shelter Housing Grants	$ 2,665,555	$ 2,384,772	$2,373,235	$ 0	-100.00%	$ 0	N/A
GRF	195-441	Low and Moderate Income Housing	$ 7,527,200	$ 17,535,257	$15,317,900	$ 0	-100.00%	$ 0	N/A
GRF	195-497	CDBG Operating Match Total	$ 1,175,364	$ 1,147,020	$1,136,422	$ 1,107,400	-2.55%	$ 1,107,400	0.00%

Line Item Detail by Agency

DEV Development, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	195-498	State Match Energy	$ 115,531	$ 112,995	$131,595	$ 100,000	-24.01%	$ 100,000	0.00%
GRF	195-501	Appalachian Local Development Distric	$ 461,053	$ 450,369	$446,792	$ 380,080	-14.93%	$ 380,080	0.00%
GRF	195-502	Appalachian Regional Commission Du	$ 194,400	$ 216,613	$216,613	$ 238,274	10.00%	$ 246,803	3.58%
GRF	195-505	Utility Bill Credits	$ 7,493,625	$ 6,805,365	$5,024,670	$ 0	-100.00%	$ 0	N/A
GRF	195-507	Travel and Tourism Grants	$ 1,599,000	$ 1,205,525	$1,030,516	$ 1,025,000	-0.54%	$ 1,025,000	0.00%
GRF	195-513	Empowerment Zones/Enterprise Com	$ 1,187,379	$ 374,313	$415,385	$ 0	-100.00%	$ 0	N/A
GRF	195-515	Economic Development Contingency	----	----	$0	$ 10,000,000	N/A	$ 10,000,000	0.00%
GRF	195-516	Shovel Ready Sites	----	----		$ 2,500,000	N/A	$ 2,500,000	0.00%
GRF	195-905	Third Frontier Research & Commerciali	----	----	$0	$ 0	N/A	$ 7,360,000	N/A
GRF	195-906	Coal Research/Development General	----	$ 7,722,912	$9,946,131	$ 0	-100.00%	$ 0	N/A
General Revenue Fund Total			**$ 129,000,242**	**$ 125,284,340**	**$ 126,693,081**	**$ 100,284,764**	**-20.84%**	**$ 107,226,795**	**6.92%**
135	195-605	Supportive Services	$ 7,889,914	$ 7,720,446	$7,030,962	$ 7,417,068	5.49%	$ 7,539,686	1.65%
136	195-621	International Trade	----	----	$17,213	$ 24,915	44.75%	$ 24,915	0.00%
685	195-636	General Reimbursements	$ 1,020,618	$ 827,616	$697,671	$ 1,316,012	88.63%	$ 1,232,530	-6.34%
5F7	195-658	Local Government Y2K Loan Program	$ 4,777,256	----	$0	$ 0	N/A	$ 0	N/A
General Services Fund Group Total			**$ 13,687,787**	**$ 8,548,061**	**$ 7,745,846**	**$ 8,757,995**	**13.07%**	**$ 8,797,131**	**0.45%**
3V1	195-601	HOME Program	----	$ 28,000,621	$26,096,926	$ 40,000,000	53.27%	$ 40,000,000	0.00%
308	195-602	Appalachian Regional Commission	$ 188,484	$ 298,822	$242,362	$ 350,200	44.49%	$ 350,200	0.00%
308	195-603	Housing & Urban Development	$ 22,214,970	$ 3,588,280	$4,261,421	$ 5,000,000	17.33%	$ 5,000,000	0.00%
308	195-605	Federal Projects	$ 9,141,939	$ 10,052,222	$16,877,244	$ 15,300,248	-9.34%	$ 15,300,248	0.00%
308	195-609	Small Business Administration	$ 4,420,332	$ 3,511,222	$3,684,493	$ 4,196,381	13.89%	$ 4,296,381	2.38%
335	195-610	Oil Overcharge	$ 5,359,894	$ 1,664,616	$2,583,640	$ 8,500,000	228.99%	$ 8,500,000	0.00%
3K9	195-611	Home Energy Assistance Block Grant	$ 72,826,093	$ 81,242,929	$87,110,010	$ 85,036,000	-2.38%	$ 85,036,000	0.00%
3L0	195-612	Community Services Block Grant	$ 20,122,906	$ 25,451,595	$25,185,963	$ 25,235,000	0.19%	$ 25,235,000	0.00%
3K8	195-613	Community Development Block Grant	$ 58,760,990	$ 60,918,095	$55,114,171	$ 65,000,000	17.94%	$ 65,000,000	0.00%
3K9	195-614	HEAP Weatherization	$ 10,327,673	$ 18,703,104	$15,517,099	$ 16,219,479	4.53%	$ 16,219,479	0.00%
308	195-618	Energy Federal Grants	$ 2,431,202	$ 3,389,199	$2,762,738	$ 3,397,659	22.98%	$ 3,397,659	0.00%
3X3	195-619	TANF Housing Program	----	$ 1,547,587	$5,015,081	$ 0	-100.00%	$ 0	N/A
380	195-622	Housing Development Operating	$ 4,102,266	$ 4,598,727	$4,176,658	$ 5,606,080	34.22%	$ 5,667,627	1.10%
3AE	195-643	Workforce Development Initiatives	----	----		$ 5,600,000	N/A	$ 5,800,000	3.57%

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
DEV		**Development, Department of**							
		Federal Special Revenue Fund Group Total	**$ 209,896,749**	**$ 242,967,017**	**$ 248,627,806**	**$ 279,441,047**	**12.39%**	**$ 279,802,594**	**0.13%**
444	195-607	Water & Sewer Commission Loans	$ 148,096	$ 174,029	$212,440	$ 523,775	146.55%	$ 523,775	0.00%
445	195-617	Housing Finance Operating	$ 4,035,387	$ 3,891,521	$3,580,520	$ 5,040,843	40.79%	$ 4,983,738	-1.13%
450	195-624	Minority Business Bonding Program Ad	----	----	$0	$ 13,563	N/A	$ 13,563	0.00%
451	195-625	Economic Development Financing Ope	$ 1,477,448	$ 2,173,181	$1,949,853	$ 2,358,310	20.95%	$ 2,358,310	0.00%
4S0	195-630	Enterprise Zone Operating	$ 293,593	$ 202,382	$111,979	$ 211,900	89.23%	$ 211,900	0.00%
611	195-631	Water & Sewer Administration	$ 180	$ 12,115	$15,641	$ 15,713	0.46%	$ 15,713	0.00%
4S1	195-634	Job Creation Tax Credit Operating	$ 247,898	$ 371,627	$335,623	$ 375,800	11.97%	$ 375,800	0.00%
646	195-638	Low & Moderate Income Housing Trust	$ 17,520,038	$ 22,420,621	$18,348,622	$ 40,000,000	118.00%	$ 40,000,000	0.00%
4F2	195-639	State Special Projects	$ 1,459,399	$ 889,110	$663,754	$ 540,183	-18.62%	$ 290,183	-46.28%
4H4	195-641	First Frontier	$ 426,553	$ 493,621	$334,229	$ 500,000	49.60%	$ 500,000	0.00%
4W1	195-646	Minority Business Enterprise Loan	$ 429,440	$ 701,758	$448,942	$ 2,580,597	474.82%	$ 2,580,597	0.00%
586	195-653	Scrap Tire Loans & Grants	$ 1,726,283	$ 418,004	$550,438	$ 0	-100.00%	$ 0	N/A
617	195-654	Volume Cap Administration	$ 132,369	$ 168,892	$118,937	$ 200,000	68.16%	$ 200,000	0.00%
5M4	195-659	Universal Service	$ 48,012,386	$ 221,704,133	$192,738,056	$ 170,000,000	-11.80%	$ 170,000,000	0.00%
5M5	195-660	Energy Efficiency Revolving Loan	$ 67,598	$ 482,119	$871,260	$ 12,000,000	1,277.32%	$ 12,000,000	0.00%
		State Special Revenue Fund Group Total	**$ 75,976,667**	**$ 254,103,113**	**$ 220,280,294**	**$ 234,360,684**	**6.39%**	**$ 234,053,579**	**-0.13%**
046	195-632	Coal Research & Development Fund	$ 11,045,517	$ 14,131,765	$8,484,681	$ 0	-100.00%	$ 0	N/A
		Coal Research/Development Fund Total	**$ 11,045,517**	**$ 14,131,765**	**$ 8,484,681**	**$ 0**	**-100.00%**	**$ 0**	**N/A**
037	195-615	Facilities Establishment	$ 48,016,948	$ 31,371,779	$53,433,611	$ 63,931,149	19.65%	$ 63,931,149	0.00%
5S8	195-627	Rural Development Initiative	----	----	$500,000	$ 5,000,000	900.00%	$ 5,000,000	0.00%
5S9	195-628	Capital Access Loan Program	----	$ 97,353	$425,542	$ 3,000,000	604.98%	$ 3,000,000	0.00%
4Z6	195-647	Rural Industrial Park Loan	$ 1,534,463	$ 3,370,000	$1,200,000	$ 5,000,000	316.67%	$ 5,000,000	0.00%
5D1	195-649	Port Authority Bond Reserves	$ 2,000,000	$ 1,000,000	$2,000,000	$ 0	-100.00%	$ 0	N/A
5D2	195-650	Urban Redevelopment Loans	$ 1,917,582	$ 2,020,000	$3,210,540	$ 10,475,000	226.27%	$ 10,475,000	0.00%
5H1	195-652	Family Farm Loan Guarantee	$ 1,597,203	$ 1,473,619	$639,554	$ 1,500,000	134.54%	$ 1,500,000	0.00%
009	195-664	Innovation Ohio	----	----		$ 50,000,000	N/A	$ 55,000,000	10.00%
010	195-665	Research and Development	----	----		$ 50,000,000	N/A	$ 55,000,000	10.00%
		Facilities Establishment Fund Total	**$ 55,066,196**	**$ 39,332,751**	**$ 61,409,247**	**$ 188,906,149**	**207.62%**	**$ 198,906,149**	**5.29%**
003	195-663	Clean Ohio Operating	----	----	$0	$ 150,000	N/A	$ 150,000	0.00%

Line Item Detail by Agency

	FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
DEV Development, Department of							
Clean Ohio Revitalization Fund Total	----	----	$ 0	$ 150,000	N/A	$ 150,000	0.00%
Development, Department of Total	*$ 494,673,159*	*$ 684,367,047*	*$ 673,240,955*	*$ 811,900,639*	*20.60%*	*$ 828,936,248*	*2.10%*

- 3,322 licensees in FY 2002
- Various fee changes will generate approximately $48,000 in additional revenue beginning in FY 2005 and annually thereafter

Dietetics, Board of

Clay Weidner, Budget Analyst

ROLE

The Ohio Board of Dietetics, created in 1987, protects and regulates the practice of dietetics in Ohio. The Board consists of five members and has three full-time employees.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
9**	$335,000	$330,000	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.
**Number of employees includes an intermittent clerk budgeted for 1,000 hours per year hired to assist with annual license renewal.

OVERVIEW

The Ohio Board of Dietetics is appropriated $334,917 in FY 2004, which represents an 18.6% increase over FY 2003 expenditures. For FY 2005, the Board is appropriated $329,687, which represents a 1.6% decrease from FY 2004. The appropriations will allow the Board to continue current service levels and cover the Board's increased administrative fees. No new initiatives are planned with the recommended funding. The Board will be able to replace two computers and print approximately 4,000 revised law books in FY 2004, and can purchase file stacks in FY 2005.

BUDGET ISSUES

FEE CHANGES

Since 1993, the Board has brought in enough revenue to offset expenditures. However, the Board expects that when FY 2003 revenues are finalized, expenditures will outweigh revenues by approximately $14,000. Originally, the Board sought fee increases for the FY 2004 renewal cycle. However, the Board received notification that the American Dietetic Association, to which approximately 3,000 of the 3,100 dietitian licensees in Ohio belong, will increase its member dues in FY 2004. The Board feels that raising licensure fees in FY 2004 would produce a severe economic hardship on Ohio's dietitians. After reevaluating the Board's Fund 4K9 reserves, the Board believes that there will be enough reserve revenue to cover FY 2004 expenditures. However, the Board will institute the following fee increases for the FY 2005 renewal cycle: reactivation of an inactive license, $125 (from $110); reinstatement of a license that has been suspended, revoked, or lapsed, $180 (from $165); license renewal, $95 (from $80); and limited permit, $65 (from $55). The fee increases will generate approximately $48,000 in additional revenue beginning in FY 2005 and annually thereafter.

NEW LICENSING SYSTEM

The occupational licensing boards, in partnership with the Department of Administrative Services (DAS), are working to implement a new licensing system. The system will be phased in over the current biennium and each board will pay its share of the costs out of Fund 4K9. The Board of Dietetics will pay DAS an annual fee of approximately $3,000 during the current biennium and a monthly fee of approximately $1,000 to maintain the system.

INCREASED ADMINISTRATIVE FEES

During the previous biennium, occupational licensing boards absorbed increased administrative costs charged by other state agencies. Many boards contracted for services that were once provided by other state agencies. The Board estimates that increased administrative fees will cost the Board approximately $15,500 in FY 2004 and $16,000 in FY 2005 for DAS Central Service Agency fees, computer technical support, license renewal banking and revenue processing fees, and risk management fees to administer the Board's public employee fidelity bond in the current biennium. The Board's appropriations in Am. Sub. H.B. 95 will cover these increased costs.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
OBD Dietetics, Board of									
4K9	860-609	Operating Expenses	$ 248,912	$ 262,124	$282,506	$ 334,917	18.55%	$ 329,687	-1.56%
General Services Fund Group Total			**$ 248,912**	**$ 262,124**	**$ 282,506**	**$ 334,917**	**18.55%**	**$ 329,687**	**-1.56%**
Dietetics, Board of Total			***$ 248,912***	***$ 262,124***	***$ 282,506***	***$ 334,917***	***18.55%***	***$ 329,687***	***-1.56%***

- Commission views cuts in service delivery likely
- Uncertain future for School Conflict Management Program

Dispute Resolution and Conflict Management, Commission on

Laura A. Potts, Budget Analyst

ROLE

The mission of the Commission on Dispute Resolution and Conflict Management is to provide Ohioans with constructive, nonviolent forums, processes, and techniques for resolving disputes. The Commission focuses on four program areas – schools, communities, courts, and state and local government – providing dispute resolution and conflict management training, facilitation and mediation services, consultation, and technical program assistance. The Commission pursues this broad mandate, partnering with other institutions to leverage resources and to develop a statewide conflict resolution capacity. The Commission, established in November 1989, is guided by 12 volunteer commissioners – four appointed by the Governor, four by the Chief Justice of the Supreme Court, and two each by the President of the Senate and the Speaker of the House – who serve staggered three-year terms.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
6	$780,000	$780,000	$500,000	$500,000	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

In terms of annual GRF funding, the Commission originally requested $594,816 for FY 2004 and $654,297 FY 2005. This requested amount of GRF funding reflected what the Commission calculated its annual cost of doing business in FY 2003 would be in the FY 2004-2005 biennium, including rising expenses passed along by the Department of Administrative Services' Central Services Agency to boards and commissions for the provision of fiscal, payroll, and computer and technology support. The Commission planned to undertake no program expansions or new initiatives.

The enacted budget fell short of the Commission's requested level of annual GRF funding by $94,816, or 15.9%, in FY 2004, and by $154,297, or 23.6%, in FY 2005. As of this writing, the magnitude of the effect that the enacted level of annual level of GRF funding will have on the future delivery of state-financed dispute resolution and conflict management services provided by the Commission is uncertain. That said, in light of the fiscal constraints created by the level of annual GRF funding contained in the enacted budget, the Commission's actions include:

- Reworking its strategic plan for the FY 2004-2005 biennium
- Searching for other sources of revenue, presumably including federal grants
- Cutting the delivery of dispute resolution and conflict management training, facilitation and mediation services, consultation, and technical program assistance, particularly in relation to the delivery of such services intended to assist schools
- Maintaining, if possible, its existing staffing level of 6 full-time equivalents (FTEs)

BUDGET ISSUES

SCHOOL CONFLICT MANAGEMENT PROGRAM

The School Conflict Management Program was launched in FY 1995 as a partnership between the Commission and the Ohio Department of Education for the purpose of annually awarding competitive grants to elementary, middle, and high schools to implement comprehensive conflict management programs. The program's funding has essentially been split between the Commission (GRF line item 145-401) and the Ohio Department of Education (GRF line item 200-432), with the majority of the funding housed in the latter's budget for the purpose of distributing annually awarded competitive grants to elementary, middle, and high schools to implement comprehensive conflict management programs. The Commission's role typically included the provision of evaluation and technical support services.

The Department of Education's FY 2004-2005 biennial budget as enacted does not appear to contain any moneys explicitly intended to fund the School Conflict Management Program. As of this writing, the future of the program, particularly the availability of funds to be distributed as grants to local schools, is very uncertain.

TASK FORCE TO ELIMINATE HEALTH SERVICES DUPLICATION

Pursuant to Section 153 of Am. Sub. H.B. 95, the Commission is required to provide technical and support services to the Task Force to Eliminate Health Services Duplication, which that section also creates for the purpose evaluating the feasibility of combining the Commission on Minority Affairs and the Departments of Aging, Alcohol and Drug Addiction Services, Health, Mental Health, and Mental Retardation and Developmental Disabilities and creating a centralized services procurement point. The Task Force, subsequent to submitting a required report of its findings and recommendations to the Speaker and Minority Leader of the House of Representatives and the President and Minority Leader of the Senate by March 31, 2004, then ceases to exist.

As of this writing, the Commission has not given any indication that the provision of these technical and support services to the Task Force will be in any way problematic.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
CDR Dispute Resolution and Conflict Management Commission									
GRF	145-401	Commission on Dispute Resolution/Ma	$ 573,115	$ 534,539	$439,075	$ 500,000	13.88%	$ 500,000	0.00%
General Revenue Fund Total			**$ 573,115**	**$ 534,539**	**$ 439,075**	**$ 500,000**	**13.88%**	**$ 500,000**	**0.00%**
4B6	145-601	Gifts and Grants	$ 39,357	$ 35,625	$53,797	$ 140,000	160.24%	$ 140,000	0.00%
General Services Fund Group Total			**$ 39,357**	**$ 35,625**	**$ 53,797**	**$ 140,000**	**160.24%**	**$ 140,000**	**0.00%**
3S6	145-602	Dispute Resolution: Federal	$ 39,019	$ 107,957	$148,962	$ 140,000	-6.02%	$ 140,000	0.00%
Federal Special Revenue Fund Group Total			**$ 39,019**	**$ 107,957**	**$ 148,962**	**$ 140,000**	**-6.02%**	**$ 140,000**	**0.00%**
Dispute Resolution and Conflict Management Commis			***$ 651,491***	***$ 678,121***	***$ 641,834***	***$ 780,000***	***21.53%***	***$ 780,000***	***0.00%***

- Parity aid increases by 59.2% in FY 2004 and 33.1% in FY 2005
- The special education weighted funding percentage increases to 88% in FY 2004 and 90% in FY 2005

Education, Department of

Melaney A. Carter, Economist
Wendy Zhan, Fiscal Supervisor

ROLE

The role of the Department of Education is to assist school districts in providing every student in Ohio with an education that prepares the student to successfully meet the challenges of the 21st century. The Department is governed by a 19-member State Board of Education. The Superintendent of Public Instruction, who is hired by the State Board of Education, is responsible for the Department's day-to-day operation. The Department oversees an education system consisting of 612 school districts, 49 joint vocational school districts, and 132 public community schools. The combined state and local expenditures of the system totaled more than $16 billion in FY 2002. In addition, the Department monitors educational service centers, Head Start programs, state chartered nonpublic schools, and other school-related entities.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
725	$9,334.1 million	$9,648.1 million	$7,149.3 million	$7,317.8 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Education (EDU) payroll reports as of June 30, 2003.

OVERVIEW

Am. Sub. H.B. 95, the main operating appropriations bill of the 125th General Assembly, maintains primary and secondary education as Ohio's highest spending priority; 38.5% of the $41.7 billion state budget is devoted to K-12 education over the biennium. This includes the general revenue fund (GRF), local government funds, and lottery profits. The total budget for the Department of Education features funding increases of 4.9% for FY 2004 and 3.4% for FY 2005. Table 1 below details the Department's appropriations by fund group.

Table 1: Appropriations By Fund Group					
Fund Group	**FY 2003**	**FY 2004**	**% Change FY 03 - FY 04**	**FY 2005**	**% Change FY 04 – FY 05**
GRF	$6,951,307,954	$7,149,334,615	2.8%	$7,317,750,989	2.4%
General Services	$20,563,948	$32,606,401	58.6%	$33,049,227	1.4%
State Special Revenue	$19,416,165	$77,766,171	300.5%	$129,344,695	66.3%
Lottery	$673,522,600	$637,900,000	-5.3%	$637,900,000	0.0%
Revenue Distribution	$106,853,446	$115,911,593	8.5%	$115,911,593	0.0%
Federal Special Revenue	$1,125,063,091	$1,320,564,193	17.4%	$1,414,191,626	7.1%
Grand Total	**$8,896,727,204**	**$9,334,082,973**	**4.9%**	**$9,648,148,130**	**3.4%**
GRF + Lottery	**$7,624,830,554**	**$7,787,234,615**	**2.1%**	**$7,955,650,989**	**2.2%**

It can be seen from the table that the budget increases the GRF appropriations by 2.8% in FY 2004 and 2.4% in FY 2005. The Lottery Profits Education Fund (LPEF) appropriations decrease by 5.3% in FY 2004 and are flat in FY 2005. Total GRF and Lottery appropriations increase by 2.1% in FY 2004 and 2.2% in FY 2005.

Lower expenditures ($8.7 million in actual expenditures vs. $24 million in original appropriation) in the school district solvency assistance program in FY 2003 account for the large increase in the general service fund appropriations in FY 2004. The budget appropriates $18 million to the program in each year of the FY 2004-2005 biennium.

The significant increase in the state special revenue appropriations is largely because the budget shifts funding for Head Start from the GRF to Fund 5W2 in the state special revenue fund group. Appropriations in this item total approximately $57.2 million in FY 2004 and $108.2 million in FY 2005.

The budget for the Department is organized into nine program series. Table 2 gives the appropriation levels by program series. The section below entitled "Budget Issues" briefly describes the major programs in these series funded with GRF dollars.

Table 2: Appropriations by Program Series		
Program Series	**Total Appropriations**	
	2004	**2005**
Academic Standards and Student Assessments	$65.0 million	$70.2 million
Early Childhood	$110.4 million	$155.4 million
Teaching Profession	$142.5 million	$143.4 million
Innovation and Best Practices	$100.1 million	$106.9 million
Basic Support	$7,366.0 million	$7,539.3 million
Safe Schools and Communities	$20.4 million	$20.6 million
Basic Support Enhancements	$1,473.6 million	$1,555.9 million
Accountability System	$21.0 million	$21.0 million
Administration and Infrastructure	$38.5 million	$39.0 million

School Funding Overview

Determining the Base Cost Formula Amount

One goal of state funding for schools is to ensure that every school district in Ohio has enough funding to provide a sound basic education to its students. In order to accomplish this goal, the base cost per pupil of a sound basic education, or the base cost formula amount, has been determined by the Ohio Legislature. It was last determined by the 124th General Assembly using data from FY 1999, by the following method.

1. In order to make the districts comparable, each district's spending per pupil was corrected for the district's:

    a. spending on special education;

    b. spending on career-technical education;

    c. spending on transportation;

    d. state disadvantaged pupil impact aid;

    e. federal funding; and

    f. cost of doing business factor adjustment.

2. In order to remove outliers (district's with unusually low or unusually high wealth), the districts were ranked by both their median incomes and property valuations per pupil, and the top 5% and bottom 5% of school districts on each wealth measure were removed from the calculation.

3. In order to consider only spending that resulted in a sound basic education, districts that met fewer than 20 out of the 27 performance indicators in FY 1999 were removed from the calculation. One hundred twenty-seven districts remained.

4. Some of these 127 districts were also included in the base cost model adopted by the 122nd General Assembly, which was based on a similar analysis of the FY 1996 performance and base cost data of all school districts. In order to correct for the fact that the state may end up funding similar spending twice,[2] theses districts' per pupil spending in FY 1999 was replaced with their

[2] In the process of updating the base cost, it was recognized that without any adjustment the state would end up funding similar spending twice. As can be seen in step 1, the state funding for many grant programs (professional development, technology grants, etc.) and local revenues above 23 mills were not removed from a district's base cost. And the base cost therefore included the state funding for grant programs and additional local spending above 23 mills. Meanwhile, the state has continued to fund many grant programs as separate line items and the local contribution requirement for the base cost has remained at 23 mills. Additional local spending and grant programs totaled approximately $1.9 billion in FY 1999. With the potential of funding such a significant amount of spending twice, without any adjustment it could result in base expenditures that might be higher than necessary for some school districts to maintain their high performance status.

per pupil spending in FY 1996, inflated 2.8% per year, if this spending was lower than the districts' FY 1999 spending.

5. The corrected per pupil spending for each of the 127 districts was averaged.

6. In order to account for an increase in the minimum number of credits required by the state for graduation, $12 was added to this average.

7. Finally, this figure was inflated 2.8% per year to arrive at a per pupil base cost of $4,814 in FY 2002 and $4,949 in FY 2003.

Am. Sub. H.B. 95 of the 125th General Assembly inflates the FY 2003 figure 2.2% per year to arrive at a base cost formula amount of $5,058 in FY 2004 and $5,169 in FY 2005.

Ensuring That All School Districts Have Enough Revenues To Cover Their Base Cost

The base cost for each district is determined by multiplying the base cost per pupil by the number of pupils enrolled in the district and applying the cost of doing business factor for the district. The number of pupils is calculated by computing the formula average daily membership (ADM) in the district during the first week of October of the school year. The cost of doing business factor has been determined for each county and is listed in R.C. 3317.02 (N). For example, suppose District A has an October ADM count of 1,000 in FY 2004 and is in a county with a cost of doing business factor of 1.05. District A's base cost for FY 2004 is then $5,310,900 ($5,058/pupil x 1.05 x 1,000 pupils). The state ensures that District A has revenues at least equal to $5,310,900.

Figure 1: Base Cost Formula
Base Cost = Base Cost Formula Amount x CDBF x Formula ADM

School districts typically have three major sources of revenues: local property and income taxes, state government funding, and federal government funding. As mentioned above, in determining the base cost per pupil, federal funding was subtracted from district spending. Federal funding is, likewise, disregarded in ensuring that all districts have enough revenues to cover the base cost, only local revenues and state funding are considered. For local revenues, the state assumes that each district will contribute an amount equal to the product of multiplying 23 mills by the district's total recognized valuation (property value) towards covering the district's base cost. This amount is called the district's local share or charge-off, and the 23 mills is known as the charge-off rate. The district's charge-off is deducted from the district's base cost and the state makes up the difference.

For example, District A's base cost was calculated above as $5,310,900. Suppose District A's property valuation is equal to $125,000,000. District A's charge-off would then be $2,875,000 ($125,000,000 x 0.023). District A's state base cost funding or state share would equal $2,435,900 ($5,310,900 - $2,875,000). District A would cover 54% of its base cost with local revenues and 46% with state aid. Suppose, instead, that District A has a property valuation equal to $250,000,000. District A's local share would then be $5,750,000 ($250,000,000 x 0.023). In this case, District A's charge-off is greater than District A's base cost ($5,310,900) so that state base cost funding would be equal to zero. In this example, District A is wealthy enough to cover its base cost without state aid. About 20 districts in Ohio are this wealthy (most state funding for these districts are distributed through the guarantee provision). In contrast, the lowest wealth school district receives approximately 85% of its base cost from the state.

Figure 2: State Base Cost Funding Formula
Local Share = Total Recognized Valuation x 0.023
State Share = Base Cost – Local Share
State Share = Base Cost Formula Amount x CDBF x Formula ADM – Local Share

FACTORS THAT AFFECT A DISTRICT'S STATE BASE COST FUNDING

Base cost funding is the biggest line item within the Department of Education's budget. Approximately $11,768.5 million in state formula aid will be distributed to 612 school districts over the FY 2004-2005 biennium. Of this amount, approximately $8,422.5 million (or 71.6%) will be distributed as state base cost funding. In FY 2004, state share percentages of base cost funding range from zero percent in about 20 very wealth school districts to more than 80% in a few very poor school districts. The statewide average is estimated to be 46.6% while the statewide median is 54.1%. More than 350 school districts are estimated to receive more than 50% of their base cost funding from the state in FY 2004.

As can be seen from the preceding discussion, a district's state base cost funding is determined by:

- The district's cost of doing business factor;
- The district's formula ADM;
- The district's property valuation;
- The base cost formula amount; and
- The charge-off rate.

Cost of Doing Business Factor (CDBF)

The countywide cost of doing business factor has been in place in the base cost formula since 1980. It is based on weighted average weekly wage data for all workers within a county, and for workers in all of its contiguous counties as reported by the Ohio Department of Job and Family Services. To compensate school districts for the higher costs they may have to incur to provide similar education services due to the county-by-county systematic differences in regional labor markets, the formula amount is adjusted by the countywide-based CDBF. H.B. 94 permanently froze the range of CDBF at 7.5%, meaning that districts in the lowest cost county (Gallia County) have a factor of one and those in the highest cost county (Hamilton County) have a factor of 1.075.

Formula ADM

Formula ADM is an adjusted form of the October count, the average daily membership (ADM) of students during the first full week of October classes for that fiscal year. All K-12 students, including special and career-technical education students are included, but kindergarten students are counted at the 50% level and joint vocational school (JVS) students are counted at the 20% level.

Figure 3: Formula ADM
Formula ADM = 0.5 x Kindergarten ADM + Grades 1-12 ADM + 0.2 JVS ADM

Previously, JVS students were counted at the 25% level. The budget decreased this percentage to 20%. The education of these students at the JVS is funded through a separate formula. The additional 20% accounts for some of the administrative responsibilities the home school district retains when a student attends a JVS.

The district's formula ADM does not affect its required local share amount. As long as the district's base cost remains greater than its local share, a decrease of one student will decrease a district's state share by the base cost formula amount times the district's CDBF. Revisiting our example of District A with an ADM of 1,000 and a CDBF of 1.05, a decrease in District A's ADM from 1,000 to 970 would result in a decrease in its state share of $159,327 (30 x $5,058 x 1.05) from $2,435,900 to $2,276,573. District A's local share would remain at $2,875,000. District A would now cover 56% of its base cost with local revenues (local share percentage) and 44% with state aid (state share percentage).

Previously, districts with declining enrollments could use the average of their three years' formula ADM in their base cost funding calculations. This provision provided state aid to districts for students who were not actually enrolled in any school. In FY 2003, approximately 302 school districts benefited from the three-year average provision and received a total of $60 million in state base cost funding for students they did not actually have. Am. Sub. H.B. 95 removed the three-year average provision so that districts may only be funded under the current year's formula ADM. In other words, school districts will now only be funded based on the actual number of students they have during the first full week of October classes.

Prior to FY 2003, the statewide K-12 student enrollment had declined steadily from its peak in FY 1998. However, the statewide total ADM increased by 0.4% in FY 2003. It is estimated that the statewide student enrollment will increase by approximately 0.2% in FY 2004 and by 0.1% in FY 2005.

Property Value

A district's property value affects the district's local share, and therefore, the district's state share too. The higher a district's property value, the higher the district's local share, and therefore, the lower the district's state share. Real property is updated every three years and reappraised every six years in Ohio. School districts generally will experience significant increases in real property value in the reappraisal or update year. Revenue from voted operating mills on existing (carryover) real property, however, does not grow with appreciation in value of property due to H.B. 920. Millage rates are generally adjusted downward to maintain the same dollar amount of revenue from levies. For example, a school district may have a 15% increase in real property valuation in a reappraisal year and end up with only a 3% growth in revenue from real property.

To minimize the fluctuation in state funding due to reappraisal/update cycles, Am. Sub. H.B. 215 of the 122nd General Assembly adopted the "recognized" valuation provision. Since FY 1998, a school district's inflationary increase in carryover real property in the reappraisal/update year has been "recognized" evenly over a three-year phase-in period. If a district experiences a 15% inflationary increase in real property in a reappraisal year, the base cost formula only recognizes a 5% increase in that year, 10% increase in the following year, and the full 15% growth in the third year.

In addition to the recognized valuation provision, the reappraisal guarantee provision guarantees that a reappraisal or update district receives at least the same amount of formula funding it received in the previous year.

The Base Cost Formula Amount

As mentioned earlier, the base cost formula amount was last updated by the 124th General Assembly using the FY 1999 performance and base cost of all school districts. The budget inflates the FY 2003 base cost formula amount of $4,949 by 2.2% per year to arrive at a base cost formula amount of $5,058 in FY 2004 and $5,169 in FY 2005.

The Charge-Off Rate

The charge-off rate for the base cost has remained at 23 mills since FY 1997. The statewide average school district operating millage rate (including both property tax and school district income tax levies) was approximately 31.9 mills in tax year 2002. At the 23-mill charge-off rate, the base cost formula equalizes about 72.1% (23/31.89) of local operating tax levies. Additional millage is equalized through special and career-technical education weighted cost funding. Parity aid, as discussed later, further equalizes additional 9.5 mills above the basic education level.

Increasing the charge-off rate improves overall inter-district equity since a greater portion of local revenue is subject to formula equalization. However, a higher charge-off rate will also increase the local share of school districts and would result in lower state shares unless the base cost formula amount were also increased. Also, some school districts do not actually collect 23 mills of local property and/or school district income tax levies. However, the charge-off supplement, as discussed later, will make up any missing local revenue and guarantee every district the amount of local revenue assumed by the formula.

ACCOUNTING FOR DIFFERENCES IN THE STUDENTS TAUGHT AT EACH DISTRICT

As seen above, the base cost funding formula takes into account differences in the cost of doing business in each district, the ADM of each district, and the property value in each district. There are also differences in the types of students taught at each district. Students requiring special education and related services, career-technical education, and gifted education may cost more to educate than a typical student. In addition, research has shown that students from disadvantaged backgrounds may also require additional services beyond a basic education. The school funding formula takes these differences into account in a variety of ways.

Special Education and Related Services

As discussed previously, the base cost formula amount was computed as the cost of a sound basic education for a typical student. Special education students, however, often require additional services in order to have a similar basic education and thus result in higher costs. Am. Sub. H.B. 94 of the 124th General Assembly created six categories of disabilities and assigned a weight to each category.

These weights, when multiplied by the base cost formula amount, represent the additional cost of educating these students. For example, the additional weight for a student receiving speech only services is 0.2892. A student falling in this category is assumed to cost the district the base cost formula amount ($5,058) plus the weight times the base cost formula amount ($1,463 = $5,058 x 0.2892), a total of $6,521 in FY 2004. The highest weight is 4.7342 for a student with autism, traumatic brain injury, or both a visual and hearing impairment. A student in this category is assumed to cost the district an additional $23,946 ($5,058 x 4.7342) for a total of $29,004 in FY 2004.

The additional cost of special education for a district is calculated by adding the weights for all the students in the district receiving special education and multiplying that by the base cost formula amount. For example, suppose District A has 20 students in category one (weight = 0.2892) and ten students in category two (weight = 0.3691), and one student in category five (weight = 3.1129). The total special education weights for District A would equal 12.5879 (20 x 0.2892 + 10 x 0.3691 + 1 x 3.1129). The additional cost of special education for District A would equal $63,670 (12.5789 x $5,058). The state share is equal to the total cost times the district's state share percentage as determined in the base cost formula. For District A, the state share would equal $29,288 ($63,670 x 0.46) if this six-weight system were fully implemented. However, the system is phased in at 88% in FY 2004 and 90% in FY 2005. District A would, therefore, receive $25,773 ($29,288 x 0.88) in FY 2004 of state aid for special education weight funding.

Figure 4: State Special Education Weighted Funding
Total Special Education Weights = (ADM cat. 1 x 0.2892) + (ADM cat. 2 x 0.3691) + (ADM cat. 3 x 1.7695) + (ADM cat. 4 x 2.3646) + (ADM cat. 5 x 3.1129) + (ADM cat. 6 x 4.7342)
Additional Special Education Cost = Total Special Education Weights x Base Cost Formula Amount
State Share = Additional Special Education Cost x State Share Percentage
State Payment = State Share x Phase-in Percentage Phase-in Percentage = 88% in FY 2004 and 90% in FY 2005

In addition to weighted funding, supplemental funding for one speech service personnel for every 2,000 ADM is also provided for special education. The personnel allowance is $30,000 per year, and the state share is based on each district's state share percentage of the base cost funding (see Figure 5).

Figure 5: State Speech Service Supplemental Funding
State Share = Formula ADM/2,000 x $30,000 x State Share Percentage

In FY 2003, approximately 209,952 students received special education weighted funding, representing approximately 12.3% of the formula ADM in 612 school districts. Approximately $694.6 million in state special education weighted funding (including speech service supplemental funding) will be distributed to 612 school districts over the FY 2004-2005 biennium.

Furthermore, all special education students except students who receive only speech services are eligible for an additional catastrophic cost subsidy. For FY 2004 and FY 2005, a catastrophic cost is defined as when the cost per pupil for category six students (autism, traumatic brain injury, both visual and hearing impairments) exceeds $30,840 and for all other eligible students exceed $25,700. The state pays half of the cost above these threshold amounts plus the district's state share percentage of the other half of the cost above the thresholds (see Figure 6). For example, suppose District A spends $45,000 for it's one category six student. The cost of educating this student exceeds the threshold by $14,160 ($45,000 - $30,840). District A would receive a catastrophic cost subsidy equal to $7,546 (($14,160 x 0.5) x (1 + 0.46)). The budget sets aside $15 million within line item 200-501, Base Cost Funding, in each fiscal year for the additional catastrophic cost subsidy.

Figure 6: Catastrophic Cost Subsidy
Subsidy = ((Actual Cost – Threshold) x 0.5) x (1+ State Share Percentage)

Career-Technical Education

Like special education students, career-technical students may require additional services at a higher cost in order to have a sound basic education. Districts receive weighted funding for career-technical students like they do for special education students. Career-technical students receive weights depending on the type of program they are in and the amount of time they spend in the program. There are two weight categories, workforce development programs (weight = 0.57) and non-workforce development programs (weight = 0.28). In addition, all career-technical programs receive an associated service weight of 0.05. Since career-technical students spend only a portion of their time in career-technical classes, weighted funding is based not on ADM, but on the full-time equivalent (FTE) of the time spent in the career-technical program. For example, if a student spends half the day in a career-technical program the student counts as 0.5 FTE for weighted funding.

The additional cost of career-technical education for a district is calculated by adding the weights for all FTE students in the district receiving career-technical education and multiplying that by the base cost formula amount. For example, suppose District A has 40 FTEs in non-workforce development programs and 20 FTEs in workforce development programs. District A's total career-technical education weights would equal 25.6 (40 x 0.28 + 20 x 0.57 + 60 x 0.05). The additional career-technical education cost for District A in FY 2004 would therefore be $129,485 (25.6 x $5,058). The state share is equal to the total cost times the district's state share percentage as determined in the base cost formula. For District A, the state share would equal $59,563 ($129,485 x 0.46).

Figure 7: State Career-Technical Education Weighted Funding
Total Career-Technical Education Weights = (FTE workforce development x 0.57) + (FTE non-workforce development x 0.28) + (FTE all career-technical x 0.05)
Additional Career-Technical Education Cost = Total Career-Technical Education Weights x Base Cost Formula Amount
State Share = Additional Career-Technical Education Cost x State Share Percentage

In addition to weighted funding, the state provides grants for up to 225 FTE GRADS (Graduation, Reality, and Dual-Role Skills) teachers. The grant is equal to the personnel allowance times the number of approved FTE GRADS teachers times the district's state share percentage. The budget increases the personnel allowance from $46,260 in FY 2003 to $47,555 in both FY 2004 and FY 2005. For example, suppose District A has 0.5 FTE approved GRADS teachers. District A would receive a state grant equal to $10,938 (0.5 x $47,555 x 0.46).

Figure 8: State GRADS Teacher Grant
GRADS Teacher Grant = $47,555 x Approved GRAD FTE Teachers x State Share Percentage

The budget provides approximately $92.6 million in additional career-technical education funding (including both weighted funding and GRADS teacher grants) for 612 school districts over the biennium. Additional amounts will be distributed to 49 joint vocational school districts for the same purpose (see the "Joint Vocational School District Funding Formulas" section of this analysis for details).

Gifted Education

Gifted students may also require additional services beyond those of typical students. The budget funds 1,110 gifted units in each fiscal year. Gifted units are held by school districts and educational service centers. State funding is equal to the number of approved gifted units times the sum of the gifted salary allowance, 15% of the salary allowance for fringe benefits, a classroom allowance of $2,678, and a supplemental unit allowance of $5,241. (Approximately 50% of the supplemental unit allowance is equalized based on each district's state share percentage of base cost funding. There is no equalization component for units held by educational service centers.) The salary allowance is equal to the state teacher minimum salary given the teacher's education level and years of experience. Suppose an average wealth district has one approved unit and hires one gifted teacher with a Master's degree and five years of experience. The salary allowance for this teacher would be $26,700. This average wealth district would receive $38,624 for gifted education (1 unit x ($26,700 + $4,005 + $2,678 + $5,241)).

Figure 9: State Gifted Unit Funding
State Funding = Number of approved units x (Salary Allowance + 15% Fringe Benefits + $2,678 + $5,241)

Currently, about 22% of state funded gifted units are located in educational service centers. The budget provides approximately $82.3 million in gifted unit funding over the biennium. The unit reimbursement value will largely remain at the FY 2003 level of approximately $36,893 in each year.

Education of Disadvantaged Students

The state provides additional funding for districts with high concentrations of disadvantaged students. This funding is known as Disadvantaged Pupil Impact Aid (DPIA). The budget suspends the statutory calculation of DPIA during FY 2004 and FY 2005. For these two fiscal years, districts that received DPIA in FY 2003 receive a 2% annual increase in FY 2004 and FY 2005 except for those receiving DPIA through the guarantee provision. For districts that were on the DPIA guarantee in FY 2003, their DPIA funding in FY 2004 and FY 2005 would equal their FY 2003 funding amounts. In FY 2003, 337 school districts received approximately $327.2 million in DPIA. These 337 school districts will continue to receive DPIA in FY 2004 and FY 2005.

The budget provides approximately $672.6 million in DPIA over the biennium. Major urban school districts tend to have much higher concentrations of disadvantaged students, and they are the primary beneficiaries of the DPIA program. For example, Big 8 districts are estimated to receive 66.3% (or $221.0 million) of the total DPIA funding of $333.2 million in FY 2004. Disadvantaged Pupil Impact Aid funding per ADM for Big 8 districts ranges from $631.8 in Canton City to $937.2 in Youngstown City. Cleveland City will receive about $926.5 in DPIA funding per ADM. (These per pupil amounts are calculated based on districts' formula ADM, not based on their DPIA eligible students. Per pupil amounts based on DPIA eligible students are higher than the ones based on the formula ADM.)

In FY 2003, a disadvantaged student was defined as a student whose family participated in Ohio Works First (OWF). The amount of DPIA a district received was based on the district's DPIA index, which equals the district's percentage of disadvantaged students divided by the statewide percentage of disadvantaged students. Based on this DPIA index a district may receive three different types of DPIA funding: all-day kindergarten, K-3 class size reduction, and safety and remediation.

All-day kindergarten. In FY 2003, districts with a DPIA index of at least one or with a three-year average formula ADM of at least 17,500 were eligible for all-day kindergarten funding. An eligible district received funding equal to the district's kindergarten ADM times 50% times the base cost formula amount ($4,949 in FY 2003) times the percentage of the district's kindergarten students that receive all-day kindergarten. For example, suppose District A has a DPIA index of 1.2, a kindergarten ADM of 90, and offers 30% of its kindergarten students all-day kindergarten. In FY 2003, District A would have received $66,812 (90 x 0.5 x $4,949 x 0.3) in DPIA all-day kindergarten funding.

Figure 10: DPIA All-day Kindergarten Funding in FY 2003
State Funding = Kindergarten ADM x 50% x $4,949 x Percentage of Kindergarten Students Receiving All-Day Kindergarten

In FY 2004 and FY 2005, District A would receive $68,148 ($66,812 x 1.02) and $69,511 ($68,148 x 1.02), respectively, in DPIA all-day kindergarten funding. In FY 2003, 107 school districts received a total of $101.6 million in DPIA all-day kindergarten funding. These 107 school districts will continue to receive this funding in FY 2004 and FY 2005.

K-3 Class Size Reduction. In FY 2003, districts with a DPIA index of at least 0.6 were eligible for K-3 class size reduction funding. This funding was based on the assumption that all districts start with a student teacher ratio of 23:1. Districts with DPIA indices above 2.5 receive funding to hire enough teachers to bring the student teacher ratio down to 15:1. In FY 2003, the salary allowance for each teacher was $43,658. Suppose District A has a K-3 ADM of 300. Assuming a student teacher ratio of 23:1 would mean District A has 13 teachers (300/23). In order for District A to have the desired student teacher ratio of 15:1, District A must have 20 teachers (300/15). So, District A would receive funding for seven teachers, $305,606 (7 x $43,658).

Figure 11: DPIA K-3 Class Size Reduction Funding in FY 2003 for Districts with DPIA Indices Greater then 2.5
Teachers Funded = K-3 ADM/15 – K-3 ADM/23
State Funding = Teachers Funded x $43,658

District A, however, has a DPIA index of 1.2, so it would not have qualified for this level of funding in FY 2003. Districts with DPIA indices between 0.6 and 2.5 receive funding to hire enough teachers to bring the student teacher ratio down to somewhere between 15:1 and 23:1, depending on the districts' DPIA indices. A district with a DPIA index of 0.6 would have been the lowest concentration of poverty to be eligible for this funding. These districts' DPIA indices are 1.9 points lower than districts with indices of 2.5, which receive full funding. District A's index is 1.2, 1.3 points lower than 2.5. The difference between District A's index and 2.5 is, therefore, 68% of the difference between 2.5 and 0.6 (1.3/1.9). District A was eligible for funding to hire enough teachers to bring the student teacher ratio down to 17.6:1 (23 – (23-15) x 0.68). District A must have 17 teachers to achieve this ratio (300/17.6). District A would then have received funding for four additional teachers, for a total of $174,632 (4 x $43,658).

Figure 12: DPIA K-3 Class Size Reduction Funding in FY 2003 for Districts with DPIA Indices Between 0.6 and 2.5
Target Number Of Students Per Teacher = 23 – 8 x (DPIA index – 0.6)/1.9
Teachers Funded = K-3 ADM/Target Number of Students Per Teacher – K-3 ADM/23
State Funding = Teachers Funded x $43,658

In FY 2004 and FY 2005, District A would receive $178,125 ($174,632 x 1.02) and $181,687 ($178,125 x 1.02), respectively. In FY 2003, 154 school districts received a total of $132.0 million in DPIA K-3 class size reduction funding. These 154 districts will continue to receive this funding in FY 2004 and FY 2005.

Safety and Remediation. In FY 2003, districts with DPIA indices of at least 0.35 were eligible for safety and remediation funding. Districts with indices at least 0.35 but less than one received $230 per DPIA eligible student. Districts with indices greater than one received $230 times the district's DPIA index per DPIA eligible student. For example, District A with a DPIA index of 1.2 would have received $276 ($230 x 1.2) per DPIA eligible student. Suppose District A has 120 DPIA eligible students, it would have received $33,120 of DPIA safety and remediation funding in FY 2003 (120 x $276).

Figure 13: DPIA Safety and Remediation Funding in FY 2003
Districts with indices between 0.35 and 1: Per Pupil Allocation = $230
Districts with indices greater than 1: Per Pupil Allocation = $230 x DPIA index
State Funding = Number of DPIA Eligible Students x Per Pupil Allocation

In FY 2004 and FY 2005, District A would receive $33,782 ($33,120 x 1.02) and $34,458 ($33,782 x 1.02), respectively. In FY 2003, 262 school districts received a total of $83.2 million in DPIA safety and remediation measure funding. These 262 school districts will continue to receive this funding in FY 2004 and FY 2005.

DPIA Guarantee. Under the DPIA formulas, eligible school districts are guaranteed to receive total DPIA funding at least equal to the total DPIA funding they received in FY 1998. As indicated earlier, these districts will receive the same amount of DPIA funding in FY 2004 and FY 2005 as they received in

FY 2003. In FY 2003, approximately $10.2 million in DPIA funding was distributed to 224 school districts through the guarantee provision.

FUNDING FOR PUPIL TRANSPORTATION

Transportation spending is not part of the base cost formula amount. The costs of transportation vary across districts depending on the district's ADM, the percentage of students that are transported, the number of miles students are transported, the quality of the roads in the district, and some factors in the district's control such as class schedules. Instead of paying districts according to their actual costs of transportation that depend on factors in the districts' control as well as those outside the districts' control, the state pays districts according to a modeled cost that depends only on factors outside the district's control. This gives districts the incentive to choose the least costly transportation method for their district. The model cost is derived from a regression of districts' actual transportation expenditures per ADM on a constant, districts' daily miles per ADM, and districts' transported pupil percentage. A regression is similar to finding an average, it tells you what a "typical" district would spend per ADM given the specific district's daily miles per ADM and transported pupil percentage. The total expected cost for a district is its modeled cost per ADM times its ADM. The state pays the greater of 60% or the district's state share percentage of the total expected cost. For example, suppose District A's model transportation cost per ADM is $522 (calculation not shown). District A's total model cost is $522,000 ($522 x 1,000). District A's state share percentage of the base cost (46%) is less than 60%, so District A would receive $313,200 ($522,000 x 0.6) in state transportation funding.

Figure 14: Funding for Transportation Model Cost
Districts with state share percentage less than 60%: Transportation Funding = Total Model Cost x 60%
Districts with state share percentage greater than 60%: Transportation Funding = Total Model Cost x State Share Percentage

In addition to this funding, low-density districts with high percentages of rough roads receive a rough road supplement. The Department of Transportation has defined what qualifies as a rough road and there are data available giving the percentage of rough roads in each county and in the state as a whole. The highest subsidy is $0.75 per rough road mile. This is for districts in the county with the highest percentage of rough roads. Districts in counties with a rough road percentage equal to or less than the rough road percentage for the state as a whole do not receive a subsidy. Those districts in counties with rough road percentages between the state percentage and the maximum county percentage, have a rough road subsidy that is scaled down the closer the county rough road percentage gets to the state percentage. The rough road subsidy is then adjusted for the pupil density within the district. The pupil density multiplier percentage is measured in a manner similar to the rough road subsidy. The largest multiplier is 100% for the district with the lowest pupil density. For other districts the multiplier is scaled down as the pupil density increases. The specific formula is given in Figure 15 below.

Figure 15: Rough Road Subsidy
For Districts in counties with rough road percentages greater than the state percentage: Rough Road Scale Factor = (Maximum County Rough Road Percentage – District's County Rough Road Percentage)/(Maximum County Rough Road Percentage – State Percentage)
Subsidy per Rough Road Mile = $0.75 x (1-District's Rough Road Scale Factor)
Total Rough Road Miles = Total Miles Transported Annually x District's County Rough Road Percentage
Total Rough Road Subsidy = Subsidy per Rough Road Mile x Total Rough Road Miles
For Districts with pupil densities less than the state pupil Density: Pupil Density Scale Factor = (Maximum Pupil Density – District's Pupil Density)/(Maximum Pupil Density – State Pupil Density)
Pupil Density Multiplier = 100% x (1-District's Pupil Density Scale Factor)
Adjusted Total Rough Road Subsidy = Total Rough Road Subsidy x Pupil Density Multiplier

About 211 school districts are estimated to receive more than 60% of their base cost funding from the state in FY 2004. These 211 school districts will, therefore, receive more than 60% of their modeled pupil transportation costs from the state. The other 401 school districts will receive 60% of pupil transportation funding from the state. The budget provides approximately $680.6 million in pupil transportation operating funding for school districts over the biennium. In addition, the budget also provides $120.0 million and $34.4 million over the biennium for special education pupil transportation operations and school bus purchases, respectively.

OTHER ADJUSTMENTS TO STATE FUNDING OF A SOUND BASIC EDUCATION

Excess Cost Supplement

As seen above, the state share of special education weighted funding, career-technical education weighted funding, and transportation funding depends on the district's state share percentage of base cost funding. The local share of these costs is, therefore, equal to the total cost minus the state share. The excess cost supplement limits this local share based on the property tax levies in the district. Previously, the local share was limited to 3 mills of the district's property tax levies. The budget bill increases this threshold to 3.3 mills. Consider District A, its total cost for special education, career-technical education, and transportation equals $715,155 ($63,670 + $129,485 + $522,000). District A receives $398,536 ($25,773 + $59,563 + $313,200) in state funding for these three items. District A's local share is, therefore, $316,619 ($715,155 – $398,536). District A would not receive an excess cost supplement because its local share is less than the amount of revenue generated by 3.3 mills of property tax levies ($125,000,000 x 0.0033 = $412,500). If District A's property value is $80,000,000 instead of $125,000,000, District A would be eligible for the excess cost supplement in the amount of $52,619 ($316,619 - $80,000,000 x 0.0033).

Figure 16: Excess Cost Supplement
Local Share of Special Education, Career-Technical Education, and Transportation Funding = Total Cost – State Share
Excess Cost Threshold = Total Recognized Valuation x 0.0033
For Districts with Local Share above the Threshold: Excess Cost Supplement = Local Share – Excess Cost Threshold

The budget provides approximately $47.0 million for the excess cost supplement over the biennium. About 239 school districts in FY 2004 and 251 school districts in FY 2005 are estimated to be eligible for this supplemental funding.

Teacher Experience and Training Adjustment

School districts receive additional funding for having teachers who are above the state average teacher education and experience level. In general, teachers earn higher salaries as their level of education and experience increase. The budget provides approximately $32.0 million for the teacher experience and training adjustment over the biennium.

Guarantee and Transitional Aid

It should be noted that guarantee funding provides subsidies above the formula calculated amounts to eligible districts. When a district receives guarantee funding, it means that the district receives more state and local revenues than the amounts determined by the basic education funding formulas. Therefore, the guarantee moneys can also be viewed as funding for education enhancements.

The so-called fundamental aid provision guarantees each district receives at least the same amount of fundamental aid the district received in FY 1998. Fundamental aid includes: (1) base cost funding, (2) equity aid, (3) special education weight cost funding, (4) special education speech service supplement, (5) career-technical education weight cost funding, (6) career-technical education GRADS teacher grant, (7) DPIA, (8) gifted unit funding, and (9) teacher training and experience adjustment. In FY 2004, about 87 school districts will be eligible for funding of approximately $53.8 million through the FY 1998 fundamental aid guarantee provision. This funding will amount to approximately $72.4 million for 108 eligible school districts in FY 2005.

The reappraisal guarantee provision guarantees school districts receive at least the same amount of foundation aid (fundamental aid plus excess cost supplement, pupil transportation, and parity aid) the district received in the previous year when the district has a reappraisal or an update. Since the adoption of the recognized value provision in FY 1998, the fiscal effect of the reappraisal guarantee provision has been reduced substantially. The state paid less than $3 million per year under the reappraisal guarantee provision from FY 1998 to FY 2003. However, this funding is estimated to increase significantly over the biennium. About 76 school districts are estimated to be eligible for funding of approximately $32.0 million through the reappraisal guarantee provision in FY 2004. This supplemental funding is estimated to decrease to $11.2 million in FY 2005 for about 44 school districts. The significant increase in reappraisal guarantee funding is partially due to the fact that many counties (including many big counties, such as Franklin, Hamilton, and Cuyahoga, etc.) had a reappraisal or an update in 2002 or 2003.

The budget establishes a new transitional aid to prevent a school district's state formula aid from decreasing by more than 5% of the funding received by the district in the previous year. It provides approximately $27.0 million in transitional aid over the biennium. For the purpose of transitional aid, the state formula aid amount received by a district includes fundamental aid, the excess cost supplement, pupil transportation, parity aid, and the charge-off supplement (see below).

Charge-Off Supplement

In order for a district to receive any state aid, the district must levy the equivalent of 20 mills of property taxes. Districts are assumed, however, to contribute a local share of 23 mills to cover their base cost, plus up to 3.3 additional mills to cover special education, career-technical education, and transportation costs. If a district's local revenue is less than that assumed by the state funding formula, then the district does not have the revenues to provide a basic education that are guaranteed by the state. The charge-off supplement, also known as gap aid, provides districts with these additional revenues. For example, suppose District A's local operating revenues only equal 20 mills of District A's property value or $2,510,440 ($125,000,000 x 0.02). District A would receive gap aid equal to its local share of base cost, special education weight cost, career-technical education weight cost, transportation model cost minus any excess cost supplement and its local operating revenue. For District A, that would equal $681,179 ($2,875,000 + $37,897 + $69,922 + $208,800 - $0 - $2,510,440)

Figure 17: Gap Aid

Gap Aid = Local Share of Base Cost Funding (23 mill Charge-Off)

+ Local Share of Special Education Weight Cost Funding

+ Local Share of Career-Technical Education Weight Cost Funding

+ Local Share of Transportation Funding

- Excess Cost Supplement

- Total Local Operating Revenue

On the surface, the charge-off supplement may just seem to be another supplemental funding program. However, it has significant implications. The charge-off supplement requires the state to fill any missing local revenue (either due to H.B. 920 reduction factors or due to the fact that the district did not levy those mills) for every district's formula share of base cost, special and career-technical education weight costs, and the pupil transportation model cost. It effectively ensures every district has both state and local shares of the basic education model cost and thus guarantees a similar basic education for every district. The budget provides approximately $97.0 million for the charge-off supplement over the biennium. Approximately 128 school districts will be eligible for the charge-off supplement in FY 2004. Per pupil benefits range from more than $450.0 in some districts to less than $40.0 in some other districts. The average benefit for these eligible districts is about $224.6 per pupil.

It should be noted that the charge-off supplement and the excess cost supplement are somewhat interdependent. For example, if two districts both have the same total formula local share of 27.3 mills (23 mills for the base cost and 4.3 mills for special education, career-technical education, and pupil transportation), District 1 has 22.3 mills of operating property tax levies and District 2 has 26.3 mills. District 1 would receive an amount of state subsidy equal to a one-mill (4.3 mills – 3.3 mills) levy from the excess cost supplement and the equivalent of four mills (26.3 mills – 22.3 mills) of levies from the charge-off supplement. District 2 would be eligible for the equivalent of one-mill (4.3 mills – 3.3 mills) levy from the excess cost supplement. If there were no excess cost supplement, District 1 would receive an amount of state aid equal to five mills (27.3 mills – 22.3 mills) of levies from the charge-off supplement. District 2 would be eligible for the equivalent of a one-mill (27.3 mills – 26.3 mills) levy from the charge-off supplement.

JOINT VOCATIONAL SCHOOL DISTRICT (JVSD) FUNDING FORMULAS

The 49 joint vocational school districts serve approximately 35,600 career-technical education students from their 495 associate school districts. They are funded through separate foundation formulas that are parallel to the ones used for the 612 school districts. The JVSD funding formulas also include the base cost funding, special education weighted funding, speech service supplement, career-technical education weighted funding, and GRADS teacher grants. Joint vocational school districts are guaranteed to receive at least their FY 1999 funding amounts.

Joint vocational school districts are required to contribute 0.5 mills of local property tax levies toward base cost funding. The state share percentage of base cost funding for JVSDs ranged from zero percent to approximately 90% with an average of 67% in FY 2003. Forty-two out of the 49 JVSDs received more than 50% of base cost funding from the state. Two districts were too wealthy to receive any state base cost funding from the formula calculation alone. State share percentages for the remaining five JVSDs ranged from 6% to almost 47%. State funding for the special education weight cost, speech service supplement, career-technical education weight cost, and GRADS teacher grants for JVSDs is, like regular districts, equalized based on the JVSDS' state share percentages of base cost funding.

Joint Vocational School District foundation funding for the FY 2004-2005 biennium is estimated to be approximately $406.8 million. Of this amount, approximately 60.9% (or $247.9 million) will be distributed as state base cost funding. The remaining 39.1% (or $158.9 million) will be distributed as the additional state funding for career-technical education, special education, and the guarantee provision. As indicated earlier, JVSDs are guaranteed to receive at least the amount of funding they received in FY 1999. About 11 or 12 JVSDs are estimated to receive approximately $19.6 million in state aid over the biennium through this guarantee provision.

The budget requires each JVSD to spend the amount calculated for combined state and local shares of base cost and weighted funding on special education and related services approved by the Department of Education. A similar requirement was enacted in 2001 for city, exempted village, and local school districts. The budget extends JVSDs another similar spending requirement and requires each JVSD to spend career-technical education weighted funding only on services approved by the Department. It further requires each school district and JVSD to report data annually so that the Department may monitor the district's compliance with the career-technical education weighted funding spending requirement.

PARITY AID – FUNDING FOR EDUCATION BEYOND BASIC

The foundation formulas guarantee funding for a similar basic education for every district. Under current law, however, there is no limit on the amount of taxes local residents can approve for their schools. The state foundation program equalizes approximately 75% of the local operating revenues generated by 612 school districts. The other 25% (about $1.7 billion in FY 2003) is available for local school districts to provide education services beyond basic. The 25% of students in the wealthiest districts (about 20% of all school districts) have a disproportionate share of local enhancement revenues. The state would have to equalize spending beyond the basic education level somewhat, if it wishes to narrow disparities in local enhancement revenues and improve the system's overall equity.

Am. Sub. H.B. 94 of the 124th General Assembly established parity aid to address disparities in bcal enhancement revenues. Parity aid equalizes an additional 9.5 mills (above the basic education level) to the 80th percentile district's wealth level. As mentioned above, the wealthiest 20% of school districts have a much higher share of existing local enhancement revenues. Providing equalized parity aid to school districts below the 80th percentile level helps reduce this gap. The parity aid wealth is a weighted average of property wealth (2/3) and income wealth (1/3). These weights generally refle ct the recognition of the main local revenue source (property taxes) and the importance of income wealth in determining a district's ability to raise local revenues beyond the basic education level. The combination of property wealth and income wealth also provide a better local capacity measure than property wealth or income wealth alone does. Property wealth is measured by per pupil property value and income wealth is measured by the federal adjusted gross income per pupil.

There is no additional local levy requirement for receiving parity aid. School districts are eligible for parity aid largely based on their wealth levels. Alternatively, a few districts receive parity aid at the FY 2001 income factor adjustment benefit level. H.B. 94 of the 124th General Assembly eliminated the income factor adjustment in base cost funding, which provided state funding for education enhancement services for lower income districts. But it provided alternative parity aid to continue the income factor adjustment benefit at the FY 2001 benefit level to a school district with a cost of doing business factor greater than 1.0375 and a DPIA index greater than one. An individual district's parity aid is calculated as follows:

Figure 18: Parity Aid
Standard Parity Aid Per Pupil = (Threshold Wealth Per Pupil – District's Wealth Per Pupil) x 0.095 x State Payment % *Threshold = The 490th Lowest Wealth District's Wealth Per Pupil* *State payment percentage = 58% in FY 2004 and 76% in FY 2005*
Alternative Parity Aid Per Pupil = $60,000 x (1 – District's Income Factor) x 4/15 x 0.023 *Income Factor = District's Median Income/Statewide Median School District Median Income*
Total Parity Aid = The Greater of Standard or Alternative Parity Aid Per Pupil x Formula ADM

Overall, about 492 school districts are eligible for parity aid. The vast majority of these districts receive standard parity aid. The budget provides approximately $320.7 million in FY 2004 and $427.0 million in FY 2005 for parity aid. The parity aid funding percentage continues to be phased in, increasing from 40% in FY 2003 to 58% in FY 2004, and to 76% in FY 2005. The per pupil wealth threshold is estimated to be approximately $149,942 in FY 2004 and $154,434 in FY 2005. The average per pupil benefit is approximately $245.1 in FY 2004 and $326.8 in FY 2005 for those districts receiving parity aid.

Students attending community schools are included in their resident districts' ADM counts for parity aid calculations. Prior to this budget, parity aid for community school students remained in their resident districts. Under the budget, parity aid generated by community school students will be transferred to community schools where those students are enrolled beginning in FY 2004. The amount of parity aid that would be transferred to community schools would depend on the community school student enrollment and the wealth of their resident districts. Based on the FY 2003 community school student enrollment data, it is estimated that approximately $8.1 million in FY 2004 and $10.8 million in FY 2005 in parity aid will follow students to community schools.

BUDGET ISSUES

ACADEMIC STANDARDS AND STUDENT ASSESSMENTS

Academic Standards 200-427

Am. Sub. S.B. 1 of the 124th General Assembly (S.B. 1) requires the Department to develop and disseminate academic standards and model curricula in English language arts, mathematics, science, social studies, technology, the arts, and foreign languages. Academic standards are statements of what Ohio expects each student to know and be able to do at the end of each year of his or her education. Model curricula are guides for school districts in developing local courses of study that are aligned with the state academic standards. Am. Sub. H.B. 94 of the 124th General Assembly began funding these activities in FY 2002. Standards for English language arts, mathematics, science, and social studies, as well as model curricula for English language arts and mathematics, have already been adopted. The Department is scheduled to complete the remaining standards and curricula by the end of this biennium. The budget appropriates $9.0 million in both FY 2004 and FY 2005 (an increase of 47.1% over FY 2003) for this purpose. This item also contains funding of $731,250 in each fiscal year for the new program, Teachers-on-Loan, that will compensate districts for the cost of "lending" teachers to work with the Department to assist districts throughout Ohio in implementing the standards and curricula.

Student Assessment 200-437

In addition to academic standards and model curricula, S.B. 1 requires an overhaul of the state's testing system in order to align it with the new standards and curricula. Since enactment of S.B. 1, the federal No Child Left Behind Act of 2001 increased federal testing requirements. Am. Sub. H.B. 3 of the 125th General Assembly updates Ohio's testing system to reflect the changes in federal law. In addition to the testing requirements of these bills, the budget requires that districts in academic watch or academic emergency administer and score a practice Ohio Graduation Test (OGT) to ninth grade students. The budget appropriates $41.4 million in FY 2004 and $46.0 million in FY 2005 (increases of 55.2% and 11.1% respectively) to continue the development and operation of the new testing system. Of these funds, $500,000 in FY 2004 and $100,000 in FY 2005 is set aside to train district personnel in scoring the practice OGT required by the bill. These appropriations are supplemented with $11.9 million in FY 2004 and $12.5 million in FY 2005 of federal funds appropriated in appropriation item 200-690, State Assessments (Fund 3Z2).

EARLY CHILDHOOD

Head Start and Head Start Plus

Head Start is a *federal* program first funded in 1965 as a component of the Head Start Act. The program provides comprehensive developmental services to low-income children at least three years of age and not kindergarten age eligible through local community action organizations, schools, single purpose agencies, and their delegates. *State* funding for Head Start was first provided in Am. Sub. H. B. 111 of the 118th General Assembly in 1989. During the FY 2002-2003 biennium, the state program was partially funded through federal Temporary Assistance to Needy Families (TANF) funds. The budget creates a new state special revenue fund, Head Start Plus/Head Start (Fund 5W2). This fund receives federal TANF dollars to be used for the state administered Head Start Plus and Head Start programs in the FY 2004-2005 biennium. Temporary Assistance to Needy Families operates on a reimbursement basis; the budget, therefore, appropriates $16.0 million in FY 2004 and $5.0 million in FY 2005 in the new GRF appropriation item 200-449, Head Start/Head Start Plus Start Up. This GRF money is given as grants to Head Start providers to cover initial expenditures that would then be reimbursed with TANF dollars. Providers must reimburse the GRF the amount of the grant if the program ceases to be funded with TANF dollars, or if the provider ceases to participate in the program.

The budget appropriates $57.2 million in FY 2004 from federal TANF funds for state-administered Head Start. Combined with the $16.0 million of GRF funding, Head Start receives appropriations totaling $73.2 million in FY 2004, a decrease of 16.9% from FY 2003. In FY 2005, the budget sets aside $22.8 million of TANF funds to support up to 4,000 traditional half-day Head Start slots. An additional $83.5 million is set aside to support up to 10,000 slots in the new Head Start Plus program. The Head Start Plus program combines traditional Head Start services with state administered childcare services and provides all-day services to eligible children and their families. The total appropriation in FY 2005 is $113.2 million, $108.2 million of TANF funds plus $5.0 million of GRF funds. In FY 2003, about 18,000 children received state-funded half-day Head Start services.

Public Preschool 200-408

This appropriation item assists local schools in financing comprehensive preschool programs for low-income children at least three years of age and not kindergarten age eligible. Public preschool programs are required to meet the federal Head Start performance standards; therefore components of the program include education, health services, nutrition, and parent involvement. Children from families with incomes below the federal poverty level attend these programs tuition free. Children from families with incomes between 100% and 185% of the federal poverty level attend on a prorated tuition basis. Programs may only enroll children from families with incomes above 185% of the federal poverty level if all of their state-funded positions have been filled and there is space available. These families must pay full tuition. Currently, 8,029 children are served through these programs. The budget appropriates $19.0 million in each fiscal year for this program (an increase of 0.2% over FY 2003).

TEACHING PROFESSION

The Governor's Commission on Teaching Success issued 15 recommendations to the Governor on February 20, 2003 related to improving teaching in Ohio. The budget appropriates $31.2 million in FY 2004 and $31.5 million in FY 2005 in the GRF appropriation items in this program series, increases of 14.4% and 0.9% respectively. The GRF appropriation items are 200-410, Professional Development, 200-448, Educator Preparation, and 200-452, Teaching Success Commission Initiatives. Major GRF funding initiatives are described below. In addition, the budget appropriates $106.3 million in FY 2004 and $106.7 million in FY 2005 of federal funds related to the teaching profession, most of which is distributed to districts based on a federal formula.

Ohio Regional Education Delivery System

The budget requires the Department to submit recommendations to the General Assembly by March 31, 2004 for the establishment of the Ohio Regional Education Delivery System (OREDS). This system is to provide the services to school districts currently provided by the regional professional development centers as well as other regional providers such as educational service centers, data acquisition sites, special education resource centers, and educational technology centers. The budget provides a set aside of $5.2 million in FY 2004 for the current system of regional professional development centers and a set aside of $5.2 million in FY 2005 for OREDS. Other regional providers are funded separately in the budget.

National Board Certification

The budget sets aside $7.1 million in FY 2004 and $7.3 million in FY 2005 to fund stipends for Ohio teachers who are certified by the National Board for Professional Teaching Standards. The budget reduces the stipend for certified teachers from $2,500 to $1,000 per year if they are accepted into the certification program after May of 2003 or are certified after 2004. Teachers accepted into the certification program by May 31, 2003 and certified in 2004 or earlier remain eligible for the $2,500 annual stipend. Currently, Ohio has 1,797 certified teachers.

These funds are also used to provide $2,000 of the application fee for 500 first time applicants in FY 2004 and 400 in FY 2005. In FY 2003, the state paid the full amount of the application fee of $2,300 for each approved applicant.

Teacher Entry Year Programs

School districts are required by rule to provide an entry-year program to all qualifying beginning teachers in order to assist the teachers in preparing for the Praxis III assessment that is required for professional teaching licensure. The budget sets aside $10.4 million in each fiscal year to assist districts and chartered nonpublic schools in providing these programs.

Professional Development for the OGT

The budget provides $4.6 million in each fiscal year for a new program to provide grants to districts in academic emergency for five days of embedded professional development to 9th and 10th grade teachers of the subjects covered by the Ohio Graduation Test (OGT).

INNOVATION AND BEST PRACTICES

Reading/Writing/Math Improvement 200-433

The budget appropriates $20.5 million in each fiscal year for this appropriation item. In general, these funds are used to support literacy in Ohio. The largest portion ($12.7 million in each fiscal year) of the appropriation is used for professional development in literacy for classroom teachers, administrators, and literacy specialists, and for intensive summer training for mathematics teachers.

OhioReads

OhioReads is Governor Taft's initiative to improve reading outcomes for Ohio's kindergarten through 4th grade students, especially outcomes on reading proficiency and achievement tests. The budget provides funds for administration, stipends for volunteer coordinators, background checks of volunteers, and evaluations of programs through GRF appropriation item 200-445, OhioReads Administration/Volunteer Support. The budget appropriates $4.5 million in each fiscal year to this item (a decrease of 6.9% from FY 2003). Funding for OhioReads grants is provided through GRF appropriation item 200-566, OhioReads Grants. The budget appropriates $12.9 million in FY 2004 (a decrease of 51.4% from FY 2003). The budget appropriates $12.8 million in FY 2005, a decrease of 0.3% from FY 2004. These funds are used to provide grants to public schools, community schools, and educational service centers to support local reading literacy initiatives including reading programs, materials, professional development, tutoring, tutor recruitment and training, and parental involvement. The "As Reported by the Committee of Conference" version of Am. Sub. H.B. 95 earmarks $2.1 million in FY 2004 and $2.2 million in FY 2005 of this appropriation for the STARS program, which places senior citizens as tutors in schools.

This earmark was vetoed by the Governor. However, many schools that receive OhioReads grants have already used senior citizens as tutors.

Community Schools 200-455

Community schools are public schools that operate independently of any school district and are governed through a contract between the school's governing authority and a sponsor. The budget appropriates $4.2 million in each fiscal year to provide start-up grants for new community schools (an increase of 9.4% over FY 2003). Similar start-up grants for community schools are also provided under federally funded appropriation item 200-613, Public Charter Schools, which has an appropriation of $23.3 million in FY 2004 and $26.2 million in FY 2005. A portion of GRF appropriation item 200-455, Community Schools, is used by the Department for administration associated with oversight and technical assistance. Currently, 132 community schools are in operation with a total enrollment of approximately 34,000 students (or 1.9% of the statewide public school enrollment).

BASIC SUPPORT

Base Cost Funding 200-501 and 200-612

These two line items (GRF and Lottery) provide the main source of state foundation payments to school districts and joint vocational school districts. The budget appropriates $4,391.0 million in GRF funding and $606.1 million in lottery funding for base cost funding in FY 2004 for a total of $4,997.2 million (a decrease of 0.3%). In FY 2005 the appropriations are $4,410.0 million GRF and $606.2 million lottery for a total of $5,106.2 million (an increase of 0.4%). Allocations are based on the school foundation (SF-3) formula, which is administered by the Department of Education with the approval of the Controlling Board. A brief overview of the funding formula is given in the previous section entitled School Funding Overview. The budget makes the following changes to the formula that affects these two appropriation items:

- provides a 2.2% annual increase in the base cost formula amount, resulting in $5,058 in FY 2004 and $5,169 in FY 2005;
- updates the cost of doing business factor;
- increases the excess cost supplement eligibility threshold from 3 mills to 3.3 mills of local property tax levies;
- removes the option of using three-year average formula ADM, requiring that current year ADM be used for all districts; and
- includes JVSD students and contractual career-technical students in their resident districts' ADM at the 20% level rather than the 25% level as prior to FY 2004.

Property Tax Assistance

General Revenue Fund appropriation items 200-901, Property Tax Allocation, and 200-906, Tangible Tax Exemption – Education as well as revenue distribution fund appropriation item 200-900, School District Property Tax Replacement (Fund 053) provide additional funds to school districts for basic operations in order to compensate them for state law changes to the property tax system. The state of Ohio pays 10% of locally levied property taxes for all property owners and an additional 2.5% for homeowners, thus decreasing property taxes paid by individual taxpayers. This provision is often referred to as property tax rollbacks. Item 200-901 funds the portion of the rollbacks payable to school districts. In addition, this item funds the portion of the Homestead Exemption Program for the elderly and disabled payable to school districts. The budget appropriates $783.4 million in FY 2004 and $822.4 million in FY 2005 for these payments, increases of 6.3% and 5.0% respectively.

Item 200-906 reimburses school districts for revenue "losses" incurred by the creation of the $10,000 tangible property tax exemption for both incorporated and unincorporated businesses. The budget appropriates $70.7 million in FY 2004 and $67.7 million in FY 2005 for these payments, an increase of 4.6% in FY 2004 and a decrease of 4.2% in FY 2005. The budget reduces the reimbursement of the tangible tax exemption by 10% per year beginning in FY 2004 to phase out the reimbursement over a ten-year period. However, school districts will generally recover about one-half of their "losses" from increases in state formula aid. Finally, the budget appropriates $115.9 million (item 200-900) in each fiscal year to assist in compensating districts for lost property taxes due to electric and natural gas deregulation (an increase of 8.5% over FY 2003).

Parity Aid 200-525 and Equity Aid 200-500

Equity aid and parity aid are two programs designed to provide additional state funds to lower wealth school districts to supplement local revenues and assist districts in providing services above a basic education. Equity aid is being phased-out as parity aid is gradually phased-in. The budget appropriates $14.0 million in FY 2004 and $7.8 million in FY 2005, decreases of 28.7% and 44.3%, respectively, for equity aid. Meanwhile, the budget appropriates $320.7 million in FY 2004 and $427.0 million in FY 2005, increases of 59.2% and 33.1%, respectively, for parity aid. These appropriations fund parity aid at 58% in FY 2004 and 76% in FY 2005.

Funding for community schools is generally deducted from the resident school districts' state aid, including base cost funding, DPIA, as well as special and career-technical education weight funding. The budget requires that the resident district's parity aid per ADM also be deducted from the district's state aid and transferred to the community school for each community school student within the district. Prior to this budget, community schools were not eligible for parity aid. Approximately $8.1 million in FY 2004 and $10.8 million in FY 2005 will be deducted from districts and transferred to community schools due to this provision.

Pupil Transportation 200-502 and Bus Purchase Allowance 200-503

These items provide districts with financial assistance for providing transportation to their students. Item 200-502 provides the greater of 60% or the district's state share percentage of a modeled transportation operating cost for regular students. It also includes earmarked funds for special education transportation operating cost, which is reimbursed based on the actual expenditures. Item 200-503 provides funds to assist districts with bus purchase or bus service contracts. It also includes funds for purchasing buses that are used to transport special education and nonpublic school students. These buses are fully reimbursed by the state. The budget includes funding for operating and bus purchase expenses incurred by MR/DD boards in these items. Mental Retardation and Developmental Disability boards were previously funded through GRF appropriation items 200-553, County MR/DD Boards Transportation Operating and 200-552, County MR/DD Boards Vehicle Purchases. The budget discontinues these two items. The appropriation for line item 200-502 is $394,950,126 in FY 2004 and $404,245,812 in FY 2005, increases of 7.5% and 2.4% respectively. The appropriation for line item 200-503 is $17,199,960 in each fiscal year, a decrease of 49.2% in from FY 2003.

Chartered Nonpublic Schools

Many of the programs funded by the state are available to public schools as well as chartered nonpublic schools. In addition, two items, 200-511, Auxiliary Services, and 200-532, Nonpublic Administrative Cost Reimbursement, provide funding specifically for nonpublic schools. The auxiliary services program provides specific secular services and materials to state chartered nonpublic schools. The budget appropriates $127.9 million in each fiscal year for this program, an increase of 3.9% over FY 2003 funding. The budget appropriates $55.8 million in each fiscal year for item 200-532, an increase of 0.4% over FY 2003. These funds are used to reimburse chartered nonpublic schools for mandated administrative and clerical costs incurred for such things as filing reports and maintaining records.

Ohio Educational Computer Network 200-426

The budget appropriates $34.3 million in each fiscal year, an increase of 3.3% over FY 2003. These funds are used by the Department of Education to maintain a system of information technology throughout the state and to provide technical assistance for such a system in support of the State Education Technology Plan. The bulk of the appropriation is used to support connection of all public school buildings to the state's education network, to each other, and to the Internet. Funds are also used to increase use of the state's education network by chartered nonpublic schools.

SAFE SCHOOLS AND COMMUNITIES

The budget appropriates a total of $6.9 million in each fiscal year from the GRF for this program series, an increase of 1.2% over FY 2003. The programs in this series help to ensure safe and supportive educational and community environments for students.

BASIC SUPPORT ENHANCEMENTS

Special Education Programs

The budget provides weighted funding for special education and related services at public schools through GRF appropriation item 200-501, Base Cost Funding. In addition, the budget appropriates $137.2 million in FY 2004 and $139.5 million in FY 2005 to GRF appropriation item 200-540, Special Education Enhancements (increases of 4.8% and 1.7%, respectively). Of this appropriation, $78.4 million is set aside each fiscal year for preschool education and supervisory units, and $44.2 million in FY 2004 and $45.4 million in FY 2005 is set aside to fund special education and related services at county MR/DD boards. The budget also funds various other special education enhancement programs.

Career-Technical and Adult Education Programs

As with special education, the budget provides weighted funding for career-technical education at public schools through GRF appropriation item 200-501, Base Cost Funding. In addition, the budget appropriates $45.4 million in each fiscal year from the GRF for various career-technical and adult education programs.

The "As Reported by the Committee of Conference" version of Am. Sub. H.B. 95 requires the Ohio Department of Job and Family Services (ODJFS) to reserve $3.5 million from Workforce Investment Act funds (Fund 3V0) for the Jobs for Ohio Graduates program administered by the Department of Education and to enter into an interagency agreement for this program. This item was vetoed by the Governor.

However, ODJFS and the Department already have discretion to implement this program through an interagency agreement.

Programs for "At-Risk" and Economically Disadvantaged Students

Disadvantaged Pupil Impact Aid 200-520 and the Cleveland Scholarship and Tutoring Program. The budget appropriates $371.8 million in FY 2004 and $373.3 million in FY 2005 for this item, increases of 15.9% and 0.4% respectively. Most of these funds are used to compensate school districts with a high concentration of student poverty for their higher costs of providing similar education services. Instead of following DPIA allocation formulas specified in section 3317.029 of the Revised Code, the budget gives each district that receives DPIA funding in FY 2003 a uniform 2% annual increase in FY 2004 and FY 2005. The budget sets aside $16.4 million in FY 2004 and $17.9 million in FY 2005 for the Cleveland Scholarship and Tutoring Program. Of this amount, $11.9 million in each fiscal year is taken from the Cleveland Municipal School District's DPIA allocation. The remaining balances ($4.5 million in FY 2004 and $6.0 million in FY 2005) are funded by the GRF. The budget increases the maximum scholarship from $2,500 to $3,000 and permits schools participating in the program to charge certain students the difference between the school's actual tuition and the scholarship amount it receives from the state. It also permits students in 9th and 10th grades who have previously received a scholarship to continue to receive scholarships for high school. These high school scholarships cannot exceed $2,700. Participating high schools are also allowed to charge the student's family the difference between the school's actual tuition and the scholarship amount.

Other state programs for "at-risk" students. The budget appropriates $16.1 million in each fiscal year for GRF appropriation item 200-421, Alternative Education Programs, an increase of 3.6% over FY 2003. Most of these funds are used to provide grants to school districts for programs for "at-risk" students. The budget appropriates $38.9 million in FY 2004 and $41.1 million in FY 2005 for GRF appropriation item 200-513, Students Intervention Services, to partially reimburse school districts for state-mandated intervention services (increases of 2.3% and 5.7% respectively). (The item was mainly funded by TANF dollars in the FY 2002-2003 biennium.) This appropriation includes a new set aside of $3.7 million in FY 2004 and $5.9 million in FY 2005 for academic emergency districts to provide intervention services to 9th and 10th grade students whose scores on the practice Ohio Graduation Test (OGT) taken in 9th grade indicate they are at-risk of not passing the actual OGT by the end of 10th grade. These funds are to be distributed on a per pupil basis. The budget requires academic emergency districts to select high schools to provide intervention services based on graduation rates and scores on the practice OGT.

Gifted Pupil Program 200-521

The budget appropriates $48.2 million in each fiscal year for this item, an increase of 6.9% over FY 2003. The bulk of these funds are distributed to school districts and educational service centers through unit funding. In each fiscal year, the state will fund up to 1,110 gifted units. This appropriation also includes supplemental funding of $5.0 million in each fiscal year for identifying gifted students.

ACCOUNTABILITY SYSTEM

Accountability/Report Cards 200-439

The budget appropriates $4.1 million in each fiscal year for the development of an accountability system that includes the development and distribution of school report cards.

Education Management Information System 200-446

The budget appropriates $16.9 million in each fiscal year for this item, an increase of 16.8% over FY 2003. The Education Management Information System (EMIS) is the principal data collection tool used by the Department. These funds support continued improvement of the system. About one-half of this appropriation is distributed, on a per pupil basis, to school districts, community schools, educational service centers, joint vocational school districts, and any other education entity that reports data through EMIS. The budget requires the Department to develop and implement a common core of EMIS data definitions and data format standards to be implemented by school districts and community schools by July 1, 2004. Education Management Information System related funding will be withheld for school districts or community schools that are not in compliance.

ADMINISTRATION AND INFRASTRUCTURE

This program series supports the personnel, maintenance and equipment, and technical systems development expenditures of the Department. The budget appropriates $23.6 million in each fiscal year from the GRF for these expenditures.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill — **Version:** Enacted

EDU Education, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	200-100	Personal Services	$ 12,074,656	$ 10,531,142	$10,142,648	$ 12,211,314	20.40%	$ 12,211,314	0.00%
GRF	200-320	Maintenance and Equipment	$ 8,994,194	$ 4,367,532	$3,797,203	$ 5,066,249	33.42%	$ 5,066,249	0.00%
GRF	200-406	Head Start	$ 100,707,798	$ 90,945,956	$88,128,462	$ 0	-100.00%	$ 0	N/A
GRF	200-408	Public Preschool	$ 19,421,348	$ 19,645,352	$18,988,832	$ 19,018,551	0.16%	$ 19,018,551	0.00%
GRF	200-410	Professional Development	$ 28,399,477	$ 20,318,867	$22,899,551	$ 29,490,073	28.78%	$ 29,765,073	0.93%
GRF	200-411	Family and Children First	$ 10,436,510	$ 3,610,414	$3,337,000	$ 3,324,750	-0.37%	$ 3,324,750	0.00%
GRF	200-416	Career-Technical Education Match	$ 2,222,334	$ 2,514,676	$2,320,440	$ 0	-100.00%	$ 0	N/A
GRF	200-420	Technical Systems Development	$ 6,318,470	$ 5,444,897	$4,777,259	$ 5,703,750	19.39%	$ 5,703,750	0.00%
GRF	200-421	Alternative Education Programs	$ 19,820,361	$ 17,916,669	$15,463,104	$ 16,135,547	4.35%	$ 16,135,547	0.00%
GRF	200-422	School Management Assistance	$ 979,884	$ 1,357,008	$1,488,696	$ 1,778,000	19.43%	$ 1,778,000	0.00%
GRF	200-424	Policy Analysis	$ 578,388	$ 626,310	$534,757	$ 592,220	10.75%	$ 592,220	0.00%
GRF	200-425	Tech Prep Consortia Support	$ 2,173,151	$ 2,544,635	$1,928,060	$ 2,133,213	10.64%	$ 2,133,213	0.00%
GRF	200-426	Ohio Educational Computer Network	$ 37,900,112	$ 36,570,537	$33,225,168	$ 34,331,741	3.33%	$ 34,331,741	0.00%
GRF	200-427	Academic Standards	$ 620,821	$ 5,585,331	$6,117,709	$ 9,000,592	47.12%	$ 9,000,592	0.00%
GRF	200-431	School Improvement Initiatives	$ 28,409,374	$ 11,633,254	$9,100,175	$ 10,905,625	19.84%	$ 10,905,625	0.00%
GRF	200-432	School Conflict Management	$ 573,083	$ 650,112	$556,006	$ 0	-100.00%	$ 0	N/A
GRF	200-433	Reading/Writing/Math Improvement	----	$ 17,752,384	$17,694,082	$ 20,488,264	15.79%	$ 20,488,264	0.00%
GRF	200-437	Student Assessment	$ 14,294,054	$ 20,537,754	$26,640,902	$ 41,353,391	55.23%	$ 45,953,391	11.12%
GRF	200-438	Safe Schools	----	$ 2,047,833	$1,292,483	$ 0	-100.00%	$ 0	N/A
GRF	200-439	Accountability/Report Cards	----	----	$0	$ 4,087,500	N/A	$ 4,087,500	0.00%
GRF	200-441	American Sign Language	$ 148,387	$ 305,781	$112,768	$ 207,717	84.20%	$ 207,717	0.00%
GRF	200-442	Child Care Licensing	$ 1,459,886	$ 1,455,487	$1,141,777	$ 1,385,633	21.36%	$ 1,385,633	0.00%
GRF	200-444	Professional Recruitment	----	$ 1,201,899	$1,036,990	$ 0	-100.00%	$ 0	N/A
GRF	200-445	OhioReads Admin/Volunteer Support	$ 4,146,708	$ 5,070,365	$4,830,977	$ 4,500,000	-6.85%	$ 4,500,000	0.00%
GRF	200-446	Education Management Information Sy	$ 14,396,653	$ 14,106,466	$14,490,683	$ 16,928,969	16.83%	$ 16,928,969	0.00%
GRF	200-447	GED Testing/Adult High School	$ 1,289,211	$ 2,093,048	$1,483,570	$ 1,829,106	23.29%	$ 1,829,106	0.00%
GRF	200-448	Educator Preparation	----	----	$0	$ 24,375	N/A	$ 24,375	0.00%
GRF	200-449	Head Start/Head Start Plus Start Up	----	----	$0	$ 11,000,000	N/A	$ 5,000,000	-54.55%
GRF	200-450	Summer Institute for Reading Interventi	$ 627,702	----	$0	$ 0	N/A	$ 0	N/A

Line Item Detail by Agency

EDU Education, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	200-452	Teaching Success Comm Initiatives	----	----	$0	$ 1,650,000	N/A	$ 1,650,000	0.00%
GRF	200-455	Community Schools	$ 2,336,946	$ 3,879,159	$3,866,793	$ 4,231,842	9.44%	$ 4,231,842	0.00%
GRF	200-500	School Finance Equity	$ 33,407,695	$ 22,649,115	$18,924,026	$ 14,039,495	-25.81%	$ 7,819,443	-44.30%
GRF	200-501	Base Cost Funding	$ 3,804,827,428	$ 4,275,243,309	$4,376,553,639	$ 4,391,033,023	0.33%	$ 4,409,958,425	0.43%
GRF	200-502	Pupil Transportation	$ 310,276,105	$ 334,065,252	$367,530,294	$ 394,950,126	7.46%	$ 404,245,812	2.35%
GRF	200-503	Bus Purchase Allowance	$ 38,614,950	$ 34,790,655	$33,855,064	$ 17,199,960	-49.20%	$ 17,199,960	0.00%
GRF	200-505	School Lunch Match	$ 9,623,241	$ 8,929,403	$9,101,127	$ 8,998,025	-1.13%	$ 8,998,025	0.00%
GRF	200-509	Adult Literacy Education	$ 10,019,630	$ 8,739,607	$8,805,234	$ 8,774,250	-0.35%	$ 8,774,250	0.00%
GRF	200-510	County Commissioners Reimbursemen	----	----	$1,029,995	$ 0	-100.00%	$ 0	N/A
GRF	200-511	Auxiliary Services	$ 117,725,453	$ 122,606,208	$123,058,286	$ 127,903,356	3.94%	$ 127,903,356	0.00%
GRF	200-513	Student Intervention Services	$ 28,999,995	$ 5,685,846	$38,021,766	$ 38,890,815	2.29%	$ 41,090,815	5.66%
GRF	200-514	Postsecondary Adult Career-Technical	$ 22,349,060	$ 23,958,167	$21,200,354	$ 19,919,464	-6.04%	$ 19,919,464	0.00%
GRF	200-520	Disadvantaged Pupil Impact Aid	$ 340,906,643	$ 345,638,782	$320,722,966	$ 371,766,738	15.92%	$ 373,266,738	0.40%
GRF	200-521	Gifted Pupil Program	$ 43,315,449	$ 44,553,303	$45,089,424	$ 48,201,031	6.90%	$ 48,201,031	0.00%
GRF	200-524	Educational Excellence and Competen	$ 11,730,966	----	$0	$ 0	N/A	$ 0	N/A
GRF	200-525	Parity Aid	----	$ 97,467,789	$201,492,689	$ 320,677,373	59.15%	$ 426,951,154	33.14%
GRF	200-532	Nonpublic Administrative Cost Reimbur	$ 51,327,971	$ 53,520,200	$55,561,342	$ 55,803,103	0.44%	$ 55,803,103	0.00%
GRF	200-533	School-Age Child Care	$ 1,400,849	$ 102,087	$0	$ 0	N/A	$ 0	N/A
GRF	200-534	Desegregation Costs	$ 7,095,107	$ 32,925,509	$458	$ 0	-100.00%	$ 0	N/A
GRF	200-540	Special Education Enhancements	$ 132,556,391	$ 133,528,920	$130,906,483	$ 137,214,484	4.82%	$ 139,536,046	1.69%
GRF	200-545	Career-Technical Education Enhancem	$ 29,326,745	$ 23,662,201	$21,006,699	$ 14,572,907	-30.63%	$ 14,572,907	0.00%
GRF	200-546	Charge-Off Supplement	$ 12,735,476	$ 39,306,115	$36,494,973	$ 48,478,418	32.84%	$ 48,478,418	0.00%
GRF	200-547	Power Equalization	$ 32,039,506	$ 52,495	$0	$ 0	N/A	$ 0	N/A
GRF	200-551	Reading Improvement	$ 1,699,175	----	$0	$ 0	N/A	$ 0	N/A
GRF	200-552	County MR/DD Boards Vehicle Purcha	$ 1,522,916	$ 1,410,153	$1,148,261	$ 0	-100.00%	$ 0	N/A
GRF	200-553	County MR/DD Boards Transportation	$ 8,114,355	$ 8,623,588	$8,849,536	$ 0	-100.00%	$ 0	N/A
GRF	200-558	Emergency Loan Interest Subsidy	$ 5,367,627	$ 4,156,147	$3,304,902	$ 3,022,500	-8.54%	$ 2,300,000	-23.90%
GRF	200-566	OhioReads Grants	$ 25,062,720	$ 27,140,498	$26,476,783	$ 12,874,777	-51.37%	$ 12,832,272	-0.33%
GRF	200-570	School Improvement Incentive Grants	$ 10,025,000	$ 837,500	$836,202	$ 0	-100.00%	$ 0	N/A
GRF	200-572	Teacher Incentive Grants	$ 624,500	$ 265,500	$0	$ 0	N/A	$ 0	N/A
GRF	200-573	Character Education	$ 1,100,000	----	$0	$ 0	N/A	$ 0	N/A

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
EDU	**Education, Department of**								
GRF	200-574	Substance Abuse Prevention	$ 2,570,000	$ 1,962,800	$1,618,147	$ 0	-100.00%	$ 0	N/A
GRF	200-578	Safe and Supportive Schools	----	----	$0	$ 3,576,348	N/A	$ 3,576,348	0.00%
GRF	200-580	Bethel School Clean-Up	----	$ 65,000	$65,000	$ 0	-100.00%	$ 0	N/A
GRF	200-901	Property Tax Allocation	$ 661,412,414	$ 705,731,854	$736,647,353	$ 783,350,000	6.34%	$ 822,360,000	4.98%
GRF	200-906	Tangible Tax Exemption-Education	$ 66,208,453	$ 66,925,963	$67,610,856	$ 70,710,000	4.58%	$ 67,710,000	-4.24%
General Revenue Fund Total			**$ 6,140,315,324**	**$ 6,727,256,836**	**$ 6,951,307,954**	**$ 7,149,334,615**	**2.85%**	**$ 7,317,750,989**	**2.36%**
4D1	200-602	Ohio Prevention/Education Resource C	$ 128,418	$ 370,082	$827,500	$ 347,000	-58.07%	$ 347,000	0.00%
138	200-606	Computer Services	$ 3,580,430	$ 4,975,341	$6,053,815	$ 7,404,690	22.31%	$ 7,635,949	3.12%
452	200-638	Miscellaneous Revenue	$ 362,265	$ 294,508	$387,027	$ 500,000	29.19%	$ 500,000	0.00%
5B1	200-651	Child Nutrition Services	$ 51,067	$ 197,303	$142,171	$ 800,000	462.70%	$ 800,000	0.00%
596	200-656	Ohio Career Information System	$ 415,970	$ 434,661	$438,323	$ 516,694	17.88%	$ 529,761	2.53%
4L2	200-681	Teacher Certification and Licensure	$ 4,399,677	$ 4,000,236	$3,973,112	$ 5,038,017	26.80%	$ 5,236,517	3.94%
5H3	200-687	School District Solvency Assistance	$ 3,846,000	$ 1,989,988	$8,742,000	$ 18,000,000	105.90%	$ 18,000,000	0.00%
General Services Fund Group Total			**$ 12,783,827**	**$ 12,262,120**	**$ 20,563,948**	**$ 32,606,401**	**58.56%**	**$ 33,049,227**	**1.36%**
309	200-601	Educationally Disadvantaged	$ 11,764,820	$ 18,449,596	$18,270,274	$ 22,148,769	21.23%	$ 22,899,001	3.39%
366	200-604	Adult Basic Education	$ 17,188,596	$ 17,432,788	$20,499,344	$ 21,369,906	4.25%	$ 22,223,820	4.00%
3H9	200-605	Head Start Collaboration Project	$ 243,635	$ 238,056	$94,073	$ 275,000	192.33%	$ 275,000	0.00%
367	200-607	School Food Services	$ 8,744,567	$ 10,581,675	$8,704,579	$ 10,767,759	23.70%	$ 11,144,631	3.50%
3T6	200-611	Class Size Reduction	$ 47,245,533	$ 60,849,889	$11,178,929	$ 0	-100.00%	$ 0	N/A
3T4	200-613	Public Charter Schools	$ 3,581,161	$ 15,928,769	$13,605,505	$ 23,287,500	71.16%	$ 26,187,113	12.45%
368	200-614	Veterans' Training	$ 506,460	$ 576,478	$558,716	$ 626,630	12.16%	$ 655,587	4.62%
369	200-616	Career-Technical Education Federal En	$ 7,352,141	$ 4,112,166	$8,390,141	$ 8,165,672	-2.68%	$ 8,165,672	0.00%
3L6	200-617	Federal School Lunch	$ 158,544,020	$ 169,651,990	$178,548,675	$ 185,948,186	4.14%	$ 191,898,528	3.20%
3L7	200-618	Federal School Breakfast	$ 33,846,571	$ 36,523,743	$38,709,804	$ 48,227,431	24.59%	$ 49,524,254	2.69%
3L8	200-619	Child/Adult Food Programs	$ 48,803,838	$ 52,840,562	$57,921,272	$ 63,577,244	9.76%	$ 65,293,830	2.70%
3L9	200-621	Career-Technical Education Basic Gra	$ 43,123,892	$ 43,522,748	$48,268,600	$ 48,029,701	-0.49%	$ 48,029,701	0.00%
3M0	200-623	ESEA Title 1A	$ 323,682,944	$ 285,941,101	$321,638,342	$ 356,458,504	10.83%	$ 384,975,184	8.00%
370	200-624	Education of Exceptional Children	$ 1,202,380	$ 1,171,454	$2,164,775	$ 1,933,910	-10.66%	$ 1,933,910	0.00%
3T5	200-625	Coordinated School Health	$ 11,249	----	$0	$ 0	N/A	$ 0	N/A
3N7	200-627	School-To-Work	$ 5,596,364	$ 1,261,383	$494,652	$ 0	-100.00%	$ 0	N/A

Line Item Detail by Agency

EDU Education, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
371	200-631	EEO Title IV	$ 988,258	$ 981,137	$495,745	$ 0	-100.00%	$ 0	N/A
3Y4	200-632	Reading First	----	----	$165,177	$ 29,881,256	17,990.45%	$ 33,168,194	11.00%
3Y5	200-634	Community Service Grants	----	----	$305,458	$ 1,637,148	435.97%	$ 0	-100.00%
3Y6	200-635	Improving Teacher Quality	----	----	$70,742,971	$ 103,686,420	46.57%	$ 104,100,000	0.40%
3Y8	200-639	Rural and Low Income	----	----	$1,129,979	$ 1,473,148	30.37%	$ 1,500,000	1.82%
3S2	200-641	Education Technology	$ 13,320,001	$ 17,902,804	$6,664,124	$ 19,682,057	195.34%	$ 20,469,339	4.00%
3Z3	200-645	Consolidated USDE Administration	----	----		$ 8,700,000	N/A	$ 9,200,000	5.75%
374	200-647	Troops to Teachers	$ 71,196	$ 86,096	$71,746	$ 2,618,076	3,549.09%	$ 2,622,370	0.16%
376	200-653	Job Training Partnership Act	$ 1,343,617	----	$0	$ 0	N/A	$ 0	N/A
3R3	200-654	Goals 2000	$ 21,447,976	$ 6,006,502	$896,815	$ 0	-100.00%	$ 0	N/A
378	200-660	Math/Science Technology Investments	$ 14,943,819	$ 13,196,410	$3,970,420	$ 0	-100.00%	$ 0	N/A
3C5	200-661	Early Childhood Education	$ 18,588,983	$ 17,954,770	$20,835,677	$ 21,508,746	3.23%	$ 21,508,746	0.00%
3U2	200-662	Teacher Quality Enhancement Grants	$ 885,552	$ 814,332	$351,518	$ 1,285,452	265.69%	$ 0	-100.00%
3D1	200-664	Drug Free Schools	$ 13,737,056	$ 12,490,673	$13,294,978	$ 13,169,757	-0.94%	$ 13,347,966	1.35%
3U3	200-665	Reading Excellence Grant Program	$ 11,587,216	$ 13,347,010	$2,414,940	$ 0	-100.00%	$ 0	N/A
3D2	200-667	Honors Scholarship Program	$ 1,296,610	$ 1,673,000	$1,570,008	$ 1,786,500	13.79%	$ 1,786,500	0.00%
3U6	200-675	Provision 2 & 3 Grant	$ 195,724	$ 93,160	$0	$ 0	N/A	$ 0	N/A
3M1	200-678	Innovative Education	$ 13,675,128	$ 13,516,811	$14,054,445	$ 15,041,997	7.03%	$ 16,094,937	7.00%
3M2	200-680	Individuals with Disabilities Education A	$ 158,263,935	$ 176,829,543	$226,640,545	$ 288,468,284	27.28%	$ 331,392,575	14.88%
3X5	200-684	School Renovation/IDEA	----	----	$12,061,228	$ 0	-100.00%	$ 0	N/A
3Y2	200-688	21st Century Community Learning Ctr	----	----	$7,217,553	$ 17,138,239	137.45%	$ 18,500,000	7.95%
3Y7	200-689	English Language Acquisition	----	----	$2,433,854	$ 4,872,334	100.19%	$ 5,505,737	13.00%
3Z2	200-690	State Assessments	----	----	$10,698,229	$ 11,894,315	11.18%	$ 12,489,031	5.00%
Federal Special Revenue Fund Group Total			**$ 981,783,239**	**$ 993,974,645**	**$ 1,125,063,091**	**$ 1,333,659,941**	**18.54%**	**$ 1,424,891,626**	**6.84%**
455	200-608	Commodity Foods	$ 8,408,290	$ 9,646,991	$12,777,743	$ 11,308,000	-11.50%	$ 11,624,624	2.80%
454	200-610	Guidance & Testing	$ 434,712	$ 481,341	$192,794	$ 956,761	396.26%	$ 956,761	0.00%
620	200-615	Educational Grants	$ 682,011	$ 486,255	$855,577	$ 1,000,000	16.88%	$ 1,000,000	0.00%
4V7	200-633	Interagency Support	$ 445,158	$ 472,554	$258,576	$ 800,000	209.39%	$ 800,000	0.00%
4M4	200-637	Emergency Services Telecommunicati	$ 20,366	----	$0	$ 0	N/A	$ 0	N/A
598	200-659	Auxiliary Services Reimbursement	$ 1,493,484	$ 1,144,208	$1,227,792	$ 1,328,910	8.24%	$ 1,328,910	0.00%
5W2	200-663	Head Start Plus/Head Start	----	----	$0	$ 57,170,000	N/A	$ 108,184,000	89.23%

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
EDU	**Education, Department of**								
5U2	200-685	National Education Statistics	----	----	$78,619	$ 200,000	154.39%	$ 200,000	0.00%
4R7	200-695	Indirect Cost Recovery	$ 2,622,415	$ 3,525,941	$4,025,064	$ 5,002,500	24.28%	$ 5,250,400	4.96%
State Special Revenue Fund Group Total			**$ 14,106,437**	**$ 15,757,289**	**$ 19,416,165**	**$ 77,766,171**	**300.52%**	**$ 129,344,695**	**66.33%**
017	200-612	Base Cost Funding	$ 628,967,000	$ 604,000,000	$637,000,000	$ 606,123,500	-4.85%	$ 606,195,300	0.01%
020	200-620	Vocational School Building Assistance	$ 1,650,000	$ 1,207,564	$800,000	$ 0	-100.00%	$ 0	N/A
017	200-682	Lease Rental Payments Reimburseme	$ 59,486,000	$ 29,722,100	$35,722,600	$ 31,776,500	-11.05%	$ 31,704,700	-0.23%
017	200-694	Bus Purchase One-Time Supplement	$ 110,536	----	$0	$ 0	N/A	$ 0	N/A
Lottery Profits/Education Fund Group Total			**$ 690,213,536**	**$ 634,929,664**	**$ 673,522,600**	**$ 637,900,000**	**-5.29%**	**$ 637,900,000**	**0.00%**
053	200-900	School District Property Tax Replacem	----	$ 99,000,108	$106,853,446	$ 115,911,593	8.48%	$ 115,911,593	0.00%
Revenue Distribution Fund Group Total			**----**	**$ 99,000,108**	**$ 106,853,446**	**$ 115,911,593**	**8.48%**	**$ 115,911,593**	**0.00%**
Education, Department of Total			***$ 7,839,202,363***	***$ 8,483,180,662***	***$ 8,896,727,204***	***$ 9,347,178,721***	***5.06%***	***$ 9,658,848,130***	***3.33%***

- A continuation budget
- GRF appropriations comprise over 70% of the total budget for OEB

Educational Telecommunications Network Commission, Ohio

Sara D. Anderson, Budget Analyst

ROLE

The Ohio Educational Telecommunications Network Commission (OEB) was created in 1961 and is governed by an 11-member commission. The mission of OEB is to ensure the coherent development of public telecommunications services for the citizens of Ohio, with a particular commitment for their applications to education. To accomplish this, the Commission provides independent expertise and support to Ohio's educational television stations, educational radio stations, radio-reading services, instructional television foundations, and other agencies of state government. The Commission currently provides services and assistance to 12 public television services, 8 educational technology stations, 34 educational radio stations, 9 radio-reading services, the SchoolNet Commission, and the Statehouse News Bureau.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
26	$12.4 million	$12.3 million	$9.2 million	$9.1 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The overall budget for the Commission is $12,399,292 in FY 2004, a 7.5% increase over spending in FY 2003, and $12,301,362 in FY 2005, a 0.8% decrease from appropriations in FY 2004. The GRF budget in FY 2004 is $9,181,845, a 1.0% increase over FY 2003, and $9,083,915 in FY 2005, a 1.1% decrease from FY 2004.

A large portion of the increase in total appropriations for the Commission comes from general service fund group appropriation item 374-603, Affiliate Services (Fund 4F3). The appropriation for this line item is $3,067,447 in each fiscal year, a 33.7% increase over FY 2003 spending. The primary reason for this large increase is a timing issue. This line item receives grants from the SchoolNet Commission for research, development, and production of interactive instructional programming series aligned with Ohio's academic standards. The programming is provided free to the 200 lowest wealth school districts. The FY 2003 grant of approximately $300,000 has been encumbered and carried into the FY 2004 appropriation. The grant award is $1,260,000 in both FY 2004 and FY 2005. The budget requires OEB to distribute these moneys equally among the 12 Ohio educational television stations.

The largest component of the Commission's budget is contained in GRF appropriation item 374-404, Telecommunications Operating Subsidy. In FY 2004, the appropriation is $3,962,199, a 3.1% decrease from spending in FY 2003. In FY 2005, the appropriation is $3,864,269, a 2.5% decrease from FY 2004. This line item comprises over 40% of the GRF appropriation for the Commission. These moneys are used to provide subsidy payments to OEB affiliates statewide. While the subsidy line item supports OEB affiliates in maintaining their current levels of operation, the appropriation does not support affiliates undertaking major new initiatives. Subsidy payments to OEB affiliates are determined and allocated by a formula, with 67.5% going to 12 educational television stations, 22.5% to 13 educational radio stations, and 10.0% to 9 radio-reading services. The educational television and radio stations also receive matching funds from the federal government.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

OEB Ohio Educational Telecommunications Network Commission

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	374-100	Personal Services	$ 1,688,926	$ 1,519,034	$1,364,245	$ 1,300,000	-4.71%	$ 1,300,000	0.00%
GRF	374-200	Maintenance	$ 737,354	$ 890,800	$646,210	$ 800,000	23.80%	$ 800,000	0.00%
GRF	374-300	Equipment	$ 21,632	$ 46,654	$27,793	$ 97,500	250.81%	$ 97,500	0.00%
GRF	374-401	Statehouse News Bureau	$ 263,723	$ 234,414	$200,279	$ 260,000	29.82%	$ 260,000	0.00%
GRF	374-402	Ohio Government Telecommunications	----	$ 297,997	$762,146	$ 762,146	0.00%	$ 762,146	0.00%
GRF	374-403	Ohio SONET	----	----	$1,999,975	$ 2,000,000	0.00%	$ 2,000,000	0.00%
GRF	374-404	Telecommunications Operating Subsid	$ 5,490,552	$ 4,786,970	$4,087,528	$ 3,962,199	-3.07%	$ 3,864,269	-2.47%
General Revenue Fund Total			**$ 8,202,186**	**$ 7,775,868**	**$ 9,088,176**	**$ 9,181,845**	**1.03%**	**$ 9,083,915**	**-1.07%**
4F3	374-603	Affiliate Services	$ 2,043,864	$ 2,387,769	$2,294,087	$ 3,067,447	33.71%	$ 3,067,447	0.00%
4T2	374-605	Government Television/Telecommunic	----	$ 5,510	$149,865	$ 150,000	0.09%	$ 150,000	0.00%
General Services Fund Group Total			**$ 2,043,864**	**$ 2,393,279**	**$ 2,443,952**	**$ 3,217,447**	**31.65%**	**$ 3,217,447**	**0.00%**
Ohio Educational Telecommunications Network Com			***$ 10,246,051***	***$ 10,169,147***	***$ 11,532,128***	***$ 12,399,292***	***7.52%***	***$ 12,301,362***	***-0.79%***

- Commission's funding is split between GRF and Fund 4P2
- Increase in corporate registrations of contributions due to more companies contributing to ballot issue committees

Elections Commission, Ohio

Carol Robison, Budget Analyst

ROLE

The Ohio Elections Commission (ELC) members, consisting of three Republicans and three Democrats, plus one Independent, provide oversight, advice, and enforcement in the area of political party spending, campaign finance, truth in advertising, and corporate political contributions to ensure compliance with Ohio Elections Law.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
10	$608,000	$617,000	$295,000	$295,000	Am. Sub. H. B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Ohio Elections Commission (ELC) oversees compliance with the Ohio Elections Law set forth in Chapter 3517. of the Revised Code. The Commission issues advisory opinions on campaign finance questions, responds to questions about campaign activities, and acts as an enforcement body for the policing of campaign activities.

Fifty-two percent (52%) of the Elections Commission budget during the FY 2004-2005 biennium will come from fines and filing fees. The Commission receives a majority of its filing fee revenue between August and October in even-numbered years because most local candidates file their petitions to run for elected office in this time period.

The increase in corporate registrations of contributions correlates with an increase of tax issues (school tax levies and other property tax levies), and more companies contributing to ballot issue committees.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
ELC	**Ohio Elections Commission**								
GRF	051-321	Operating Expenses	$ 433,299	$ 277,494	$296,065	$ 294,857	-0.41%	$ 294,857	0.00%
General Revenue Fund Total			**$ 433,299**	**$ 277,494**	**$ 296,065**	**$ 294,857**	**-0.41%**	**$ 294,857**	**0.00%**
4P2	051-601	Ohio Elections Commission	$ 116,756	$ 296,319	$308,174	$ 312,716	1.47%	$ 321,766	2.89%
State Special Revenue Fund Group Total			**$ 116,756**	**$ 296,319**	**$ 308,174**	**$ 312,716**	**1.47%**	**$ 321,766**	**2.89%**
Ohio Elections Commission Total			***$ 550,055***	***$ 573,813***	***$ 604,239***	***$ 607,573***	***0.55%***	***$ 616,623***	***1.49%***

- Fee increases are effective in FY 2004
- Crematories are included under the umbrella of the Board

Embalmers and Funeral Directors, State Board of

Carol Robison, Budget Analyst

ROLE

The State Board of Embalmers and Funeral Directors is responsible for maintaining a standard of competency in the industry and regulating and overseeing the licensing of embalmers, funeral directors, and facilities, including crematories, in Ohio. Am. Sub. H.B. 95 included fee increases for seven types of licenses.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
13	$564,000	$595,000	0	0	Am. Sub. H. B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Embalmers have been licensed in Ohio since 1902. Beginning in 1933, funeral directors were required to be licensed. In 1984 Ohio required funeral homes also to be licensed. Most recently, crematories were added to the types of licenses and facilities regulated by the Board of Embalmers and Funeral Directors.

BUDGET ISSUES

FEE INCREASES IN AM. SUB. H.B. 95

The following board fees were increased in Am. Sub. H. B. 95. The estimated revenue shown in the table below reflects the total amount expected from the new fees for each fiscal year.

Board of Embalmers and Funeral Directors						
Fee Description	**R.C. Section**	**Prior Fee**	**New Fee**	**Effective Date**	**Estimated FY 2004 Revenue**	**Estimated FY 2005 Revenue**
Embalmer – initial	4717.07	$ 5.00	$ 140.00	10/1/03	$ 7,980	$ 7,980
Funeral director – initial	4717.07	$ 5.00	$ 140.00	10/1/03	$ 11,760	$ 11,760
Funeral home – initial	4717.07	$ 125.00	$ 250.00	10/1/03	$ 14,500	$ 14,500
Embalming facility – initial	4717.07	$ 100.00	$ 200.00	10/1/03	$ 0	$ 0
Crematory facility – initial	4717.07	$ 100.00	$ 200.00	10/1/03	$ 1,400	$ 1,400
Embalmer – biennial renewal	4717.07	$ 120.00	$ 140.00	10/1/03	$ 0	$ 323,820
Funeral Director – biennial renewal	4717.07	$ 120.00	$ 140.00	10/1/03	$ 0	$ 424,760
Totals					$ 35,640	$ 784,220

NOTE: Revenue is based upon the number of applicants in FY 2003.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
FUN Embalmers and Funeral Directors, State Board of									
4K9	881-609	Operating Expenses	$ 439,420	$ 475,335	$505,321	$ 563,639	11.54%	$ 594,870	5.54%
General Services Fund Group Total			**$ 439,420**	**$ 475,335**	**$ 505,321**	**$ 563,639**	**11.54%**	**$ 594,870**	**5.54%**
Embalmers and Funeral Directors, State Board of Tota			***$ 439,420***	***$ 475,335***	***$ 505,321***	***$ 563,639***	***11.54%***	***$ 594,870***	***5.54%***

- Licensed 33,794 individuals and 1,080 firms in FY 2002

Engineers and Surveyors, State Board of

Carol Robison, Budget Analyst

ROLE

Pursuant to Chapter 4733. of the Revised Code, the State Board of Engineers and Surveyors regulates the professions of engineering and surveying to protect the health, safety, and welfare of the public by ensuring that only properly qualified individuals and businesses become registered, and that the services provided by these licensees are consistent with established standards and codes of ethics.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
11	$999,000	$1,041,000	0	0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The State Board of Engineers and Surveyors oversees the licensure and regulation of professional engineers and surveyors and enforces laws relating to these professions. The Board has experienced no changes in responsibilities or purpose. The volume of licenses remains relatively stable, without notable decreases or increases; and license fees have remained the same since July 1991.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

ENG Engineers and Surveyors, State Board of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
4K9	892-609	Operating Expenses	$ 769,091	$ 905,627	$964,899	$ 999,150	3.55%	$ 1,041,369	4.23%
General Services Fund Group Total			**$ 769,091**	**$ 905,627**	**$ 964,899**	**$ 999,150**	**3.55%**	**$ 1,041,369**	**4.23%**
Engineers and Surveyors, State Board of Total			***$ 769,091***	***$ 905,627***	***$ 964,899***	***$ 999,150***	***3.55%***	***$ 1,041,369***	***4.23%***

- Total appropriation for FY 2004 is 1.5% more than FY 2003; FY 2005 is 1.3% more than FY 2004
- Several agency fee increases are enacted in the budget act

Environmental Protection Agency

Kerry Sullivan, Budget Analyst

ROLE

The role of the Ohio Environmental Protection Agency (EPA) is to protect the environment and public health by ensuring compliance with environmental laws. The agency is responsible for establishing and enforcing state and federal standards pertaining to: the prevention, control, and abatement of air and water pollution; public water supplies; comprehensive water resource management planning; chemical emergency response planning, community right-to-know, and toxic chemical release reporting; the cessation of chemical handling operations; and the disposal and treatment of solid wastes, infectious wastes, construction and demolition debris, hazardous waste, sewage, industrial waste, and other wastes. The agency monitors these standards by issuing permits, conducting reviews and inspections, and providing technical assistance, loan assistance, and environmental education.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
1,370	$174.6 million	$176.9 million	$21.1 million	$21.1 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Ohio Environmental Protection Agency is a regulatory agency. The Director is appointed by the Governor and sits on the Governor's cabinet. The agency is organized into 11 divisions and offices that develop and implement distinct environmental programs. Ohio EPA staff is organized across five district offices and Columbus' central office. District offices are largely responsible for permitting and field-testing and for providing direct contact with Ohio EPA staff within the regulated community.

Appropriations for FY 2004 total $174,601,539. This amount is $2,605,326 more than the revised appropriations for FY 2003 (a 1.5% increase) and is $19,616,766 more than actual expenditures for FY 2003. Appropriations for FY 2005 total $176,908,410, or $2,306,871 more than FY 2004 (a 1.3% increase).

The Ohio Environmental Protection Agency receives approximately 68% of its funding from fees and charges for services. The budget act for FYs 2004 and 2005 includes a number of agency fee increases related to the regulation of drinking water systems, solid waste disposal, and permits to install and operate sources of air pollution. In addition, the Ohio EPA receives approximately 20% of its funding from federal grants. General Revenue Fund dollars make up the remaining 12%.

BUDGET ISSUES

ELIMINATION OF THE HAZARDOUS WASTE FACILITY BOARD

Formerly, the Hazardous Waste Facility Board was responsible for acting on permit applications for new hazardous waste facilities and for applications for certain modifications to existing facilities. The budget act abolishes the Board, transfers the responsibilities of the Board to the Ohio EPA, and revises several criteria to be used when determining whether to approve or disapprove an application for a hazardous waste facility installation and operation permit for a new facility or to approve or disapprove a modification to an existing permit. Over the past two years, the Board worked on a single permit application. As responsibility for permit issuance transfers to the Ohio EPA, the Agency anticipates that it will be able to adequately fulfill the role of the Board without increased expenditures and will be able to utilize the Board's appropriation authority efficiently.

FEE INCREASES

Ohio EPA Fee Increases					
Division*	Fund	Fee Name	Former Fee	Enacted Fee	Projected Revenue Increase per year
DAPC	4K2	Non-Title V Fees	Varies by type of facility and amount of emissions	Varies by type of facility and amount of emissions	$250,000
DSIWM	4K3	Solid Waste Tipping Fees	$0.75 per ton of solid waste	$1.00 per ton of solid waste	$3.5 million
DDAGW	4K5	Public Water System Fees	Varies depending upon the type of public water system*	Varies depending upon the type and size of public water system	$1.6 million
DDAGW	4K5	Drinking Water Plan Review Fees	$100 plus 0.2% of the estimated cost of the project	$150 plus 0.35% of the estimated cost of the project	$850,000
DDAGW	4K5	Drinking Water Operator Certification Fees	Varies depending on the level of certification sought*	Varies depending on the level of certification sought	$175,000
DDAGW	4K5	Drinking Water Laboratory Certification	Varies according to the type of survey conducted*	Varies according to the type of survey conducted	$281,000

* DAPC, Division of Air Pollution Control; DSIWM, Division of Solid and Infectious Waste Management; DDAGW, Division of Drinking and Ground Waters

PTI and PTO Fees

The budget act made a series of changes to the schedule of fees associated with permits to install (PTI) and permits to operate (PTO). First, the act eliminated the fee schedules for PTOs and variances issued for air pollution sources prior to January 1, 1994 and replaced them with the fee schedule for PTIs issued on or after that date. For PTIs issued on or after July 1, 2003, increased schedules of fees were enacted. The amounts of these fees vary according to the type of facility and the amount of emissions. In total, the changes in fee schedules are expected to generate approximately $250,000 in additional revenue for the Clean Air (Non-Title V) Fund annually.

Solid Waste Disposal Fee

The Ohio Environmental Protection Agency collects a solid waste disposal fee for every ton of solid waste that is disposed within the state. The revenue generated from this “tipping” fee is used to administer the Ohio EPA's solid and infectious waste programs and the construction and demolition debris program. Under the budget act, the fee increased $0.25 (from $0.75 to $1.00) per ton of solid waste. The sunset date for this fee was also extended from June 30, 2004 to June 30, 2006. The Ohio Environmental Protection Agency expects the increase to generate an additional $3.5 million annually for the Solid Waste Fund.

Public Water System Fees

License fees paid by operators of public water systems also increased under the budget act. Operators pay an annual license fee based on the number of service connections within the water system (for "community" water systems), the number of people served by the system (for "nontransient, noncommunity" water systems), or the number of wells associated with the system (for "noncommunity, transient" water systems). Each of these fee schedules increased, with amounts determined by the type and size of the system. The Ohio Environmental Protection Agency expects the increases to generate approximately $1.6 million in additional revenue for the Drinking Water Protection Fund annually.

Drinking Water Plan Review Fees

Revised Code Section 6109.07 prohibits any person from beginning construction or installation of a public water system, or from making substantial changes to a public water system, until system plans have been approved by the Ohio EPA. Under the budget act, the fee associated with such an engineering plan review increased. Formerly, the fee was $100 plus 0.2% of the estimated cost of the project, up to $15,000 per plan. The new fee is $150 plus 0.35% of the estimated cost of the project, up to $20,000 per plan. The fee increase is expected to generate approximately $850,000 in additional revenue for the Drinking Water Protection Fund annually.

Operator Certification Fees

Effective December 1, 2003, fees associated with certification as an operator of a water supply system or a wastewater system increased. Application and certification exam fees are based upon the level of certification sought. Under current law (until December 1, 2003), there are four levels of operator certification (Class 1 to Class 4). Under the budget act, the fee for each class increases, and a fifth level is created (Class A). In addition, the current flat renewal fee and late renewal fee of $15 and $25, respectively, increase to a higher schedule of fees, also based on the level of certification sought. The fee for replacement certification increases from $5 to $25. The fee increases are expected to generate approximately $175,000 in additional revenue for the Drinking Water Protection Fund annually.

Laboratory Certification Fees

The Ohio Environmental Protection Agency assesses certification fees for evaluating laboratory compliance with state analytical technique and process requirements. Fees are set according to the type of survey conducted. Under continuing law, there are five types of surveys described under the fee schedule that will be effective until June 30, 2006 (although the name of one survey changed). Under the budget act, fees increased for each type of survey described under this schedule. In addition, the fee schedule that is to be effective on and after July 1, 2006 was realigned so that the types of surveys described under it match those described under the first schedule. These fees were also increased. Finally, a new fee was established for when a laboratory requests that additional surveys be conducted. In total, these changes are expected to generate approximately $281,000 in additional revenue for the Drinking Water Protection Fund annually.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

EPA Environmental Protection Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	715-403	Clean Ohio	----	$ 217,944	$565,599	$ 788,985	39.50%	$ 788,985	0.00%
GRF	715-501	Local Air Pollution Control	$ 1,331,940	$ 1,263,030	$1,178,818	$ 1,119,878	-5.00%	$ 1,091,882	-2.50%
GRF	716-321	Central Administration	$ 3,377,685	$ 16,205	$0	$ 0	N/A	$ 0	N/A
GRF	717-321	Surface Water	$ 8,954,487	$ 9,209,457	$9,408,806	$ 9,333,376	-0.80%	$ 9,358,950	0.27%
GRF	718-321	Groundwater	$ 1,129,161	$ 1,321,747	$1,315,038	$ 1,195,001	-9.13%	$ 1,163,554	-2.63%
GRF	719-321	Air Pollution Control	$ 2,641,942	$ 2,623,948	$2,606,998	$ 2,543,260	-2.44%	$ 2,543,260	0.00%
GRF	721-321	Drinking Water	$ 2,878,284	$ 2,818,150	$2,713,163	$ 2,713,032	0.00%	$ 2,713,032	0.00%
GRF	723-321	Hazardous Waste	$ 268,187	$ 107,370	$119,086	$ 110,184	-7.48%	$ 107,284	-2.63%
GRF	724-321	Pollution Prevention	$ 784,357	$ 929,679	$770,169	$ 765,137	-0.65%	$ 745,002	-2.63%
GRF	725-321	Laboratory	$ 1,173,539	$ 1,307,939	$1,336,002	$ 1,290,237	-3.43%	$ 1,293,971	0.29%
GRF	726-321	Corrective Actions	$ 1,532,145	$ 1,799,983	$1,812,750	$ 1,253,593	-30.85%	$ 1,255,080	0.12%
GRF	728-321	Environmental Financial Assist	$ 30,137	----	$0	$ 0	N/A	$ 0	N/A
GRF	729-321	Solid and Infectious Waste	$ 72,766	----	$0	$ 0	N/A	$ 0	N/A
General Revenue Fund Total			**$ 24,174,630**	**$ 21,615,452**	**$ 21,826,429**	**$ 21,112,683**	**-3.27%**	**$ 21,061,000**	**-0.24%**
199	715-602	Laboratory Services	$ 776,768	$ 913,935	$829,485	$ 1,042,081	25.63%	$ 1,045,654	0.34%
219	715-604	Central Support Indirect	----	$ 13,256,831	$14,266,874	$ 15,239,297	6.82%	$ 15,544,407	2.00%
4A1	715-640	Operating Expenses	$ 3,508,454	$ 2,482,418	$2,804,332	$ 3,308,758	17.99%	$ 3,369,731	1.84%
491	715-665	Moving Expenses	$ 28,687	----	$0	$ 0	N/A	$ 0	N/A
General Services Fund Group Total			**$ 4,313,909**	**$ 16,653,184**	**$ 17,900,691**	**$ 19,590,136**	**9.44%**	**$ 19,959,792**	**1.89%**
362	715-605	Underground Injection Control-Federal	$ 106,227	$ 109,049	$105,135	$ 101,874	-3.10%	$ 101,874	0.00%
3V7	715-606	Agency-wide Grants	----	$ 221,583	$410,426	$ 100,268	-75.57%	$ 0	-100.00%
363	715-610	Construction Grants	----	$ 11,518	$0	$ 0	N/A	$ 0	N/A
352	715-611	Wastewater Pollution	$ 193,342	$ 140,533	$383,342	$ 252,000	-34.26%	$ 265,002	5.16%
353	715-612	Public Water Supply	$ 2,690,595	$ 2,416,755	$2,446,852	$ 2,909,865	18.92%	$ 2,916,174	0.22%
354	715-614	Hazardous Waste Management-Federa	$ 5,050,549	$ 3,898,777	$3,844,828	$ 4,195,192	9.11%	$ 4,203,891	0.21%
3J5	715-615	Maumee River	$ 89,114	$ 74,698	$0	$ 0	N/A	$ 0	N/A
356	715-616	Indirect Costs	$ 3,528,972	$ 94,066	$0	$ 0	N/A	$ 0	N/A
357	715-619	Air Pollution Control-Federal	$ 4,906,922	$ 5,124,407	$5,159,034	$ 5,447,334	5.59%	$ 5,599,501	2.79%
3J1	715-620	Urban Stormwater	$ 339,805	$ 386,202	$363,052	$ 850,000	134.13%	$ 956,001	12.47%

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
EPA	**Environmental Protection Agency**								
3K2	715-628	Clean Water Act 106	$ 3,469,522	$ 4,078,897	$4,084,321	$ 4,125,992	1.02%	$ 4,125,992	0.00%
3F2	715-630	Revolving Loan Fund-Operating	$ 2,881,955	$ 11,101	$36,092	$ 80,000	121.66%	$ 80,000	0.00%
3F3	715-632	Federally Supported Cleanup & Respo	$ 2,251,677	$ 2,563,191	$1,932,840	$ 2,792,648	44.48%	$ 2,326,434	-16.69%
3F4	715-633	Water Quality Management	$ 776,622	$ 680,952	$648,945	$ 737,850	13.70%	$ 712,850	-3.39%
3K4	715-634	DOD Monitoring and Oversight	$ 632,091	$ 726,129	$728,216	$ 1,462,173	100.79%	$ 1,450,333	-0.81%
3K6	715-639	Remedial Action Plan	$ 498,215	$ 313,657	$383,196	$ 416,000	8.56%	$ 385,001	-7.45%
3F5	715-641	Nonpoint Source Pollution Managemen	$ 4,611,897	$ 4,763,587	$5,241,523	$ 7,090,002	35.27%	$ 7,155,000	0.92%
3M5	715-652	Haz Mat Transport Uniform Safety	$ 6,951	$ 807	$0	$ 0	N/A	$ 0	N/A
3S4	715-653	Performance Partnership Grants	$ 67,815	----	$0	$ 0	N/A	$ 0	N/A
3N1	715-655	Pollution Prevention Grants	----	$ 5,594	$73,311	$ 10,172	-86.12%	$ 0	-100.00%
3N4	715-657	DOE Monitoring and Oversight	$ 2,129,097	$ 2,199,791	$2,455,318	$ 3,362,932	36.97%	$ 3,427,442	1.92%
3T1	715-668	Rural Hardship Grant	$ 186,485	$ 566,399	$648,474	$ 0	-100.00%	$ 0	N/A
Federal Special Revenue Fund Group Total			**$ 34,417,852**	**$ 28,387,693**	**$ 28,944,905**	**$ 33,934,302**	**17.24%**	**$ 33,705,495**	**-0.67%**
5S1	715-607	Clean Ohio - Operating	----	----	$0	$ 206,735	N/A	$ 208,174	0.70%
500	715-608	Immediate Removal Special Acct	$ 433,633	$ 310,698	$388,834	$ 475,024	22.17%	$ 482,000	1.47%
5N2	715-613	Dredge and Fill	----	$ 350	$30,743	$ 30,000	-2.42%	$ 30,000	0.00%
503	715-621	Hazardous Waste Facility Management	$ 7,294,925	$ 9,072,184	$9,942,133	$ 11,051,591	11.16%	$ 11,465,671	3.75%
505	715-623	Hazardous Waste Clean-up	$ 8,429,304	$ 9,235,885	$10,687,286	$ 10,862,544	1.64%	$ 11,557,987	6.40%
602	715-626	Motor Vehicle Inspection & Maintenanc	$ 2,352,292	$ 2,377,414	$2,315,980	$ 1,444,464	-37.63%	$ 1,437,398	-0.49%
592	715-627	Anti Tampering Settlement	----	$ 1,096	$1,097	$ 0	-100.00%	$ 0	N/A
660	715-629	Infectious Waste Management	$ 120,239	$ 106,657	$130,645	$ 160,000	22.47%	$ 160,000	0.00%
644	715-631	ER Radiological Safety	$ 176,477	$ 185,587	$184,519	$ 281,424	52.52%	$ 286,114	1.67%
678	715-635	Air Toxic Release	$ 291,022	$ 336,053	$259,448	$ 314,081	21.06%	$ 210,662	-32.93%
679	715-636	Emergency Planning	$ 1,707,964	$ 1,601,522	$2,367,733	$ 2,798,648	18.20%	$ 2,828,647	1.07%
4J0	715-638	Underground Injection Control	$ 298,777	$ 332,203	$375,414	$ 379,488	1.09%	$ 394,385	3.93%
676	715-642	Water Pollution Control Loan Administr	$ 4,614	$ 3,667,757	$4,038,343	$ 4,858,798	20.32%	$ 4,964,625	2.18%
696	715-643	Air Pollution Control Administration	$ 511,024	$ 508,830	$554,550	$ 750,002	35.25%	$ 750,000	0.00%
699	715-644	Water Pollution Control Administration	$ 296,247	$ 499,967	$476,715	$ 625,000	31.11%	$ 625,000	0.00%
6A1	715-645	Environmental Education	$ 1,402,676	$ 1,359,758	$1,531,911	$ 1,500,000	-2.08%	$ 1,500,000	0.00%
4C3	715-647	Central Support Indirect	$ 6,562,687	$ 200,403	$0	----	N/A	----	N/A
4K2	715-648	Clean Air - Non Title V	$ 2,534,038	$ 3,464,796	$2,025,688	$ 3,092,801	52.68%	$ 3,370,002	8.96%

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
EPA	**Environmental Protection Agency**								
4K3	715-649	Solid Waste	$ 12,453,380	$ 11,572,775	$11,724,485	$ 14,286,500	21.85%	$ 14,698,987	2.89%
4K4	715-650	Surface Water Protection	$ 7,139,916	$ 7,895,171	$8,723,941	$ 9,380,180	7.52%	$ 9,380,181	0.00%
4K5	715-651	Drinking Water Protection	$ 3,188,177	$ 4,816,221	$5,255,743	$ 6,294,334	19.76%	$ 6,255,946	-0.61%
4P5	715-654	Cozart Landfill	$ 23,501	$ 44,070	$33,220	$ 146,792	341.88%	$ 149,728	2.00%
4R5	715-656	Scrap Tire Management	$ 1,793,014	$ 2,975,090	$4,174,642	$ 5,800,000	38.93%	$ 6,000,000	3.45%
4R9	715-658	Voluntary Action Program	$ 404,442	$ 299,000	$458,737	$ 603,435	31.54%	$ 795,671	31.86%
4T3	715-659	Clean Air - Title V Permit Program	$ 14,270,783	$ 15,542,352	$16,069,926	$ 16,950,003	5.48%	$ 16,650,001	-1.77%
4U7	715-660	Construction & Demolition Debris	$ 205,024	$ 136,145	$139,768	$ 220,000	57.40%	$ 220,000	0.00%
503	715-662	Hazardous Waste Facility Board	$ 403,831	$ 385,819	$333,249	$ 566,350	69.95%	$ 576,619	1.81%
5H4	715-664	Groundwater Support	$ 1,079,173	$ 1,405,867	$1,615,640	$ 1,768,661	9.47%	$ 1,797,036	1.60%
3T3	715-669	Drinking Water SRF	$ 2,046,872	$ 2,863,835	$2,349,295	$ 3,631,132	54.56%	$ 3,716,777	2.36%
541	715-670	Site Specific Cleanup	----	$ 157	$551	$ 344,448	62,413.25%	$ 345,075	0.18%
542	715-671	Risk Management Reporting	$ 128,448	$ 158,494	$122,512	$ 142,087	15.98%	$ 146,188	2.89%
505	715-674	Clean Ohio Environmental Review	----	----	$0	$ 999,896	N/A	$ 1,179,249	17.94%
State Special Revenue Fund Group Total			**$ 75,552,480**	**$ 81,356,159**	**$ 86,312,748**	**$ 99,964,418**	**15.82%**	**$ 102,182,123**	**2.22%**
Environmental Protection Agency Total			***$ 138,458,871***	***$ 148,012,487***	***$ 154,984,773***	***$ 174,601,539***	***12.66%***	***$ 176,908,410***	***1.32%***

- The Commission is funded entirely through GRF moneys
- Total appropriation for FY 2004 is 5.1% more than FY 2003; FY 2005 is 0.5% more than FY 2004

Environmental Review Appeals Commission

Kerry Sullivan, Budget Analyst

ROLE

The Environmental Review Appeals Commission is an appellate review board whose primary statutory duty is to hear appeals from certain legal actions taken by state and local entities, including the Ohio Environmental Protection Agency (EPA), the State Fire Marshal, the State Emergency Response Commission, the Department of Agriculture, and county and local boards of health. The majority of cases heard by the Commission relate to final actions of the Ohio EPA.

The Commission has statewide jurisdiction and is the highest level of administrative appeal from final actions. All decisions made by the Commission are directly appealable to the Franklin County Court of Appeals, or, if the appeal arose from an alleged violation of a law or regulation, to the court of appeals for the district in which the violation was alleged to have occurred.

The Commission's office consists of five individuals: three board members appointed by the Governor, one executive secretary, and one clerical support person. Board members serve staggered six-year terms and receive a salary that is set by the Governor.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
5	$437,000	$439,000	$437,000	$439,000	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Appropriations for FY 2004 total $437,131. This amount is $21,193 more than the revised appropriation for FY 2003 (a 5.1% increase) and is $9,373 more than actual expenditures for FY 2003. Appropriations for FY 2005 total $439,109, or $1,978 more than FY 2004 (a 0.5% increase).

The Commission is funded entirely by General Revenue Fund (GRF) dollars. In FY 2002, executive order budget reductions led the Commission to lay off one individual from its support staff, resulting in a 50% increase in workload for each of the two remaining staff persons. The Commission conducts all hearings itself, and all decisions are researched and written by Commission members. Commission staff also process and handle all of the Commission's normal administrative functions. With the exception of office supplies, all expenses of the Commission are either required by statute or fixed by contract.

BUDGET ISSUES

ELIMINATION OF THE HAZARDOUS WASTE FACILITY BOARD

The budget act abolishes the Hazardous Waste Facility Board and transfers the responsibilities of the Board to the Ohio EPA. Formerly, the Board was responsible for acting on permit applications for new hazardous waste facilities and for applications for certain modifications to existing facilities. As responsibility for permit issuance transfers to the Ohio EPA, appeals of final actions of the Director of the Board will be heard by the Environmental Review Appeals Commission. Over the past two years, the Hazardous Waste Facility Board worked on a single permit application. Based on this workload, it is not likely that the Commission will be required to hear many appeals based on final actions of the Director of Ohio EPA.

INCREASE IN FILING FEES

The budget act includes a provision that increases the Commission's filing fee from $60 to $70 per appeal (section 3745.04 of the Revised Code). The provision also allows the Commission to reduce this fee if the appellant demonstrates that payment of the full amount of the fee would cause extreme hardship. Under prior law, the Commission was permitted to waive the fee entirely in cases of extreme hardship. Because the Commission is funded solely through GRF moneys, all filing fees are credited to the GRF to offset the cost of operating the Commission. The fee increase is likely to generate a minimal amount of revenue for the GRF annually.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

	FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
EBR Environmental Review Appeals Commission							
GRF 172-321 Operating Expenses	$ 448,540	$ 440,299	$427,758	$ 437,131	2.19%	$ 439,109	0.45%
General Revenue Fund Total	**$ 448,540**	**$ 440,299**	**$ 427,758**	**$ 437,131**	**2.19%**	**$ 439,109**	**0.45%**
Environmental Review Appeals Commission Total	***$ 448,540***	***$ 440,299***	***$ 427,758***	***$ 437,131***	***2.19%***	***$ 439,109***	***0.45%***

- Financial disclosure filing fees increased by $15 for all filers

Ethics Commission

Jonathan Lee, Budget Analyst

ROLE

The Ohio Ethics Commission (ETH) administers, interprets, and enforces ethical conduct in government under Ohio Ethics Law. The Commission promotes and enforces ethical conduct throughout state and local government through impartial and responsive education, advice, investigation, and financial disclosure processes. To fulfill its role, the Commission has improved educational and informational access to thousands of public servants to create a baseline understanding of Ethics Law.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
19	$1.7 million	$1.7 million	$1.3 million	$1.4 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Commission's FY 2004-2005 total biennial appropriations increased 4% from FY 2002-2003 total biennial adjusted appropriations. Overall, funding will allow the Commission to fill one of two vacant Advisory Attorney positions in order to maintain current service levels. Positions that will remain unfilled include an Advisory Attorney, an Ethics Special Investigator, and a contract Hearing Officer. Also, funding will not allow the Commission to complete database upgrades and begin their on-line financial disclosure filing initiative.

BUDGET ISSUES

FINANCIAL DISCLOSURE FILING FEES

Effective January 1, 2004, Am. Sub. H.B. 95 increased financial disclosure filing fees to $15 for all filers. The fee increases are estimated to generate $150,000 in additional revenue per fiscal year, which will keep the operating fund solvent with current spending levels. The bill also increased the late filing penalty to $10 per day instead of one-half the applicable filing fee and increased the maximum fine amount from $100 to $250. The Commission will use the fee revenue as a supplemental source of fee revenue to support ongoing education, advisory, and compliance efforts.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill

Version: Enacted

ETH Ethics Commission

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	146-321	Operating Expenses	$ 1,301,331	$ 1,250,194	$1,251,362	$ 1,286,869	2.84%	$ 1,351,213	5.00%
General Revenue Fund Total			**$ 1,301,331**	**$ 1,250,194**	**$ 1,251,362**	**$ 1,286,869**	**2.84%**	**$ 1,351,213**	**5.00%**
4M6	146-601	Operating Expenses	$ 293,786	$ 391,955	$404,444	$ 409,543	1.26%	$ 383,543	-6.35%
General Services Fund Group Total			**$ 293,786**	**$ 391,955**	**$ 404,444**	**$ 409,543**	**1.26%**	**$ 383,543**	**-6.35%**
Ethics Commission Total			***$ 1,595,117***	***$ 1,642,149***	***$ 1,655,806***	***$ 1,696,412***	***2.45%***	***$ 1,734,756***	***2.26%***

- GRF is flat funded for the biennium
- An appropriation of $125,000 is provided as a contingency against a large loss of revenue due to inclement weather or other extraordinary circumstances during the Ohio State Fair.

Expositions Commission

Wendy Risner, Budget Analyst

ROLE

The Ohio Expositions Commission (EXPO) is a 13-member commission specifically charged with the responsibility of conducting at least one fair annually and maintaining and managing property held by the state for the purpose of conducting fairs, expositions, and exhibits. The Commission currently oversees operations of the Ohio Expositions Center, a 360-acre facility located in Columbus that administers year-round events.

Agency In Brief					
Number of Employees	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
235*	$14.3 million	$14.6 million	$465,000	$465,000	Am. Sub. H.B. 95

*The Expositions Commission stated that they had 76 full-time employees, 9 part-time employees, and 150 seasonal employees on June 28, 2003. The seasonal employees were not issued a paycheck for this period, as they tend to work mostly during the Ohio State Fair season.

OVERVIEW

General Revenue Fund appropriations are $465,412 for each fiscal year. This is a small increase from FY 2003 actual spending levels ($464,684) of 0.2%. However, this FY 2003 figure was reduced from the original appropriation of $517,125. The Junior Fair program currently costs the Commission approximately $750,000 per year. The State Fair Reserve is a budget reserve fund that the Commission may utilize in the event of poor attendance at the Ohio State Fair due to inclement weather or extraordinary circumstances (see State Fair Reserve under Budget Issues below for a more detailed description of this fund). Appropriations for the State Fair Reserve (723-603) are $125,000 in FY 2004. Up to $125,000 may be transferred to the Junior Fair Program in FY 2004. In the previous biennium, the Commission was appropriated $700,000 for this reserve fund. The Commission expended $449,663 in FY 2002 due to inclement weather during the Ohio State Fair that had an adverse effect on fair attendance and hence revenues. The Commission expended $125,001 in FY 2003. As a result, it remains to be seen whether the Commission will need to use the reserve to cover a revenue shortfall from the 2003 Ohio State Fair or transfer the money to the Junior Fair Program for 2004. The Commission stated that current service levels will not be maintained and cuts are anticipated. However, at this time, the exact nature of those cuts is not known and depends in large part on revenue production from non-fair events.

BUDGET ISSUES

STATE FAIR RESERVE

Appropriation item 723-603, State Fair Reserve, is a reserve fund set up for use by the Ohio Expositions Commission when admission revenues are below a predetermined level due to inclement weather or extraordinary circumstances during the Ohio State Fair. The admission revenue must be less than $2,542,500 for the 2003 Ohio State Fair and less than $2,619,000 for the 2004 Ohio State Fair. The Director of Budget and Management must release the funds after the Commission declares a state of fiscal exigency. The Director of Budget and Management may approve or disapprove the request, may increase or decrease the amount, and may place conditions on the use of the funds. Also, if the Commission is facing a temporary cash shortage, a request to use the funds to meet obligations may be made to the Director of Budget and Management. However, in this type of situation, the request must include a plan that describes how the Commission will eliminate the cash shortage. The Commission must reimburse the State Fair Reserve Fund by June 30 of that same fiscal year.

Up to $125,000 in appropriation item 723-603, State Fair Reserve, may be transferred to appropriation item 723-403, Junior Fair Subsidy in FY 2004.

JUNIOR FAIR ENTRY FEE

The Commission has implemented an entry fee for Junior Fair participants for the 2003 Ohio State Fair. The fee ranges from $2 to $8, depending on the type of animal registered. The Commission estimates that $35,000 will be generated from these fees. The revenues brought in will go to offset the costs of the program.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** Version: **Enacted**

EXP Expositions Commission

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	723-403	Junior Fair Subsidy	$ 523,631	$ 483,367	$464,684	$ 465,412	0.16%	$ 465,412	0.00%
General Revenue Fund Total			**$ 523,631**	**$ 483,367**	**$ 464,684**	**$ 465,412**	**0.16%**	**$ 465,412**	**0.00%**
506	723-601	Operating Expenses	$ 13,341,198	$ 12,172,930	$12,464,145	$ 13,211,481	6.00%	$ 13,643,315	3.27%
4N2	723-602	Ohio State Fair Harness Racing	$ 484,106	$ 490,711	$487,918	$ 520,000	6.58%	$ 520,000	0.00%
640	723-603	State Fair Reserve	----	$ 449,663	$125,001	$ 125,000	0.00%	$ 0	-100.00%
State Special Revenue Fund Group Total			**$ 13,825,305**	**$ 13,113,304**	**$ 13,077,064**	**$ 13,856,481**	**5.96%**	**$ 14,163,315**	**2.21%**
Expositions Commission Total			***$ 14,348,936***	***$ 13,596,671***	***$ 13,541,748***	***$ 14,321,893***	***5.76%***	***$ 14,628,727***	***2.14%***

- GRF funding is increased to support Ohio's participation in national or regional associations
- A new GSF fund also supports Ohio's participation in national and regional associations

Governor, Office of the

Wendy Risner, Budget Analyst

ROLE

The Office of the Governor (GOV) oversees the operations of state government. Under the Ohio Constitution, the Governor is the chief executive officer of the state and is elected to four-year terms. The major duties of the Governor include:

- Formatting and implementing administrative policy for state agencies;
- Submitting biennial operating and capital budgets;
- Ensuring the faithful execution of Ohio's laws; and
- Appointing judges, certain agency officials, and board and commission members.

The Governor's Office also funds the Office of Veterans' Affairs. Veterans' Affairs assists veterans in receiving services and benefits, and maintains burial records of Ohio's veterans.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
51**	$5.4 million	$5.5 million	$4.9 million	$5.0 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.
**The Governor's Office reported 54 employees for the same time period.

OVERVIEW

The Governor's Office will receive approximately $10.9 million over the course of the biennium. Actual spending for the FY 2002 to 2003 biennium was approximately $9.1 million. Total GRF funding increased by 13.8% from actual FY 2003 levels to FY 2004 appropriations. However, this is primarily due to the increase in GRF appropriation item 040-403, Federal Relations, which is used to support Ohio's participation in national or regional associations. GSF fund 412, Federal Relations, is created for the same purposes. The fund will receive fees from state agencies of the executive branch that use intrastate transfer vouchers. The other line items (all GRF) within the Governor's Office will receive inflationary increases for each fiscal year.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill   **Version:** Enacted

GOV Office of the Governor

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	040-321	Operating Expenses	$ 3,983,047	$ 4,362,900	$3,981,000	$ 4,112,358	3.30%	$ 4,235,726	3.00%
GRF	040-403	Federal Relations	$ 151,825	$ 163,056	$55,541	$ 510,000	818.24%	$ 510,000	0.00%
GRF	040-408	Office of Veterans' Affairs	$ 266,986	$ 243,447	$267,670	$ 276,723	3.38%	$ 285,025	3.00%
General Revenue Fund Total			**$ 4,401,858**	**$ 4,769,402**	**$ 4,304,211**	**$ 4,899,081**	**13.82%**	**$ 5,030,751**	**2.69%**
412	040-607	Federal Relations	$ 123,843	----	$0	$ 500,000	N/A	$ 500,000	0.00%
General Services Fund Group Total			**$ 123,843**	**----**	**$ 0**	**$ 500,000**	**N/A**	**$ 500,000**	**0.00%**
Office of the Governor Total			***$ 4,525,701***	***$ 4,769,402***	***$ 4,304,211***	***$ 5,399,081***	***25.44%***	***$ 5,530,751***	***2.44%***

- GRF funding decreases 7.4% from FY 2002-2003 biennium expenditures
- Various fee increases will generate about $4.3 million in additional revenue annually

Health, Department of

Chris Murray, Economist

ROLE

The mission of the Department of Health (DOH) is to protect and improve the health of all Ohioans by preventing disease, promoting good health, and assuring access to quality health care. In addition to providing preventive medical services, public health education, and health care services, the Department also performs various regulatory duties. The Department also plays an important role in the public health activities throughout the state by providing state funding to the 139 local health districts that are each governed by a board of health and a health commissioner.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
1,421	547.5 million	560.7 million	73.6 million	73.8 million	Am. Sub. H.B. 95 Am. Sub. S.B. 242

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003, which includes compensated council and board members.

OVERVIEW

Appropriations for the Department of Health total $1,108,215,060 over the FY 2004-2005 biennium. This represents a 1.73% increase over actual spending in the FY 2002-2003 biennium ($944,569,857). The FY 2004-2005 biennium's General Revenue Fund (GRF) appropriation of $147,444,974 is a 7.4% decrease from FY 2002-2003 actual GRF expenditures ($158,351,326).

TYPES OF APPROPRIATION

Federal dollars represent 72.1% of total biennial appropriations. Included among these sources of federal funding are the Maternal and Child Health Block Grant, the Preventive Health Block Grant, and funding for the Women, Infants, and Children (WIC) program.

In the FY 2004-2005 biennium, 13.3% of the total appropriations are from the state's GRF. The GRF dollars serve as the funding source for a variety of programs within the department, including activities such as the Help Me Grow program, immunizations, child and family health services, and subsidies to local health districts.

The other two main sources of appropriation, 14.6% of the total DOH biennium budget, are General Services Funds (GSF) and State Special Revenue Funds (SSR). The SSR appropriations are funded by revenue raised for a specific purpose. One example is the Second Chance Trust program (line item 440-

620 (Fund 5D6)), which is funded via donations made by individuals when renewing their driver's license. Many of the fees collected by the Department are also deposited into an SSR fund, line item 440-618, General Operations – State Special Revenue (Fund 470).

NOTABLE FUNDING CHANGES AND NEW LINE ITEMS

Among the numerous appropriation items in the budget that involve DOH, several merit note due to a sizable percentage change from one fiscal year to the next. The following line items had FY 2003 appropriations, but were zeroed out in Am. Sub. H.B. 95:

- GRF, 440-406, Hemophilia Services
- GRF, 440-501, Local Health Districts
- GRF, 440-510, Arthritis Care
- 5C1, 440-642, TANF Family Planning
- 3W5, 440-611, Title XX Transfer

In the majority of cases, the line items listed above were consolidated into other existing line items. For example, hemophilia services will now be funded from GRF line items 440-505, Medically Handicapped Children, and 440-507, Targeted Health Care Services Over 21. The GRF funding for local health districts is now located in line item 440-413, Healthy Communities. Am. Sub. H.B. 95 also contains an earmark for line item 440-416, Child and Family Health Services, which sets aside $500,000 each fiscal year for the same purpose as the Title XX transfer, abstinence education.

Am. Sub. H.B. 95 of the 125th General Assembly creates two new line items in the Department's budget: 440-637, Birth Certificate Surcharge (Fund 4G0), and 440-639, Adoption Services (Fund 5G4). The former receives the fees charged for heirloom birth certificates and the latter will be used to cover the costs of providing adoption records, upon request, to individuals adopted prior to January 1, 1964.

More details of these and other changes can be found in the Budget Issues section of this document, or in the companion LSC publications, the Final Comparison Document and the Catalog of Budget Line Items (COBLI).

BUDGET ISSUES

FEE INCREASES

Am. Sub. H.B. 95 increases several fees that are revenue sources for the Department. The fee increases, found in the following table, are the reason behind some of the appropriation increases for non-GRF line items. For example, SSR line item 440-618, General Operations – State Special Revenue, (Fund 470) increases 37.5% over FY 2003 expenditure levels because of the fee increases that are associated with this line item. Line item 440-616, Quality, Monitoring, and Inspection, (Fund 5B5) also receive higher appropriations over the biennium because of additional fee revenue. The Department anticipates additional revenues of about $4.3 million annually from the fee increases.

Department of Health Fee Changes		
Fee Description	**Prior Fee**	**New Fee**
Radiology Inspection and Registration		
First Dental Tube	$94	$118
Each Additional Tube	$47	$59
First Medical Tube	$187	$235
Each Additional Tube	$94	$125
Ionizing Radiation Equipment > 250 kv	$373	$466
First Non-Ionizing Radiation Equipment	$187	$235
Each Additional Non-Ionizer	$94	$125
Assembler Maintainer Inspection	$233	$291
Inspection if not licensed	$290	$363
Shielding Plan Review	$466	$583
Biennial Registration	$160	$200
Vital Statistics	$10/ copy	$15/ copy
Asbestos		
Asbestos Hazard Abatement Contractor	$590	$750
Asbestos Hazard Abatement Project Designer	$125	$200
Asbestos Hazard Abatement Specialist	$125	$200
Asbestos Hazard Evaluation Specialist	$125	$200
Training Provider	$750	$900
Abatement Project Fee	$25	$65
Board of Examiners for Nursing Home Administrators		
Original License	$210	$250
Annual Renewal	$210	$250
Agricultural Labor Camp Inspection and Licensure Fees		
License	$20	$75
License after April 15	$40	$100
Per Housing Unit	$3	$10
Per Housing Unit after April 15	$6	$15
Health Care Specialist	$1,250	$1,750
Hearing Aid Dealers and Fitters		
License	$250	$262
Renewal before February 1	$150	$157
Renewal before March 1	$175	$183
Renewal after March 1	$200	$210
Duplicate Copies	$15	$16
Trainee Permit	$100	$150
Renewal Trainee Permit	$100	$105
Nursing Facilities Inspection/Certification	$100 / 50 persons	$105 / 50 persons
Maternity Licensure Program		
More than 2,000 births	$3,850	$4,042
Between 1,999 and 1,000 births	$3,850	$3,517
Between 999 and 650 births	$2,850	$2,992
Between 649 and 450 births	$2,350	$2,467
Between 449 and 100 births	$1,850	$1,942
Less than 100 births	$1,350	$1,417

INFECTIOUS DISEASE CONTROL

AIDS/HIV and Other Sexually Transmitted Diseases

Advances in drug technology have allowed individuals with HIV or AIDS to live longer lives. Under Title II of the federal Ryan White CARE Act, states are provided with moneys to fund a variety of programs including the AIDS Drug Assistance Program (ADAP). All 50 states, plus the District of Columbia, Puerto Rico, Guam, and the Virgin Islands, have a federally funded ADAP. The majority of states, Ohio included, also provide additional state dollars for this program. Am. Sub. H.B. 95 includes earmarks of $6.4 million in FY 2004 and $6.7 million in FY 2005 in GRF line item 440-444, AIDS Prevention and Treatment, to assist persons with HIV/AIDS in acquiring drugs.

Am. Sub. H.B. 95 also includes earmarking language relating to other sexually transmitted diseases (STDs). The bill earmarks $250,000 each fiscal year from GRF line item 440-446, Infectious Disease Prevention, for the purchase of drugs to treat STDs.

Rabies and West Nile Virus

Line item 440-407, Animal Borne Disease and Prevention, is the source of GRF funds for the Department's raccoon rabies vaccination and West Nile Virus (WNV) programs, which include testing, prevention, and education activities. According to DOH, the Rabies Program conducts rabies prevention activities to protect Ohio residents from the spread of wildlife rabies to people, pets, and other animals. In 2002, 39 animals tested positive for rabies, with bats making up 95% of the cases.

According to the DOH's West Nile Virus web page, WNV is a mosquito-borne virus that can cause encephalitis (inflammation of the brain) or meningitis (inflammation of the lining of the brain and spinal cord). West Nile Virus was first found in the United States in New York City in the fall of 1999 and has since spread westward. Ohio had its first human case of WNV in 2002, which totaled 441 cases by year-end. As of August 18, 2003, there were 9 more cases of WNV in Ohio, with one death. The Department received an additional $500,000 each fiscal year in GRF line item 440-407, Animal Borne Disease and Prevention, for prevention activities related to WNV.

CHILD AND FAMILY HEALTH SERVICES

The DOH provides funding for, and assures the quality of, community-based health services for Ohio's medically underinsured, uninsured, and Medicaid-eligible women, infants, and children, along with the underserved populations in Ohio. The budget makes several changes to some of the child and family health services programs, including services for those afflicted with hemophilia, and funding for family planning and abstinence-only education.

Hemophilia

Am. Sub. H.B. 95 eliminates GRF line item 440-406, Hemophilia Services. Services will still be provided to most hemophiliacs through two different line items. Adults with hemophilia will no longer receive case management services. Those individuals under the age of 21 will be absorbed into the case management of Medically Handicapped Children and funded from GRF line item 440-505, Medically Handicapped Children. Those over the age of 21 requiring hemophilia insurance premiums will be funded through GRF line item 440-507, Targeted Health Care Services for Individuals Over 21 (formally titled Cystic Fibrosis). The budget bill contains language that directs the moneys in line item 440-507 to be used for the Hemophilia Insurance Pilot Project (HIPP) and the cystic fibrosis program. Furthermore, because permanent law that established the Hemophilia Program was removed, temporary language in the budget bill requires the Department to continue to provide HIPP to those over 21 years of age until the Public Health Council promulgates new rules for the Hemophilia Program.

Bureau for Children with Medical Handicaps (BCMH)

The Bureau for Children with Medical Handicaps (BCMH) has had to undergo several changes because of budget considerations. One of these changes is the elimination of the sole diagnosis of sinusitis, tonsils/adenoids, serious otitis media, and hernia as being eligible for the diagnostic/treatment programs. According to the Department, about 577 children will be impacted because of this change. Furthermore, BCMH has changed their financial eligibility criteria. More families have been put on the cost share program and those families that were previously on the cost share program now have to pay more out of pocket. Approximately 5,000 of the children served by the program will be affected by this change. The BCMH program provided services for 30,805 children in FY 2003.

Family Planning and Women's Health Services

Over the FY 2002-2003 biennium, funding for family planning came from several sources including Federal Title V and Title X, TANF, and GRF. For FY 2004-2005, all of these funds are still available except Am. Sub. H.B. 95 removed the transfer of TANF funds to the Department of Health. These TANF funds went to seven different family planning agencies to provide direct health care services. The Department estimates that about 2,000 fewer people a year will receive services because of the loss of TANF funds.

The bill contains a $1.7 million earmark each fiscal year for family planning and women's health services for GRF line item 440-416, Child and Family Health Services. None of these funds are to be used for an abortion or abortion counseling or referral, except in the case of an emergency. For the remainder of calendar year 2003, the earmark is to be distributed as in the previous biennium, meaning that programs funded by Title V and Title X funds and meeting Title V and Title X requirements are eligible to receive funds. As of January 1, 2004, the funds will be disbursed for women's health services. These services are limited to:

- pelvic exams and lab testing;
- breast exams and patient education on breast cancer;
- screening for cervical cancer;
- screening and treatment for STDs and HIV screening;
- voluntary choice of contraception, including abstinence and natural family planning;
- patient education and pre-pregnancy counseling on the dangers of smoking, alcohol, and drug use during pregnancy;
- education on sexual coercion and violence in relationships; and
- prenatal care or referral for prenatal care.

Furthermore, those applying for these funds must show that they meet several criteria, such as that the program does not discriminate, they will not coerce individuals into accepting services or a particular method of family planning, and that any costs will be based upon a person's ability to pay, with priority given to those with lower incomes. When issuing grants, the Director of Health is to give priority to local departments of health that provide women's health services with department of health personnel. Not all women's health services are required; however, the director can consider the comprehensiveness of the services offered when awarding grants. Should any funds remain, they can be given to other applicants that meet all eight service requirements, with the exception of offering contraception.

Abstinence-Only Education

Am. Sub. H.B. 95 removed the Title XX funding for abstinence-only education. The Department of Job and Family Services transferred $500,000 each year to DOH. Local programs used those dollars as matching funds for federal grants. GRF line item 440-416, Child and Family Health Services, contains an earmark of $500,000 each fiscal year for abstinence-only education. These earmarked funds will be used in a similar fashion as the Title XX funds. According to DOH, these funds would have been disbursed to the 79 Child and Family Health Services agencies across the state. The Department estimates that about 5,500 prenatal and child health care visits for low income uninsured and underinsured pregnant women and children would have been served had these funds not been earmarked for abstinence-only education.

Furthermore, as in the previous biennium, the budget bill earmarks about $2.1 million in each fiscal year of Title V moneys (line item 440-601, Maternal Child Health Block Grant (Fund 320)) for abstinence-only education.

HEALTH CARE POLICY AND DATA

The Center for Vital and Health Statistics

The Department combined the Vital Statistics and Health Data programs to create The Center for Vital and Health Statistics. This program will continue to file, register, and preserve vital records such as birth, death, and marriage certificates. It will also maintain the web based information warehouse that contains health statistics for the state of Ohio, along with aiding in the assimilation of the data. The new Center will facilitate the coordination of health care policies by continuing to improve the system of data collection, analysis, and dissemination for the general public and interested parties within the public health care arena.

In the prior biennium, GRF line item 440-413, Ohio Health Care Policy and Data, contained funding for the Health Data program. Am. Sub. H.B. 95 moves this funding from line item 440-413 to line item 440-461. General Revenue Fund line item 440-461 is renamed Center for Vital and Health Statistics. Furthermore, the budget bill increases the fee for the issuance of certified copies of vital certificates from $10 to $15. The fees are deposited into Fund 470, and appropriated in line item 440-618, General Operations. The Department will use these fees for the modernization and automation of the vital records system including upgrading the vital records system to the revised U.S. Standard Certificates, which involves hardware and software upgrades and training. The Department estimates this upgrade will cost $2.8 million in FY 2004 and $2.1 million in FY 2005.

Local Health Department Subsidies

Am. Sub. H.B. 95 folds the funding from GRF line item 440-501, Local Health Districts into GRF line item 440-413, and renames line item 440-413, Healthy Communities. Line item 440-501 had contained the subsidies for the local health departments. The local health departments will continue to receive subsidies at FY 2003 levels, about $3.3 million in each year of the upcoming biennium. Other services provided by this line item will also remain unchanged.

BIOTERRORISM

The Department was awarded a $34.9 million grant from the U.S. Department of Health and Human Services for activities relating to Bioterrorism. A large portion of these funds, $30.3 million, will go towards six focus areas: Preparedness Planning and Readiness Assessment, Surveillance and Epidemiology Capacity, Laboratory Capacity – Biologic Agents, Health Alert Network, Risk Communication and Health Information Dissemination, and Education and Training. The Department has contracted with the Research and Educational Foundation of the Ohio Hospital Association to develop a Statewide Hospital Bioterrorism Preparedness Plan. The Department has also upgraded the security at its laboratory facilities, and is upgrading communication via a Health Alert Network (HAN).

DISCONTINUED LINE ITEMS

Arthritis Care

Am. Sub. H.B. 95 eliminates funding for GRF line item 440-510, Arthritic Care. In previous years, the funding in this line item was passed through the Department to the Arthritis Foundation. Funding for this program has been reduced over the FY 2002-2003 biennium in anticipation of eliminating state funding completely.

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:

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DOH Health, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	440-402	Osteoporosis Awareness	$ 29,556	$ 28,275	$0	$ 0	N/A	$ 0	N/A
GRF	440-406	Hemophilia Services	$ 1,259,853	$ 1,199,603	$671,164	$ 0	-100.00%	$ 0	N/A
GRF	440-407	Animal Borne Disease and Prevention	$ 226,288	$ 2,169,206	$2,654,767	$ 2,690,101	1.33%	$ 2,690,101	0.00%
GRF	440-412	Cancer Incidence Surveillance System	$ 1,017,937	$ 736,616	$1,107,358	$ 1,038,815	-6.19%	$ 1,066,616	2.68%
GRF	440-413	Healthy Communities	$ 3,130,104	$ 3,044,650	$1,418,639	$ 4,139,009	191.76%	$ 4,139,009	0.00%
GRF	440-416	Child & Family Health Services	$ 11,644,719	$ 10,460,426	$9,070,228	$ 9,034,972	-0.39%	$ 9,034,972	0.00%
GRF	440-418	Immunizations	$ 9,252,693	$ 7,594,804	$6,288,627	$ 8,431,975	34.08%	$ 8,600,615	2.00%
GRF	440-419	Sexual Assault Prevention	----	$ 35,899	$43,138	$ 35,899	-16.78%	$ 35,899	0.00%
GRF	440-424	Kid's Card	$ 340,174	$ 53,431	$0	$ 0	N/A	$ 0	N/A
GRF	440-430	Adult Care Facilities	$ 1,830,042	$ 10,507	$0	$ 0	N/A	$ 0	N/A
GRF	440-439	Nursing Home Survey and Certification	$ 2,780,465	$ 47,856	$0	$ 0	N/A	$ 0	N/A
GRF	440-444	AIDS Prevention and Treatment	$ 7,044,751	$ 9,448,578	$7,914,756	$ 7,589,816	-4.11%	$ 7,589,816	0.00%
GRF	440-445	Nurse Aide Program	$ 586,913	$ 5,612	$0	$ 0	N/A	$ 0	N/A
GRF	440-446	Infectious Disease Prevention	----	$ 541,830	$490,623	$ 439,330	-10.45%	$ 439,330	0.00%
GRF	440-451	Lab and Public Health Prevention Progr	$ 7,525,546	$ 6,582,919	$6,659,849	$ 6,085,250	-8.63%	$ 6,085,250	0.00%
GRF	440-452	Child & Family Health Services Match	$ 1,088,245	$ 1,197,215	$1,075,246	$ 1,024,017	-4.76%	$ 1,024,017	0.00%
GRF	440-453	Health Care Quality Assurance	$ 8,126,541	$ 10,738,788	$10,136,261	$ 10,453,728	3.13%	$ 10,453,728	0.00%
GRF	440-454	Local Environmental Health	----	$ 1,047,654	$1,124,848	$ 1,047,654	-6.86%	$ 1,047,654	0.00%
GRF	440-457	Services to State Employees	$ 126,375	----	$0	$ 0	N/A	$ 0	N/A
GRF	440-459	Help Me Grow	$ 12,537,394	$ 11,694,269	$10,124,414	$ 9,861,089	-2.60%	$ 9,861,089	0.00%
GRF	440-461	Center for Vital and Health Stats	$ 3,648,760	$ 3,579,790	$3,578,317	$ 4,079,790	14.01%	$ 4,079,790	0.00%
GRF	440-501	Local Health Districts	$ 2,029,984	$ 7,769,628	$3,260,013	$ 0	-100.00%	$ 0	N/A
GRF	440-504	Poison Control Network	$ 476,568	$ 260,713	$359,071	$ 388,000	8.06%	$ 388,000	0.00%
GRF	440-505	Medically Handicapped Children	$ 10,446,085	$ 6,461,950	$6,093,064	$ 6,462,257	6.06%	$ 6,462,738	0.01%
GRF	440-506	Tuberculosis	$ 258,523	----	$0	$ 0	N/A	$ 0	N/A
GRF	440-507	Targeted Health Care Services Over 21	$ 776,748	$ 645,048	$597,975	$ 731,023	22.25%	$ 731,023	0.00%
GRF	440-508	Migrant Health	$ 128,471	$ 111,818	$98,571	$ 91,301	-7.38%	$ 91,301	0.00%
GRF	440-509	Health Services Agencies	$ 150,000	----	$0	$ 0	N/A	$ 0	N/A
GRF	440-510	Arthritis Care	$ 339,582	$ 97,399	$19,912	$ 0	-100.00%	$ 0	N/A

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
DOH Health, Department of									
General Revenue Fund Total			**$ 86,802,316**	**$ 85,564,485**	**$ 72,786,841**	**$ 73,624,026**	**1.15%**	**$ 73,820,948**	**0.27%**
211	440-613	Central Support Indirect Costs	$ 23,208,557	$ 23,638,082	$22,967,198	$ 26,578,343	15.72%	$ 26,584,707	0.02%
142	440-618	General Operations - General Services	$ 2,558,544	$ 2,045,997	$2,456,163	$ 3,372,444	37.31%	$ 3,461,915	2.65%
473	440-622	Lab Operating Expenses	$ 3,411,491	$ 2,935,040	$3,357,207	$ 4,154,045	23.74%	$ 4,154,045	0.00%
683	440-633	Employee Assistance Program	$ 936,373	$ 1,060,029	$1,101,169	$ 1,192,234	8.27%	$ 1,192,214	0.00%
698	440-634	Nurse Aide Training	$ 88,989	$ 137,797	$163,744	$ 170,000	3.82%	$ 170,000	0.00%
5C1	440-642	TANF Family Planning	$ 259,375	$ 248,125	$249,540	$ 0	-100.00%	$ 0	N/A
General Services Fund Group Total			**$ 30,463,329**	**$ 30,065,068**	**$ 30,295,021**	**$ 35,467,066**	**17.07%**	**$ 35,562,881**	**0.27%**
320	440-601	Maternal Child Health Block Grant	$ 25,018,892	$ 27,068,017	$28,728,892	$ 34,451,205	19.92%	$ 35,136,169	1.99%
387	440-602	Preventive Health Block Grant	$ 7,817,106	$ 8,271,735	$7,751,638	$ 8,200,000	5.78%	$ 8,200,000	0.00%
389	440-604	Women, Infants, and Children	$ 174,029,008	$ 191,496,817	$191,428,748	$ 210,000,000	9.70%	$ 220,000,000	4.76%
391	440-606	Medicaid/Medicare	$ 18,762,060	$ 21,154,491	$22,558,658	$ 26,294,274	16.56%	$ 26,820,159	2.00%
392	440-618	General Operations - Federal Fund	$ 57,818,854	$ 65,901,011	$87,760,060	$ 114,474,764	30.44%	$ 115,319,323	0.74%
Federal Special Revenue Fund Group Total			**$ 283,445,920**	**$ 313,892,071**	**$ 338,227,996**	**$ 393,420,243**	**16.32%**	**$ 405,475,651**	**3.06%**
4T4	440-603	Child Highway Safety	$ 136,750	$ 166,837	$236,634	$ 233,894	-1.16%	$ 233,894	0.00%
666	440-607	Medically Handicapped Children - Coun	$ 9,999,005	$ 14,834,737	$15,622,457	$ 14,320,687	-8.33%	$ 14,320,687	0.00%
4D6	440-608	Genetics Services	$ 1,759,772	$ 1,533,806	$1,437,315	$ 2,300,000	60.02%	$ 2,300,000	0.00%
4L3	440-609	Miscellaneous Expenses	$ 129,123	$ 238,897	$147,639	$ 256,082	73.45%	$ 144,119	-43.72%
4F9	440-610	Sickle Cell Disease Control	$ 635,154	$ 508,417	$730,819	$ 1,035,344	41.67%	$ 1,035,344	0.00%
3W5	440-611	Title XX Transfer	----	$ 367,929	$576,525	$ 0	-100.00%	$ 0	N/A
5C0	440-615	Alcohol Testing and Permit	$ 947,913	$ 1,119,457	$1,211,411	$ 1,455,405	20.14%	$ 1,455,405	0.00%
5B5	440-616	Quality, Monitoring, and Inspection	$ 483,447	$ 629,646	$758,564	$ 838,479	10.54%	$ 838,479	0.00%
470	440-618	General Operations - State Special Rev	$ 9,520,243	$ 10,357,575	$10,563,088	$ 14,525,443	37.51%	$ 16,025,194	10.32%
471	440-619	Certificate of Need	$ 283,162	$ 319,669	$329,692	$ 475,000	44.07%	$ 483,572	1.80%
5D6	440-620	Second Chance Trust	$ 250,399	$ 606,978	$847,616	$ 887,018	4.65%	$ 825,951	-6.88%
5L1	440-623	Nursing Facility Technical Assistance P	$ 37,188	$ 137,097	$892,905	$ 586,153	-34.35%	$ 617,517	5.35%
5E1	440-624	Health Services	$ 2,001,309	$ 27,090	$0	$ 688,321	N/A	$ 0	-100.00%
610	440-626	Radiation Emergency Response	$ 703,024	$ 669,345	$702,082	$ 923,315	31.51%	$ 923,315	0.00%
477	440-627	Medically Handicapped Children Audit	$ 2,282,860	$ 2,251,262	$3,171,065	$ 4,640,498	46.34%	$ 4,733,008	1.99%
4G0	440-636	Heirloom Birth Certificate	----	$ 4,098	$0	$ 5,000	N/A	$ 5,000	0.00%

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
DOH		***Health, Department of***							
4G0	440-637	Birth Certificate Surcharge	----	----	$0	$ 5,000	N/A	$ 5,000	0.00%
5G4	440-639	Adoption Services	----	----	$0	$ 20,000	N/A	$ 20,000	0.00%
4V6	440-641	Save Our Sight	$ 996,161	$ 1,152,433	$1,460,951	$ 1,733,327	18.64%	$ 1,767,994	2.00%
State Special Revenue Fund Group Total			**$ 30,165,510**	**$ 34,925,274**	**$ 38,688,763**	**$ 44,928,966**	**16.13%**	**$ 45,734,479**	**1.79%**
R48	440-625	Refunds, Grants Reconciliation, & Audi	$ 327	$ 181	$4,678	$ 20,400	336.08%	$ 20,400	0.00%
R14	440-631	Vital Statistics	$ 40,869	$ 60,413	$59,066	$ 70,000	18.51%	$ 70,000	0.00%
Holding Account Redistribution Fund Group Total			**$ 41,196**	**$ 60,594**	**$ 63,744**	**$ 90,400**	**41.82%**	**$ 90,400**	**0.00%**
Health, Department of Total			***$ 430,918,272***	***$ 464,507,492***	***$ 480,062,365***	***$ 547,530,701***	***14.05%***	***$ 560,684,359***	***2.40%***

- Nearly $77 million in tax-exempt revenue bonds were approved in FY 2003 for projects at eight of Ohio's private institutions.
- Cedarville University is now eligible to receive bonds issued by the HEFC.

Higher Educational Facility Commission, Ohio

Zak Talarek, Budget Analyst

ROLE

The Higher Educational Facility Commission was established in 1968 to help Ohio's approximately 55 eligible independent non-profit colleges and universities obtain construction capital at lower costs than might otherwise be available to them. The Commission is comprised of nine members, including the Chancellor of the Board of Regents, who serves permanently, and eight others who are appointed by the Governor and serve eight-year terms.

The Commission assists the independent institutions by issuing revenue bonds to finance the acquisition, construction, and renovation of their facilities. Although the bonds are state bonds, the institutions that are issued the bonds make all of the principal and interest payments. The state disclaims any liability in case of default. Default is the responsibility of the institutions, on whose behalf the bonds are issued. The Commission in each case enters into an agreement under which the university or college leases the constructed facility from the Commission and pays rent to the Commission in amounts needed to retire the bonds.

Since the Commission is an agency of the state of Ohio, the interest paid by the Commission to the bondholders is exempt from state and federal income tax. Accordingly, the bonds can be issued at lower interest rates, effectively enabling the Commission to charge the institutions capital financing rates that are lower than commercial market rates. According to estimates, the savings in bond interest costs range up to 2% per year. In FY 2003, the Commission approved $76,750,000 in bonds that supported projects at eight different private institutions.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
N/A	$15,000	$17,000	$0	$0	Am. Sub. H.B. 95

*The Higher Educational Facilities Commission has no offices or staff. The staff of the Board of Regents and bond counsel perform the Commission's financing and administrative functions.

OVERVIEW

Although the Commission is a state agency with general administrative powers, it has been able to operate without a separate staff or permanent office. Instead, the Commission has elected to rely upon bond counsel and the support of the Board of Regents, whose staff provides the day-to-day administration of the Commission. These services include accounting and record keeping, scheduling and coordinating commission meetings, reviewing project applications, and preparing the Commission's annual report. Furthermore, the Commission members receive no compensation for their services. Thus, the Commission has almost no operating costs and does not have a General Revenue Fund budget.

The Commission does reimburse the Board of Regents for the costs of the services provided to the Commission by the Regents' administrative staff, including part of the staff salaries. The revenues to support the reimbursement are obtained from fees charged to the colleges and universities for the issuance of the bonds. A $500 fee is paid to the Commission upon application for a capital loan, and once the bonds are issued, a fee equal to 0.02% of the principal is paid to the Commission. In no case will the total amount of fees paid by an institution be less than $1,000, nor more than $3,000.

The budget allows revenue bonds issued by the Commission to be used to pay for project costs related to facilities used for sectarian study or instruction, or religious worship, but not for facilities used exclusively for devotional activities. While maintaining the current law requirement that a participating institution must admit students without discrimination by reason of race, creed, color, or national origin, the budget states that such a requirement does not prohibit an institution from requesting that its applicants demonstrate beliefs or principles consistent with the mission of the institution. These changes make Cedarville University eligible for bonds issued through the Commission.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill**   *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
HEF Higher Educational Facility Commission, Ohio									
461	372-601	Operating Expenses	$ 8,310	$ 9,196	$9,567	$ 15,290	59.82%	$ 16,819	10.00%
Agency Fund Group Total			**$ 8,310**	**$ 9,196**	**$ 9,567**	**$ 15,290**	**59.82%**	**$ 16,819**	**10.00%**
Higher Educational Facility Commission, Ohio Total			***$ 8,310***	***$ 9,196***	***$ 9,567***	***$ 15,290***	***59.82%***	***$ 16,819***	***10.00%***

- FY 2004 appropriations decrease by 6.0% from FY 2003.

Hispanic / Latino Affairs, Commission on

Sean Fouts, Budget Analyst

ROLE

The Commission on Hispanic/Latino Affairs was created in 1977 as the Ohio Commission on Spanish-Speaking Affairs. Its statutory purpose, among others, is to advise the Governor, General Assembly, and state agencies on policies focusing on the special problems and needs of Spanish-speaking people. It also serves to assure that Spanish-speaking people have access to decision makers in state and local government. In carrying out its duty to inform the Governor and General Assembly of special problems associated with the Spanish-speaking community, the Commission focuses on one broad issue at a time. Recently, the Commission focused on the educational needs of the Hispanic community.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
11	$172,000	$172,000	$163,000	$163,000	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003. Two of the employees are full-time. The other nine are members of the Commission and are only paid for the few days a year they are working for the Commission.

OVERVIEW

Fiscal Year 2004 appropriations of $171,805 for the Commission on Hispanic/Latino Affairs represent a 6.0% decrease from FY 2003 spending of $182,696. Fiscal Year 2005 funding remains flat at $171,805.

BUDGET ISSUES

LIAISON OFFICER POSITION

At the level of funding granted the Commission in Am. Sub. H.B. 95, the Commission indicates it will be unable to fill its liaison officer position. Currently, the liaison officer also serves as the Commission's acting director. The Commission indicates that the inability to fill the liaison officer position will hinder it in carrying out its statutorily defined duties.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** **Version:** **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
SPA	***Hispanic / Latino Affairs, Commission on***								
GRF	148-100	Personal Services	$ 130,044	$ 170,956	$137,595	$ 127,419	-7.40%	$ 127,419	0.00%
GRF	148-200	Maintenance	$ 36,596	$ 33,807	$33,754	$ 35,901	6.36%	$ 35,901	0.00%
GRF	148-300	Equipment	----	$ 18,915	$1,797	$ 0	-100.00%	$ 0	N/A
General Revenue Fund Total			**$ 166,639**	**$ 223,678**	**$ 173,146**	**$ 163,320**	**-5.67%**	**$ 163,320**	**0.00%**
601	148-602	Gifts & Miscellaneous	$ 5,137	$ 4,857	$9,550	$ 8,485	-11.15%	$ 8,485	0.00%
General Services Fund Group Total			**$ 5,137**	**$ 4,857**	**$ 9,550**	**$ 8,485**	**-11.15%**	**$ 8,485**	**0.00%**
Hispanic / Latino Affairs, Commission on Total			***$ 171,777***	***$ 228,535***	***$ 182,696***	***$ 171,805***	***-5.96%***	***$ 171,805***	***0.00%***

- OHS receives 12.9% increase in funding for FY 2004
- OHS must submit plan to implement Select Committee recommendations

Historical Society, Ohio

Sean Fouts, Budget Analyst

ROLE

The Ohio Historical Society (OHS) is a chartered, not-for-profit corporation that receives state subsidies. The Society was chartered "to promote a knowledge of history and archeology, especially for Ohio." A 21 member Board of Trustees governs OHS. The Ohio Historical Society oversees the operations and maintenance of historical, archeological, and natural history sites and museums throughout the state. The Ohio Historical Society also maintains the official state archives, collecting and preserving documents pertaining to state and local government operations, as well as records of historical value that the Society may receive from public or private sources. Furthermore, OHS operates the Ohio Historic Preservation Office.

The budget of OHS provides operating moneys for the Ohio Bicentennial Commission. The Commission is a separate entity, created to celebrate Ohio's 200th anniversary of statehood in 2003, from the Historical Society, but OHS serves as the Commission's fiscal agent.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
310	$17.5 million	$15.0 million	$17.5 million	$15.0 million	Am. Sub. H.B. 95

*Employee head count obtained from the Ohio Historical Society as of June 28, 2003. The Bicentennial Commission has 15 employees.

OVERVIEW

The total appropriation for OHS in FY 2004 is $17,470,595, a 6.6% decrease from FY 2003 levels of $18,707,764. Fiscal year 2005 appropriations decrease by 14.2% to $14,981,520. However, much of this decrease is attributable to the sun-setting of the Bicentennial Commission on January 1, 2005, and the resultant decrease in funding to the Commission. If the Commission is removed from the analysis, as well as the Historical Grants appropriation item (the moneys in this appropriation item are distributed completely to local organizations and only pass through OHS), the Historical Society received $13,423,356 in FY 2004 appropriations, a 12.9% increase over FY 2003 spending of $11,890,067. Fiscal year 2005 appropriations decrease by 0.4% to $13,373,536. The Bicentennial Commission appropriations of $1,847,239 in FY 2004 represent a 69.9% decrease compared to FY 2003 spending of $6,129,228. Fiscal year 2005 appropriations decrease 96.9% to $58,164.

BUDGET ISSUES

SELECT COMMITTEE RECOMMENDATIONS

During the 124th General Assembly, a select committee was formed to discuss issues concerning historical programs. It was called the Select Committee to Study the Effectiveness of Ohio's Historical Programs and Partnerships. The Committee was comprised of members of the General Assembly and made various recommendations for change at the Ohio Historical Society. Am. Sub. H.B. 95 of the 125th General Assembly requires OHS to submit to the Controlling Board, not later than May 15, 2004, a plan to implement the recommendations of the Select Committee. If OHS were to fail to submit such a plan, FY 2005 appropriations could not be expended by OHS.

The Select Committee made recommendations in the areas of site operations, education, preservation, capital budget, accountability, fiscal, reporting, facilities, records management, cultural contributions, and other. Fiscal recommendations included the creation of an operational endowment fund, studying special funding mechanisms, and developing strategies to increase private funding of OHS.

Prohibition of Site Closures

During the budget process, OHS indicated on several occasions that proposed appropriation levels would possibly lead to site closures. Am. Sub. H.B. 95 prohibits OHS from closing any sites it operates in FY 2004 or FY 2005 if it accepts the state's appropriations. (Because OHS is a not-for-profit organization, state appropriations are considered a contractual offer by the state to OHS. If OHS accepts appropriations, it has agreed to perform the functions required of it by law and by the appropriation.)

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
OHS	**Historical Society, Ohio**								
GRF	360-403	Adena-Worthington Home	----	----		$ 200,000	N/A	$ 150,000	-25.00%
GRF	360-501	Operating Subsidy	$ 3,855,426	$ 3,529,521	$3,389,974	$ 3,389,973	0.00%	$ 3,389,973	0.00%
GRF	360-502	Site Operations	$ 7,596,345	$ 6,918,116	$6,626,040	$ 8,240,438	24.36%	$ 8,240,438	0.00%
GRF	360-503	Ohio Bicentennial Commission	$ 1,171,821	$ 3,904,998	$6,129,228	$ 1,847,239	-69.86%	$ 58,164	-96.85%
GRF	360-504	Ohio Preservation Office	$ 414,020	$ 370,892	$340,862	$ 289,733	-15.00%	$ 289,733	0.00%
GRF	360-505	Afro-American Museum	$ 1,106,119	$ 972,043	$915,566	$ 778,231	-15.00%	$ 778,231	0.00%
GRF	360-506	Hayes Presidential Center	$ 746,180	$ 655,725	$617,625	$ 524,981	-15.00%	$ 524,981	0.00%
GRF	360-508	Historical Grants	$ 600,000	$ 989,925	$688,469	$ 2,200,000	219.55%	$ 1,550,000	-29.55%
GRF	360-511	Battle Flags Restoration	$ 93,750	----	$0	$ 0	N/A	$ 0	N/A
General Revenue Fund Total			**$ 15,583,661**	**$ 17,341,220**	**$ 18,707,764**	**$ 17,470,595**	**-6.61%**	**$ 14,981,520**	**-14.25%**
Historical Society, Ohio Total			***$ 15,583,661***	***$ 17,341,220***	***$ 18,707,764***	***$ 17,470,595***	***-6.61%***	***$ 14,981,520***	***-14.25%***

- Total appropriation for FY 2004 is 5.0% more than FY 2003; FY 2005 is 5.0% more than FY 2004

House of Representatives

Kerry Sullivan, Budget Analyst

ROLE

The role of the House of Representatives, in conjunction with the Ohio Senate, is to enact the laws of the state, the authority for which is provided in the Ohio Constitution. The House considers bills, which may alter or create state law, as well as resolutions that are formal expressions of the wishes and opinions of the legislature.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
333**	$20.4 million	$21.4 million	$19.0 million	$20.0 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.
**Includes employment counts for House members, legislative staff, administrative staff, and pages.

OVERVIEW

Appropriations for FY 2004 total $20,406,112. This amount is $971,721 more than the revised appropriation for FY 2003 (a 5.0% increase) and is $2,084,764 more than actual expenditures for FY 2003. Appropriations for FY 2005 total $21,426,416, or $1,020,304 more than FY 2004 (a 5.0% increase).

Ohio's House of Representatives is divided into 99 legislative districts, each serving a population of approximately 115,000 persons. Each Representative of the House retains his or her own personal staff, typically consisting of an administrative aide, and for certain members, an additional legislative aide.

The budget for the House of Representatives contains three appropriation line items. The General Revenue Fund provides approximately 93% of the House's total budget, the majority of which is directed toward payroll and benefit expenses for legislators and their staffs. Separate General Service Fund accounts contain refunds for medical insurance premium overpayments made to the Department of Administrative Services, and revenue from the sale of flags, insignia, seals, and other similar items.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
REP House of Representatives									
GRF	025-321	Operating Expenses	$ 17,571,805	$ 17,697,267	$17,982,716	$ 19,018,547	5.76%	$ 19,969,473	5.00%
General Revenue Fund Total			**$ 17,571,805**	**$ 17,697,267**	**$ 17,982,716**	**$ 19,018,547**	**5.76%**	**$ 19,969,473**	**5.00%**
103	025-601	House Reimbursement	$ 99,922	$ 1,164,729	$311,211	$ 1,351,875	334.39%	$ 1,419,469	5.00%
4A4	025-602	Miscellaneous Sales	$ 23,080	$ 26,244	$27,421	$ 35,690	30.16%	$ 37,474	5.00%
General Services Fund Group Total			**$ 123,002**	**$ 1,190,974**	**$ 338,632**	**$ 1,387,565**	**309.76%**	**$ 1,456,943**	**5.00%**
House of Representatives Total			***$ 17,694,807***	***$ 18,888,241***	***$ 18,321,348***	***$ 20,406,112***	***11.38%***	***$ 21,426,416***	***5.00%***

- Funding in FY 2004 and FY 2005 is equal to funding for FY 2003
- The Industrial Commission Operating Fund is created to separate OIC's assessment revenue from BWC's
- OIC receives no GRF funding

Industrial Commission, Ohio

Kerry Sullivan, Budget Analyst

ROLE

The Ohio Industrial Commission (OIC) hears worker and employer appeals of workers' compensation claims decisions made by the Bureau of Workers' Compensation (BWC). Disputed claims typically involve conflicts over medical decisions or lost time benefits. Commission operations are funded through an assessment that is added to employer workers' compensation premiums and then transferred to the Industrial Commission Operating Fund.

Hearings of disputed claims take place at three levels. Initial hearings take place before district hearing officers, and if disputes remain, at a second level before staff hearing officers. District and staff level hearings take place at Commission offices, located throughout the state, and must occur within 45 days of a claimant or employer filing an appeal. Third-level hearings are held in Columbus before the three-member panel of commissioners. Commission level hearings are held on a discretionary basis only and deal with cases the Commission believes warrant further review. Otherwise, appealed cases proceed to the court system.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
541	$60.0 million	$60.0 million	$0	$0	Am. H.B. 92

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Appropriations for FY 2004 and FY 2005 total $59,999,383 each year. This amount is equivalent to the total appropriated in FY 2003 and is $8,899,559 more than actual expenditures for FY 2003. Funding levels over the 2003-2005 biennium match those requested by the Commission and recommended by the Executive.

BUDGET ISSUES

INDUSTRIAL COMMISSION OPERATING FUND

Prior to the passage of Sub. H.B. 91, the 2003-2005 biennial budget act for the Bureau of Workers' Compensation, both OIC and BWC received funding through one assessment added to employer workers' compensation premiums and deposited to the Administrative Cost Fund (Fund 023). Assessment revenue was shared proportionately between OIC and BWC. Sub. H.B. 91 created the Industrial Commission Operating Fund (Fund 5W3) and specified that moneys in the fund were to be used for costs that are solely attributable to the activities of the Commission. Under section 4123.342 of the Revised Code, the Administrator of BWC is to separately calculate employers' assessments for those costs solely attributable to OIC and for those costs solely attributable to BWC, and then is to divide the assessments collected into two separate administrative assessment accounts within the State Insurance Fund. Upon authorization from the Commission, the Administrator is then to transfer moneys from the assessment account designated for the Industrial Commission to the newly created Industrial Commission Operating Fund.

Creating the Industrial Commission Operating Fund will allow OIC and BWC to maintain direct control over their respective operating funds and will more clearly differentiate the costs of the services provided by the two agencies by showing employers what portion of their assessment goes toward OIC and what portion goes toward BWC.

Fund Balance Transfers

In keeping with the creation of the Industrial Commission Operating Fund, Am. H.B. 92, the 2003-2005 biennial budget act for the Industrial Commission, includes language that requires the Director of Budget and Management to transfer cash balances from the Administrative Cost Fund (Fund 023) to the Industrial Commission Operating Fund (Fund 5W3). The Director is also required to transfer cash from Fund 023 to Fund 5W3 in amounts equal to existing encumbrances in OIC's three line items that were formerly part of Fund 023.

Line Item Detail by Agency

Report For: OIC Budget **Version:** Enacted

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
OIC	**Ohio Industrial Commission**								
5W3	845-321	Operating Expenses	$ 40,523,001	$ 42,589,470	$42,783,719	$ 50,716,383	18.54%	$ 50,370,800	-0.68%
5W3	845-402	Rent-William Green Building	$ 4,729,465	$ 4,858,461	$5,058,583	$ 5,670,883	12.10%	$ 6,016,466	6.09%
5W3	845-410	Attorney General Payments	$ 3,020,270	$ 3,264,855	$3,152,382	$ 3,454,984	9.60%	$ 3,454,984	0.00%
821	845-605	Service Account	$ 102,369	$ 4,833	$105,140	$ 157,133	49.45%	$ 157,133	0.00%
Workers' Compensation Fund Group Total			**$ 48,375,104**	**$ 50,717,619**	**$ 51,099,824**	**$ 59,999,383**	**17.42%**	**$ 59,999,383**	**0.00%**
Ohio Industrial Commission Total			***$ 48,375,104***	***$ 50,717,619***	***$ 51,099,824***	***$ 59,999,383***	***17.42%***	***$ 59,999,383***	***0.00%***

- Inspector General investigations led to the recovery of $5.5 million in state dollars in the last three years

Inspector General

Jonathan Lee, Budget Analyst

ROLE

The Office of Inspector General (IG) investigates fraud, waste, abuse, and corruption within the executive branch of state government. Complaints received by the office are reviewed and evaluated to determine whether there is reasonable cause to believe the underlying allegations, if true, would constitute a "wrongful act or omission" on the part of a state officer, agency, or employee.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
7	$912,000	$912,000	$812,000	$812,000	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Inspector General's fiscal year (FY) 2004-2005 total GRF appropriations increased 25% above FY 2002-2003 initial GRF appropriation levels. These increases will provide for the addition of one investigator and one part-time clerical position as well as supplies and equipment. Throughout the biennium, the IG will continue to investigate complaints, and educate state employees of instances of wrongdoing in state government.

BUDGET ISSUES

SPECIAL INVESTIGATIONS

Am. Sub. H.B. 95 permits the IG to use up to $100,000 in each fiscal year for special investigations. As needed and approved, the money is transferred from the Controlling Board's Contingency/Emergency Purposes line item to the Inspector General's appropriation item 965-602, Special Investigations, in the State Special Revenue Fund Group.

JURISDICTION & REIMBURSEMENT

The Governor vetoed two provisions in the IG's budget. First, the Governor vetoed a provision that would have expanded the IG's jurisdiction to include the Ohio Retirement Study Council, the Ohio Historical Society, the Public Employees Retirement System, the State Teachers Retirement System, the School Employees Retirement System, the Ohio Police and Fire Pension Fund, and the State Highway Patrol Retirement System. Second, the Governor vetoed a provision that would have authorized the IG to accept reimbursement from private parties, state agencies, or other entities for the costs of investigations. All reimbursements would have been credited to the GRF.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
IGO Inspector General									
GRF	965-321	Operating Expenses	$ 602,977	$ 564,068	$628,246	$ 812,000	29.25%	$ 812,000	0.00%
General Revenue Fund Total			**$ 602,977**	**$ 564,068**	**$ 628,246**	**$ 812,000**	**29.25%**	**$ 812,000**	**0.00%**
4Z3	965-602	Special Investigations	$ 97,476	$ 104,514	$91,625	$ 100,000	9.14%	$ 100,000	0.00%
State Special Revenue Fund Group Total			**$ 97,476**	**$ 104,514**	**$ 91,625**	**$ 100,000**	**9.14%**	**$ 100,000**	**0.00%**
Inspector General Total			***$ 700,453***	***$ 668,582***	***$ 719,871***	***$ 912,000***	***26.69%***	***$ 912,000***	***0.00%***

- Total biennial appropriations increased by 6.0% compared to total FY 2002 to FY 2003 biennium appropriations
- No GRF funding

Insurance, Department of

Ross Miller, Economist

ROLE

The Ohio Department of Insurance (ODI) regulates the business of insurance in Ohio. Its mission is to protect Ohio consumers through financial solvency regulation, market conduct regulation, and consumer education. To carry out this mission it licenses insurance agents and agencies, investigates allegations of misconduct by insurance agents or agencies, investigates allegations of consumer and provider fraud, investigates consumer complaints, and monitors the financial solvency and market conduct of insurance companies. The Department reviews insurance policies and forms used by insurance companies and the premiums that they charge customers in the life, accident, health, managed care, and property and casualty insurance lines.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
277	$30.3 million	$31.1 million	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Ohio Department of Insurance receives no budgetary resources from the General Revenue Fund (GRF). Funding for the Department is derived primarily from the fees that accompany applications for insurance agent licenses. The Department receives up to $15 of this $20 fee with the remaining revenue deposited into the GRF. This primary revenue source is supplemented by company filing fees, various smaller fees, and a federal grant that funds the Ohio Senior Health Insurance Information Program (OSHIIP).

In 2002, ODI licensed and regulated nearly 1,800 insurance companies operating in the state, of which approximately 280 are "domestic" insurance companies, *i.e.*, companies based and licensed to do business in Ohio. The other nearly 1,500 insurance companies regulated by the Department, those based in another state but licensed to do business in Ohio, are referred to as "foreign" insurance companies. The Department of Insurance conducted 58 financial examinations of domestic and foreign insurance companies in 2002. The Department also annually licenses and regulates over 163,000 insurance agents and more than 11,300 agencies.

The total FY 2004 appropriation is $3.62 million, or 13.5%, greater than actual FY 2003 spending, and the total FY 2005 appropriation is $0.80 million, or 2.6% greater than the FY 2004 appropriation. The Department's main operating line, 820-606, Operating Expenses, accounts for nearly 72% of the biennial appropriations to the Department. The FY 2004 appropriation to that line was $21.8 million,

$2.48 million, or 12.8%, greater than actual FY 2003 spending in that line, and the FY 2005 appropriation to that line was $0.54 million, or 2.5%, greater than the FY 2004 appropriation.

BUDGET ISSUES

The General Assembly reduced the Department's budget by approximately $1.78 million over the biennium, or about 2.8%, as compared with the budget recommended by the Governor. In addition, the General Assembly required that $1 million be transferred from the Department's operating fund, Fund 554, to the GRF. This transfer was in addition to a $6 million transfer to the GRF conducted by OBM in April to help with FY 2003 GRF spending requirements.

The Department spent $3.62 million less than its total appropriation in FY 2003, so despite the sharp increase in the total FY 2004 appropriation compared to FY 2003 spending, the increase compared to the total FY 2003 appropriation was just $165, an increase of less than 0.01%. The FY 2004 appropriation to line item 820-606, Operating Expenses, was actually 2.4% less than the FY 2003 appropriation in that line. The primary reason that departmental spending was so far below its appropriation authority was a hiring freeze that was in place for most of FY 2003. The Department's approved staffing level is 273.5 full time equivalent (FTE) workers, but ODI employed approximately 265 FTE workers for most of FY 2003. A department official reports that appropriations for FY 2004 and FY 2005 are sufficient to support staffing at about 280 FTE workers. With the hiring freeze now over, the Department intends to hire staff for its Fraud Division and for its Office of Financial Regulation Services. The increased staffing in the Fraud Division would help to increase the percentage of reports of fraud that the Department is able to investigate. The Department received nearly 1,200 allegations of fraud in 2002 but was able to open cases on only 140 such allegations. The Office of Financial Regulation Services is the area within the Department charged with monitoring the solvency of insurance companies.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
INS	**Insurance, Department of**								
3U5	820-602	OSHIIP Operating Grant	$ 561,056	$ 399,506	$388,864	$ 560,559	44.15%	$ 560,559	0.00%
Federal Special Revenue Fund Group Total			**$ 561,056**	**$ 399,506**	**$ 388,864**	**$ 560,559**	**44.15%**	**$ 560,559**	**0.00%**
554	820-601	Operating Expenses-OSHIIP	$ 69,573	$ 422,786	$522,267	$ 506,515	-3.02%	$ 561,411	10.84%
555	820-605	Examination	$ 6,068,542	$ 6,097,702	$6,454,494	$ 7,433,751	15.17%	$ 7,639,581	2.77%
554	820-606	Operating Expenses	$ 17,551,158	$ 18,427,154	$19,334,833	$ 21,815,431	12.83%	$ 22,357,575	2.49%
State Special Revenue Fund Group Total			**$ 23,689,273**	**$ 24,947,641**	**$ 26,311,594**	**$ 29,755,697**	**13.09%**	**$ 30,558,567**	**2.70%**
Insurance, Department of Total			***$ 24,250,330***	***$ 25,347,147***	***$ 26,700,458***	***$ 30,316,256***	***13.54%***	***$ 31,119,126***	***2.65%***

- JFS appropriation for FY 2004 increases $1.9 billion over FY 2003 spending, with most of the increase being in Medicaid and other health care
- Increases funding for line item 600-525, Health Care/ Medicaid, by $831.5 million in FY 2004 and by $465.6 million in FY 2005
- Creates the Head Start Plus program beginning in FY 2005
- Prohibits the Director, during FYs 2004 and 2005, from disenrolling from the child care program certain individuals with incomes at or below 165% of the federal poverty line
- Implements Disability Assistance cost containment reforms
- Appropriations for federal portion of TANF program exceed annual grant

Job and Family Services, Department of

Steve Mansfield, Fiscal Supervisor
Ivy Chen, Economist
Maria Seaman, Senior Budget Analyst

ROLE

The Ohio Department of Job and Family Services (JFS) was formed on July 1, 2000 by the merger of the Department of Human Services and the Bureau of Employment Services. The JFS mission is, through partnerships with local government, to help all Ohioans improve the quality of their lives. The JFS vision is to be the nation's leading family support and workforce development system. It does this through the direction and supervision of programs that provide health care, employment and economic assistance, child day care, enforcement of child support, and a host of other social services to individuals, families, and children. These services are provided through six major delivery systems: Workforce Development, Child Support, Children and Family Services, Health Care, Unemployment Insurance, and Family Stability. See the appropriate sections for a detailed analysis of the budget of each delivery system.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
3,603	$15,392.8 million	$16,025.2 million	$9,718.1 million	$10,187.9 million	Am. Sub. H.B. 95

*Employee head count, as of June 28, 2003, per the Department of Job and Family Services.

OVERVIEW

The administration and funding of human service and workforce development programs represent a unique cooperative partnership between the three levels of government: federal, state, and local. The Ohio Department of Job and Family Services directs and supervises the delivery of human services through a network of local government agencies and several district offices. The direct delivery of these services is administered by a combination of county offices, which include 88 county departments of job and family services, 50 separate child support enforcement agencies, and 33 separate public children services agencies. Unemployment compensation services and workforce development services are also delivered through a network of county and regional offices, and telephone registration centers.

The Ohio Department of Job and Family Services supervises the delivery of services by the counties through written fiscal agreements with county boards of county commissioners, local workforce development areas, children services boards, and child support enforcement agencies. The fiscal agreements specify the terms of the award of financial assistance, performance, reporting, and other matters for family services and for workforce development activities.

Under a family services fiscal agreement, each county receives a consolidated allocation of eight different allocation streams from the federal government. The advantage of the single allocation is that it provides counties with greater flexibility in their spending by aggregating these funding streams into one single amount with which to operate. The county spends the consolidated funds in the various programs as needed, and JFS employs a cost allocation system to capture and report expenditure information at the grant specific level. When this cost allocation system is employed, if a county exceeds its total allocation, this overage can be balanced with under spending from another county. Any excess expenditures that cannot be fully balanced by other under spending within the consolidated allocation, is covered by federal TANF funds that have been transferred to the Social Services Block Grant (SSBG) and claimed as reimbursement for eligible SSBG expenditures. The Ohio Department of Job and Family Services anticipates that approximately $40.5 million will be drawn from the transferred funds to pay for county overages in each year of the FY 2004-2005 biennium.

For FY 2004, the budget act appropriates $15,392,156,168 in all funds to totally fund JFS. This exceeds the FY 2003 spending level by $1,924,707,466, or 14.3%. An increase of 23.5% in appropriation authority over FY 2003 expenditures occurs in federal funding. When looking solely at GRF appropriations, we see that FY 2004's appropriation of $9,718,075,406 is an increase of only $869,156,241, or 9.8%, over the FY 2003 expenditure level. Looking further into the composition of the Department's GRF appropriation, we see that several GRF line items include a federal portion. The federal portion of the GRF appropriation for JFS amounts to over $5.3 billion in FY 2004, and $5.6 billion in FY 2005. As a portion of the Department's total budget for both FY 2004 and FY 2005, federal funds make up about 63% of the total. This federal component of GRF funds combined with federal special revenues results in a total of federal funds in the JFS budget of $9.7 billion in FY 2004 and $10.1 billion in FY 2005. The table below details the Department's appropriations by fund group.

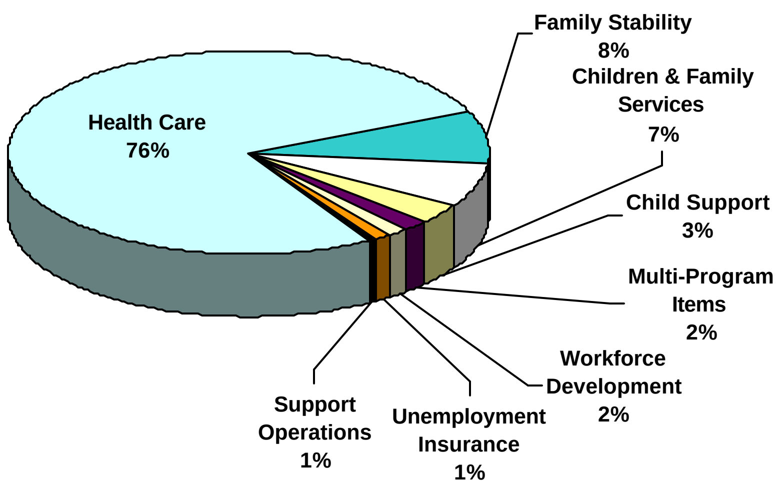
Department of Job & Family Services Appropriations by Fund Group					
Fund	**FY 2003 Actual Expenditures**	**FY 2004 Appropriation**	**% Change FY 2003-2004**	**FY 2005 Appropriation**	**% Change FY 2004-2005**
GRF	$8,848,919,165	$9,718,075,406	9.8%	$10,187,883,706	4.8%
General Services	$103,272,224	$87,213,890	-15.5%	$87,089,846	-0.1%
Federal Special Revenue	$3,598,632,429	$4,443,376,680	23.5%	$4,594,555,020	3.4%
State Special Revenue	$805,265,147	$975,380,704	21.1%	$987,578,822	1.3%
Agency Fund	$107,836,423	$162,065,582	50.3%	$162,065,582	0.0%
Holding Account Redistribution	$3,523,314	$6,043,906	71.5%	$6,043,906	0.0%
TOTAL	$13,467,448,702	$15,392,156,168	14.3%	$16,025,216,882	4.1%

The budget for the Department of Job and Family Services is organized into six broad program areas, or program series, with a seventh for budget items that span two or more series. The appropriation level for each program series is as follows:

		FY 2004	FY 2005
Program Series 1	Workforce Development	$ 237,463,792	$ 234,808,884
Program Series 2	Child Support	$ 512,418,766	$ 514,404,551
Program Series 3	Children and Family Services	$ 1,093,913,194	$ 1,110,544,973
Program Series 4	Health Care	$11,750,203,208	$12,319,572,544
Program Series 5	Unemployment Insurance	$ 174,868,475	$ 161,052,378
Program Series 6	Family Stability	$ 1,283,269,446	$ 1,343,768,822
Program Series 8	Support Operations	$ 91,928,796	$ 88,165,118
Program Series 999	Multi-Program Items	$ 248,090,491	$ 252,899,612

The following pie chart displays the proportions of each program series in the JFS budget for both fiscal years combined.

Department of Job and Family Services
FY 2004-FY 2005 Biennial Program Appropriations



The following sections provide a summary of the developments in each series.

SUPPORT OPERATIONS

Overview and Budget Issues

The Department of Job and Family Services (JFS) central administration consists of the Director's Office and the offices of the Chief Inspector; Communication; Fiscal Services; Internal Administration; Legal Services; Legislation; Professional Development and Quality Services; and Research, Assessment, and Accountability. Besides the leadership and direction-setting roles of the Director's Office, the component offices provide most of the support services to the program offices.

The Department has been closely monitoring its staffing levels. It has made adjustments to its staffing ceiling as employees leave the agency and has only hired selectively as needed. The Department believes that it will be able to maintain current staff levels during the biennium.

The Office of Management Information Services (MIS) provides information systems to meet the Department's operational and managerial decision-making needs. It reviews and approves state and county data processing needs and processes Medicaid, public assistance, and social services claims. It designs, develops, implements, and provides technical support to the Department's computer systems for Medicaid, public assistance, social services, child support enforcement programs, employment services, and workforce development. The Department maintains ten major computer systems across the agency.

Computer projects are funded primarily with appropriation item 600-416, Computer Projects. The appropriation levels for appropriation item 600-416 are $151,095,442 in FY 2004, a 7.72% increase over FY 2003 expenditures, and $151,400,454 in FY 2005, a 0.2% increase over FY 2004 appropriations. The number of computer systems that JFS maintains necessitates constant evaluation of priorities. Ongoing maintenance of the aging computer infrastructure must be balanced against limited resources and advancements in technology. At the beginning of FY 2004, the Department's priorities for FYs 2004 and 2005, include:

- Phasing in the Sharing Career Opportunities and Training Information project (SCOTI), a key system in the implementation of "One Stop" service centers;
- Implementing Ohio Job Insurance (OJI), a new unemployment compensation benefits system;
- Upgrading MMIS (Medicaid Management Information System), which is not currently compliant with the Health Insurance Portability and Accountability Act of 1996 and constantly changing due to state and federal policy changes;
- Beginning work on SACWIS (Statewide Automated Child Welfare Information System) and a new Unemployment Compensation tax system, which will aid employers in filing unemployment tax and help JFS process the tax.

These priorities may change.

Program Budgeting

Beginning in FY 2003, JFS restructured its GRF appropriation items by implementing a program budgeting structure. Previously, appropriation items 600-100, Personal Service; 600-200, Maintenance; and 600-300, Equipment, while the primary sources of funding for central administration, were allocated across program areas throughout JFS. Each program area has its own appropriation item from which GRF-funded administrative expenses for that program are paid. In addition, JFS combined several GRF appropriation items within most of the program areas. For example, the Office for Children and Families had several GRF appropriation items that were used exclusively to provide subsidies to the counties. The restructuring of the appropriation items collapsed those appropriation items into one. The Department believes that this new structure allows for better management of individual programs while providing improved accountability. While the Controlling Board approved the restructuring of appropriation items beginning in FY 2003, Am. Sub. H.B. 95 is the first budget act that has appropriated dollars under the new structure.

Local Operations Reorganization

The Department manages and maintains 1.5 million square feet of state-owned and leased properties to house employees across the state. In October of 2001, JFS presented a plan to the General Assembly outlining the consolidation of staff from 61 facilities into 22 locations. The reorganization plan is meant to reduce the amount of square feet needed to house employees by 50%. The Department's plan includes delivery of unemployment compensation services via telephone by state staff. It also includes the transfer of adjudication services from the local offices to telephone registration centers staffed by state employees. Specially trained state staff are to be dedicated to work closely with claimants to help them find work. The Department plans to continue face-to-face services for veterans.

The General Assembly requested that JFS start with a pilot transition. That pilot transition began in May 2002 and closed seven local JFS offices and consolidated staff into unemployment compensation call centers, processing centers, and locally operated One Stop centers.

The Department is in the process of closing 40 additional offices. The Department has announced the sequence of these office closings and proposed timeframes. It has worked with the Ohio Civil Service Employees Association and developed a process to reassign collective bargaining staff. Interviews and selections have been made for the future 22 office managers. Staff will continue services in six call centers, 16 processing centers, and locally operated One Stop centers.

To accomplish the next phase of the transition, JFS will purchase telephone switching equipment; develop telecommunication networks and a unified statewide call system; reconfigure the MIS network to accommodate the transition; lease and develop new call center and processing center space; selectively renovate existing office space; pay moving expenses; and acquire modular furniture and renovation items needed to upgrade the infrastructure.

The limited GRF funding available for this project required JFS to seek another source of funding to proceed with its plan for continuing the local operations reorganization. The Department received approval from the Unemployment Compensation Advisory Council to use federal Reed Act dollars as an alternative funding source for this project.

WORKFORCE DEVELOPMENT

Overview

The Office of Workforce Development (OWD) has been recently reorganized as part of the Department of Job and Family Services' program budgeting reform. It previously contained most of the programs now organized in the Office of Family Stability in addition to specific workforce development and employment service programs. The Office of Workforce Development develops and administers programs and services designed to support and enhance state and local workforce development initiatives that address the needs of workers, families, and employers throughout Ohio. The Office of Workforce Development provides services that seek to assist Ohioans remove barriers, enter employment, maintain employment, and gain self-sufficiency and independence. The Office of Workforce Development also provides programs to assist Ohio's businesses with recruitment of skilled workers, technical assistance with identification of funds and resources for skills training for new and incumbent workers; provides federally and state required training programs; and other support services tailored to meet specific business needs.

The Office of Workforce Development administers the federal Workforce Investment Act of 1998 (WIA), which brings about a fundamental change in the nation's employment and training system. The stated purpose of the legislation is to "provide workforce investment activities, through statewide and local workforce investment systems, that increase the employment, retention, and earnings of participants, and increase occupational skill attainment by participants, and, as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the Nation."

The Workforce Investment Act of 1998 repealed the Job Training Partnership Act and replaced it with a locally based employment and training service delivery system for adults, dislocated workers, and youths with an emphasis on flexibility in the use of program dollars. These three categories (adults, dislocated workers, and youths) designate the three funding streams of WIA. Provisions of the Act promote individual responsibility and personal choice through the use of Individual Training Accounts that allow adult customers to "purchase" the training that best fits their needs. Adults and dislocated workers may access, depending on an eligibility assessment of their needs, employment and training activities that fall in three categories: core, intensive, and training services. Youth activities under WIA attempt to move away from one-time, short-term interventions toward a systematic approach that offers youth a broad range of coordinated services that may be provided in combination or alone. Such offerings for youth include opportunities for assistance in both academic and occupational learning, developing leadership skills, and preparing for further education, additional training, and eventual employment.

The Act is business focused as well. Business is seen to be a critical partner in the development and design of service delivery systems with strong ties to economic development. The Workforce Investment Act of 1998 requires that business representatives comprise the majority of the membership of State Workforce Investment Boards, providing leadership and information to ensure that the service delivery system prepares people for current and future jobs.

The Bureau of WIA, which is one of five bureaus in the Office of Workforce Development, has three main goals in its implementation of WIA. These are: (1) to created a vertically integrated workforce investment system with all elements coordinated and complementary, (2) to promote Ohio's economic competitiveness by improving employment opportunities, fostering job retention, and increasing earnings of all Ohio workers; and (3) to build a workforce development system that prompts all stakeholders to agree that "it works for me."

Core to WIA is the One-Stop approach to service delivery. In fact, the Act mandates that states and localities develop One-Stop delivery systems for service integration and elimination of duplicative efforts. In Ohio, funding is allocated to eight Workforce Investment Boards for the establishment of One-Stops and the delivery of training services. These systems are mandated to serve communities by functioning as the primary public resource for job and career counseling, training, job searching, employment services, and a range of other ancillary services that include childcare and transportation.

Ohio has piloted One-Stops in six locations: (1) Defiance/Paulding/Williams, (2) Cuyahoga, (3) Franklin, (4) Portage, (5) Lawrence, and (6) Clark. Fully compliant, cost sharing Memorandum of Understanding (MOUs) have been negotiated and signed in Clark and Lawrence counties. The Department of Job and Family Services remains in the process of deciding the number and location of the remaining One-Stops. The Department of Job and Family Services has stated that its goal is to have a minimum of 36 One-Stops, with at least three located in each of the 12 economic development areas.

The Department of Job and Family Services is also developing a process for the certification of One-Stops. The goal of such a certification process is to assure that each One-Stop meets national standards on the presence and availability of services.

The Governor's Workforce Policy Board developed a five-year strategic state plan and began implementing WIA beginning July 1, 2000.

Budget Issues

Workforce Development Grant Agreement

The budget act requires the Director of Job and Family Services to enter into one or more written grant agreements with each local workforce development area under which financial assistance is awarded for workforce development activities, rather than a partnership agreement, which had been required. The budget act further requires the Director to adopt rules to specify allowable uses of WIA funds, and to establish reporting, cash management, audit, and other requirements.

Appropriations from Fund 3V0

The budget act permits the Department of Job and Family Services to use appropriations from appropriation item 600-662, WIA Ohio Option #7, or from appropriation item 600-688, Workforce Investment Act, to provide financial assistance for workforce development activities included in a grant agreement entered into by the Department in accordance with section 5101.20 of the Revised Code. The Director of Budget and Management may increase appropriations in one of these line items with a corresponding decrease in the other line item in order to allow counties to move from a status as a conventional local area to an "Ohio Option" county, or the reverse.

Earmark of WIA Funds for Statewide Workforce Investment Activity

The budget act also earmarks $3.5 million from Workforce Investment Act funds (Fund 3V0), reserved for statewide workforce investment activities, in each fiscal year to support the Jobs for Ohio Graduates programs administered by the Department of Education. This is the first instance of an earmark of funds reserved for statewide workforce investment activities.

UNEMPLOYMENT INSURANCE

Overview

The Unemployment Insurance (UI) program was created as a federal/state partnership for income maintenance during periods of involuntary unemployment, by providing partial compensation for lost wages as a matter of right, to eligible individuals. Such compensation provides a counter-cyclical source of revenue to support the local economy in times of economic downturn. Funds for administration of UI are provided primarily by the U.S. Department of Labor (USDOL) from revenues collected from employers by the Internal Revenue Service pursuant to the Federal Unemployment Tax Act. Benefits are paid through the Unemployment Compensation Trust Fund, which is funded through state insurance taxes that are paid by employers and collected by JFS. In June 2003, the Unemployment Compensation Trust Fund had a balance of approximately $1.2 billion, and is forecast to end FY 2005 with a balance in excess of $1.0 billion. Since this balance is below the minimum safe level required by the Revised Code, an increase of employer contribution rates will be triggered.

The UI program is administered by the Office of Unemployment Compensation. The primary goal of the Office of Unemployment Compensation is to collect sufficient employer taxes to support the payment of unemployment compensation benefits to individuals who have become unemployed through no fault of their own.

Through information collected regarding hiring, wages, and benefits, the UI system directly supports the informational needs for measuring outcomes related to employment and supports the interception of benefit payments for the deduction of child support. In addition, this information is used to help detect fraud and prevent overpayments in such programs as TANF, workers compensation, and railroad retirement benefits, as well as unemployment compensation itself.

Budget Issues

Local Office Closings

In FY 2004 JFS continues to implement its local office transition plan that will close local unemployment offices and replace them with telephone registration centers. (For further detail, please see the discussion under the heading “Reorganization of Local Operation” in the Administration section.)

Reed Act Distributions

The budget act appropriates $53,700,000 for FY 2004 and $47,300,000 for FY 2005 from funds made available by the federal government in what are know as “Reed Act distributions.” In March 2002, federal legislation (H.R. 3090) to stimulate the economy provided for the immediate distribution of excess funds in the Unemployment Trust Fund (UTF). The budget act also provides in each year that up to $18,000,000 of this shall be used by the Department of Job and Family Services to reimburse the General Revenue Fund for allowable expenditures in Ohio’s Unemployment Compensation program.

FAMILY STABILITY

Overview

The Office of Family Stability (OFS) is a newly created office, created in conjunction with the introduction of program budgeting reorganization within the Department of Job and Family Services (JFS). The OFS develops and administers programs and services designed to support low income Ohioans and families as they are seeking to better their lives and become self-sufficient. Many of the programs administered by OFS are entitlement programs, which means that if an individual or family meets specific eligibility requirements, they are assured of receiving services. Expenditures in the programs are in some cases driven by the economy (e.g., the Food Stamps program), and in other cases driven by social policy changes that have occurred in the last several years (e.g., the Ohio Works First program). The principal programs administered by OFS include the Ohio Works First (OWF) program, the Prevention, Retention, and Contingency (PRC) program, the Food Stamps program, the Electronic Benefits Transfer (EBT) program, and the Disability Assistance (DA) program.

Budget Issues

Ohio's TANF Programs

Ohio Works First (OWF)

A fundamental shift in the nature of Ohio's welfare program was introduced in 1995 with the passage of Sub. H.B. 167 of the 121st General Assembly. In H.B. 167, Ohio sought and was granted a waiver from the existing requirement of the federal Social Security Act to redesign the delivery of welfare benefits in a way that provided increased incentives for recipients to move off welfare by giving priority to early employment. The federal Temporary Assistance to Needy Families (TANF) program was implemented by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which built on the earlier experience of the several states that had pursued experiments in welfare reform. Ohio's TANF programs, the OWF program, and the PRC program (introduced by Am. Sub. H.B. 408 of the 122nd General Assembly), implemented PRWORA and refined and extended the "work first" strategy of welfare reform. The OWF program provides time-limited cash assistance and support services to help needy families with (or expecting) children care for those children in their own homes, and to eliminate the barriers to work that lead to reliance on government assistance. The OWF seeks to accomplish this by providing such things as job placement services, child care services, and transportation, and by promoting activities such as preparation for work, job search, and early entry into employment.

Among the reforms implemented by H.B. 408 are stricter work requirements, an expansion of the earned income disregard, and lifetime limits on the eligibility to participate. While the federal TANF law provided a lifetime limit to participation of five years, participation in OWF has a limit of 36 months, after which the family remains ineligible for 24 months. Subsequent to this 24-month period, a family may receive benefits for an additional 24 months if, in the view of the county department of job and family services, good cause exists to warrant the extension.

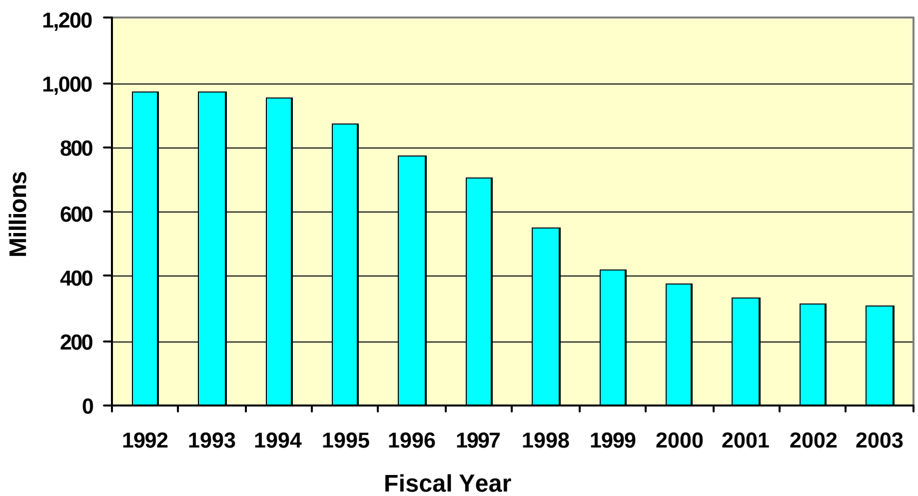
The PRWORA eliminated the Aid to Families with Dependent Children program (or AFDC; in Ohio this was called Aid to Dependent Children or ADC), the Job Opportunity and Basic Skills (JOBS) program, and the Family Emergency Assistance (FEA) program. Congress replaced these programs with the TANF program. Prior to TANF, under the AFDC program, the federal government provided states with open-ended matching funds if a state decided to participate in the program.

The old AFDC program was an "entitlement" for states that chose to operate an AFDC program. The states that participated received a reimbursement for their welfare spending of 50% to 80%, depending on per capita income. In Ohio, this reimbursement averaged about 60% over the decade prior to PRWORA. Each state that participated determined (as continues today under TANF) the income standards for eligibility and the benefit levels of recipients. Recipients had a "right" (which also continues under TANF) to equal treatment in the determination of their eligibility and benefit levels. One of the purposes of PRWORA is to end eligibility-based entitlement to assistance. The PRWORA requires the parent or caretaker in a family receiving assistance to engage in work once the state determines that the parent or caretaker is ready to engage in work, or once the parent or caretaker has received assistance for 24 total months, whichever is earlier. Ohio requires that recipient adults must meet a participation requirement that is established in a self-sufficiency plan as a condition of receiving cash benefits.

Under the original "entitlement" that was granted to participating states, federal appropriations were provided as a reimbursement for the assistance provided to needy families. If a state experienced an increase in welfare expenditures due to an increase in caseloads or changes in benefit levels, this would result in an increase of federal reimbursements, and vice versa.

A key factor easing the transition to the new environment of TANF is that caseloads went down steadily since the spring of 1992, as Ohio and the nation experienced economic expansion (*see* **Figure 1**). Even though the economy has slackened in the last few years, Ohio's OWF caseload has remained fairly stable. As a result, Ohio and most other states have, under the block grant, received more federal money than they would have under the old funding system. The shift away from an open-ended reimbursement to a flat block grant, however, introduces the need for states to manage reserves for future caseload changes, to provide more intensive services to those recipients who remain on the caseload, and who are presumably "harder to serve," and to provide preventive services to those in the workforce who are at risk of needing assistance. The need to develop a program to provide services to those "at risk" led to the creation of Ohio's Prevention, Retention, and Contingency (PRC) program, which is discussed below.

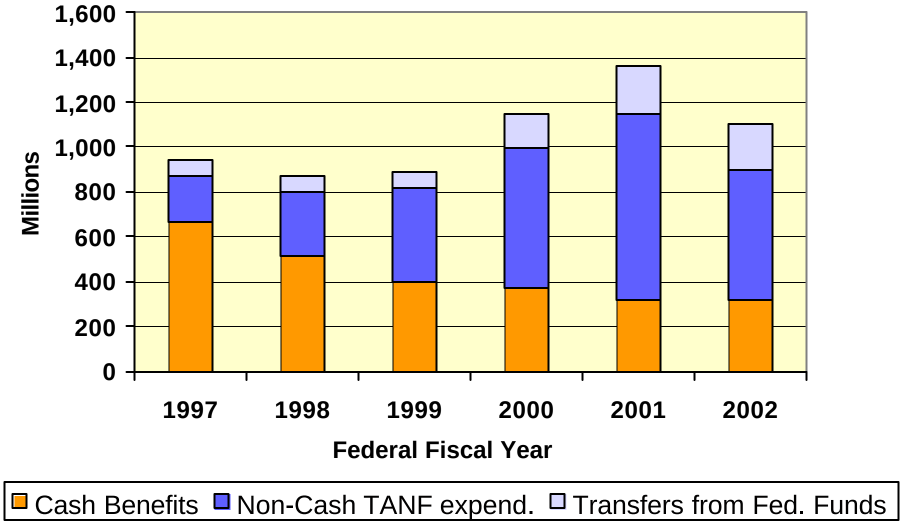
Figure 1: ADC/OWF Cash Benefits
FY 1992 -- FY 2003



As suggested above, one of the consequences of the block grant funding arrangement is that reductions in recipient caseloads reduce the amount of "baseline" cash benefits, thus leaving more funds available for other TANF-related program services or activities. As can be seen in **Figure 2**, by federal fiscal year

(FFY) 2000, non-cash TANF expenditures composed a majority of total TANF spending in Ohio. These other activities include a broad array of services designed to help individuals find and keep jobs, including employment services, child care, transportation, emergency benefits, and other services and benefits. **Figure 2** also shows an increased rate of spending for FFY 2000 and FFY 2001, and a decline for FFY 2002.

Figure 2: Composition of Total TANF Expenditures, FFY 1997 -- 2002



Spending data through June 2003 shows a further decline in total TANF expenditures. Ohio reported total TANF expenditures of $1,058.0 million in SFY 2002, and reported $876.6 million in total TANF expenditures in SFY 2003, a decrease of 17.1%.

The federal TANF legislation provides that "a State may reserve amounts paid to the State under [this legislation] for any fiscal year for the purpose of providing, without fiscal year limitation, assistance under the State program funded under [this legislation]." At the end of FFY 2002 (September 30, 2002), Ohio's total unspent TANF funds stood at $520.9 million, with $278.9 million reported as unliquidated obligations, and $242.0 million reported as the unobligated balance, not counting unspent funds that have been transferred to either the Social Service Block Grant or the Child Care and Development Fund. At the end of the third quarter of FFY 2003 (June 30, 2003), Ohio reported total unspent federal TANF funds of $694.2 million. At the same point in the previous fiscal year, Ohio reported total unspent federal TANF funds of $420.5 million. This represents a year-over-year increase in unspent funds of $273.6 million.

Maintenance of Effort

As noted above, the focus of public assistance programs has now shifted away from "entitlement" for the states to block grant funding where states assume a greater portion of the risk from costs resulting from increases in the caseloads. Ohio's annual TANF block grant award of approximately $728 million is based on the amount of federal funds expended in FFY 1994 for the three eliminated programs (AFDC, JOBS, and FEA). In order to receive the annual block grant, Ohio is required to meet a maintenance of effort (MOE) requirement of 80% of what it spent in FFY 1994 on the three eliminated programs (approximately $417 million), through FFY 2003. The MOE can be lowered to 75% if the state meets its work participation requirements. Since Ohio is meeting these participation requirements, the budget act has established an MOE spending level of 75%, or about $390.9 million for FY 2005, and slightly above that level for FY 2004. See **Table 1** for a breakdown of the components of the MOE.

Table 1: Components of TANF State Maintenance of Effort		
	FY 2004 (in millions)	FY 2005 (in millions)
600-410, TANF State	$272.6	$272.6
600-413, Day Care MOE	$45.4	$45.4
600-658, Child Support Collections	$24.3	$23.8
ODADAS MOE (appropriated in ODADAS budget)	$5.0	$5.0
County Share	$28.5	$28.5
State Operating	$15.6	$15.6
TANF MOE	$391.4	$390.9

Prevention, Retention, and Contingency Program (PRC)

The PRC program is designed to "divert" families from public assistance by providing one-time, short-term, customized assistance to overcome immediate problems or barriers that could, if not addressed, result in a situation that requires public assistance. The PRC program was implemented by H.B. 408, replacing the Family Emergency Assistance (FEA) program. The objective of the PRC program is to provide a mixture of short-term cash and/or nonmonetary services that will enable a family to retain or obtain employment and thereby, stay off of public assistance.

The old FEA program focused on such contingency benefits as rent payments, utility shut-offs, and household appliance repair or replacement. Along with these same contingency benefits, PRC emphasizes prevention and retention benefits that are oriented to helping clients achieve or maintain self-sufficiency. To participate in the PRC program, an assistance group must include at least one minor child. Additional PRC program eligibility criteria are established in each county's fiscal agreement. Counties are given considerable latitude regarding the types and amounts of assistance to be provided. The policies that counties develop must be consistent with state and federal law. The types of cash assistance that PRC provides assistance for include costs for such things as: shelter, job-required clothing, household necessities like the repair of a furnace or a major appliance, home repair, and transportation. Nonmonetary services include such things as: counseling, employment services, and short-term training.

As of March 31, 2003, FY 2003 total expenditures in the PRC program were $36.2 million. At the same point in FY 2002, total PRC expenditures were $46.5 million.

Appropriation Level of Federal TANF Grant

The budget act appropriates $786.1 million for FY 2004 and $845.9 million for FY 2005 to line item 600-689, TANF Block Grant. These appropriations exceed the annual TANF Block Grant award by $58.2 million in FY 2004, and by $117.9 million in FY 2005. The expenditure of the full appropriation in each year would thus have the effect of reducing the amount of the unspent TANF grant funds that have accumulated from previous years.

Disability Assistance

The Disability Assistance (DA) program is a state and county funded effort that provides cash and/or medical assistance to persons who are unemployable due to physical or mental impairment, and who are not eligible for public assistance programs that are supported in whole or in part by federal funds (for example OWF or Supplemental Security Income). Eligibility criteria for DA are established by the state. To be eligible for DA, a person must meet one of the following conditions: is under the age of 18, is over the age of 59, is disabled as determined by the county, is pregnant, or is medication dependent. Disability under the DA program is defined as the inability to do any substantial or gainful activity by reason of physical or mental impairment that can be expected to last nine months or can be expected to result in death. The DA program thus provides a "safety net" to help needy people to meet basic needs and maintain their health.

The DA program has two distinct components: DA cash assistance and DA medical assistance. There is no time limit for receipt of DA benefits; assistance is provided on an ongoing basis as long as all eligibility requirements are met, and provides a maximum cash grant of $115 per month for a one-person assistance group, along with medical benefits.

In the wake of legislation in the mid-1990s that reformed the DA program, and the implementation of OWF, the DA cash and medical recipient caseloads exhibited a steady decline until fall 1999. Since then, however, the cash assistance caseload has been increasing steadily. In January 2001, the medical assistance caseload also began to increase and, along with an increase in medical inflation, has quickly added to the cost of the program. Both LSC and OBM had forecast a continuing high rate of growth in the program.

The budget act includes several cost containment measures for DA. Prior to the budget act, DA benefits were provided to a variety of people including the elderly and disabled who are awaiting federal disability determinations, first and second trimester pregnant women, children under 18 living with a nonrelative, and individuals residing in treatment facilities certified by the Ohio Department of Alcohol and Drug Addiction Services. The budget act provides an increase of funding for FY 2004 of 6% above the spending in the program for FY 2003. All of this increase is in the medical assistance portion of the DA program. The appropriation level for FY 2004 for the cash assistance portion of DA is $22.8 million, which is the same as the actual spending for FY 2003. The budget act provides no growth for FY 2005. In order to operate the program at flat funding during the biennium, program eligibility will be restricted. The budget act permits the Director of Job and Family Services to adopt rules that revised the program's eligibility requirements and payment amounts, and to suspend acceptance of applications for DA financial and medical assistance. The Department of Job and Family Services estimated that the flat funding for FY 2004 and FY 2005 will result in approximately $83.0 million being saved over the biennium.

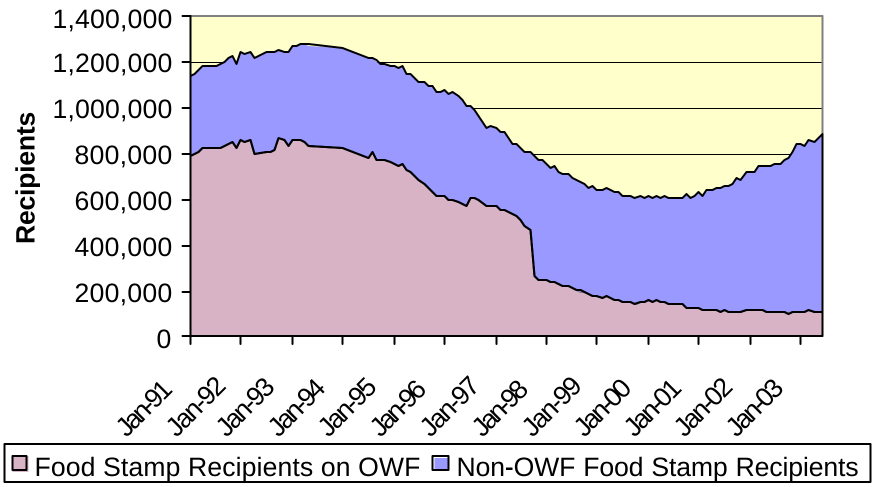
Food Stamps

The goal of the Food Stamp program (FSP) is to increase nutritional intake of low income persons by supplementing their income with food stamp benefits and thereby eliminate hunger and malnutrition. Recent policy changes have introduced a work requirement for adult recipients. Federal funds in this program are used to pay the state and county job and family services departments' costs of administering the FSP. The value of the food stamps, themselves, is provided in full by the federal government through the process of redemption. For most administrative activities, the state and federal government split costs 50/50; for certain other activities, such as fraud control, the federal government pays 75% of the costs and the state pays the remainder.

Ohio experienced a steady decrease in FSP participation beginning in 1993 after the previous recession. However, as the economy slackened in the last few years, the number of recipients has increased. The earlier decline in participation may have been related to both the improvement in the overall employment rate and changes in eligibility. Whereas, in recent years, increased participation corresponds to increased unemployment. As is apparent in the accompanying **Figure 3**, a substantial shift in food stamp recipients away from receipt of OWF benefits has resulted in a fundamentally different composition of the food stamp caseload.

The budget act's appropriation to line item 600-610, Food Stamps and State Administration, for FY 2004 is $134.6 million, and for FY 2005 is $135.1 million. The appropriation level for FY 2004 represents an increase of $36.6 million, or 37.4%, from actual expenditures in FY 2003. In FY 2002 and FY 2003 this line item had appropriations of $160.4 million and $161.7 million, respectively. About half of these funds were state dollars. In June 2002, approximately $19 million from excess state food stamp administration funds were transferred to the GRF to help balance the budget. And, on March 5, 2003, the Executive announced that it would use $20.0 million from these excess funds to help balance the budget in FY 2003.

Figure 3: Food Stamp Recipients, OWF and Non-OWF, 1991-2003



MEDICAID

Overview and Budget Issues

The Office of Ohio Health Plans in the Department of Job and Family Services (JFS) operates several state and federally funded programs providing health care coverage to certain low income and medically vulnerable people of all ages including: Medicaid, the State Children's Health Insurance Program (SCHIP), the Hospital Care Assurance Program (HCAP), and the state Disability Assistance (DA) Medical program.

Medicaid, the largest health program in Ohio, was created by the Social Security Act as Title XIX, and became law in 1965. Medicaid is an entitlement program and is a state/federal partnership that jointly funds the provision of adequate medical care to eligible needy persons. In this partnership, the federal government establishes broad national guidelines. Each state determines its own eligibility requirements and scope of services, sets its own payment rates, and administers its own program.

The State Children's Health Insurance Program, created by the Social Security Act as Title XXI, provides health care coverage to children who were not previously eligible for Medicaid and whose family income is below 200% of the federal poverty guideline (FPG). Through HCAP, created by the Social Security Act as Title XXI, hospitals are reimbursed for some of their costs of providing medical care to persons below 100% of FPG. Disability Assistance Medical is a state and county funded program that provides limited medical coverage to persons who are not eligible for a federally funded program.

In FY 2002, Medicaid and SCHIP provided health care coverage to about 1.4 million Ohioans every month to people in the following four distinct insurance markets: children in families with incomes at or below 200% of FPG; pregnant women with incomes at or below 150% of FPG; parents at or below 100% of the FPG; and low income elderly and persons with disabilities of all ages, commonly referred to as Aged, Blind, and Disabled (ABD). Many consumers with disabilities have medical needs so extensive that commercial plans would deem them "uninsurable." Even though Medicare provides coverage for most of Ohio's elderly population, many of these individuals are "dually eligible." Medicaid supplements their Medicare benefits by providing coverage for services such as prescription medications and long-term care through the Medicaid program. Medicaid also provides assistance with Medicare premiums, copayments, and deductibles to certain low income seniors.

Although other state agencies provide Medicaid services, the vast majority of Medicaid spending occurs within the JFS budget. Recognized by the federal government as Ohio's single Medicaid agency, JFS provides long-term care and basic medical services with state and federal moneys through General Revenue Fund (GRF) line item 600-525, Health Care/Medicaid. Beginning in FY 2003, the 600-525 line item is not only used to fund Medicaid, but also SCHIP, and DA Medical.[3] In addition to the GRF, several provider tax programs and other special revenues are used to pay for Medicaid services.[4]

[3] Prior to FY 2003, spending for part II of SCHIP was funded through line item 600-426, Children's Health Insurance Program, and spending for DA Medical was funded through line item 600-511, Disability Assistance/Other Assistance.

[4] Provider tax programs refer to assessments on hospitals, as well as bed taxes on nursing facilities and intermediate care facilities for the mentally retarded. These programs serve as a mechanism by which to draw additional federal matching funds.

The federal financial share of Ohio's Medicaid program changes every federal fiscal year. In accordance with federal law, the federal government shares in the cost of Medicaid at a matching rate known as the FMAP (Federal Medical Assistance Percentage). The FMAP is calculated based upon each state's per capita income in recent years relative to the entire nation. The general description of how this cost-sharing mechanism works has traditionally been as follows: for every one dollar Ohio spends on Medicaid, the federal government gives Ohio 59 cents. However, while the majority of the spending in line item 600-525, Health Care/Medicaid, is matched at the FMAP rate, a few items, primarily contracts, are matched at 50%, and all family planning services receive a 90% match. In addition, about 15% of Medicare buy-in premiums receive no federal match. Lastly, SCHIP is matched at an enhanced FMAP of about 71%.

The budget act increases funding for line item 600-525, Health Care/Medicaid, by $831.5 million in FY 2004 (above FY 2003 actual spending levels), and by $465.6 million in FY 2005 (above FY 2004 appropriations) to support projected caseload growth, higher utilization, inflationary costs, and other policy changes. The appropriations for line item 600-525 amount to $8.8 billion in FY 2004 (10.4% above FY 2003 actual expenditures) and $9.3 billion in FY 2005 (5.3% above FY 2004 appropriations).

The budget act decreases funding for both line items 600-650, Hospital Care Assurance Match, and 600-649, Hospital Care Assurance Program Fund, by approximately 10% in FY 2004 (below FY 2003 actual spending levels), and increases funding by approximately 3% in FY 2005 (above FY 2004 appropriations) to fund HCAP. The total amounts of the appropriation for both line items 600-650 and 600-649 are $506.7 million in FY 2004 and $520.0 million in FY 2005.

The budget act increases funding for line item 600-654, Health Care Services Administration, by $4.2 million in FY 2004 (above FY 2003 actual spending levels), and decreases by $1.5 million in FY 2005 (below FY 2004 appropriations) to pay for costs associated with the administration of the Medicaid program.

Health Care/Medicaid (Mainly Appropriation Line Item 600-525, Health Care/Medicaid)

Elimination of Certain Medicaid Optional Services

For the FY 2004 and 2005 biennium, the Executive recommended the elimination of five optional services for adults: dental care, chiropractic care, podiatry, vision care, and psychologist services.[5] The regulations for dental care, podiatry, vision care, and psychologist services are in administrative rules; therefore, no statutory changes are necessary for the elimination of these services. However, the recommended elimination of chiropractic care would require changes in the Ohio Revised Code.

The budget act requires that the Medicaid program continue to cover dental, podiatric, and vision care services for FYs 2004 and 2005 in at least the amount, duration, and scope that it did on the effective date of the budget act under the administrative rules. The Governor vetoed this provision. However, the veto message states that the Governor has instructed JFS to continue to offer those services because the General Assembly authorized adequate funding.

Other special revenues include funds for the Disproportionate Share Hospital (DSH) offset, drug rebates, and the franchise fees.

[5] Federal regulation requires that state Medicaid programs provide a full range of medically necessary services to children. Thus, the executive budget recommendation included elimination of these services for adults only.

The budget act removes chiropractors from the definition of "physician" for the purpose of the Medicaid program. This will allow JFS to eliminate Medicaid coverage for chiropractic care for adults. This change will be effective January 1, 2004. The Department of Job and Family Services estimates that the state will avoid approximately $2.4 million in FY 2004 and $7.1 million in FY 2005 by eliminating chiropractic care for adults.

The Department of Job and Family Services also plans to eliminate the psychologist service for adults beginning January 1, 2004. The Department of Job and Family Services estimates that the state will avoid approximately $0.4 million in FY 2004 and $1.2 million in FY 2005 in potential costs by eliminating psychologist services for adults.

Medicaid Payments To Children's Hospitals

Under the budget act, JFS is required to pay to each children's hospital participating in the Medicaid program an amount equal to the inflation adjustment not paid for the period beginning January 1, 2003 and ending May 31, 2003. The budget act also provides that for FYs 2004 and 2005, the Medicaid payments to children's hospitals must include the inflation adjustment provided for in rules in effect on December 30, 2002. The Department of Job and Family Services estimates that the state will need approximately $7.5 million each year in FY 2004 and FY 2005 to pay each children's hospital the inflation adjustment.

Medicaid Inflation Adjustment Factor For Outpatient Hospital Services

The budget act requires JFS, by adopting an inflation adjustment factor, to increase the total amount it pays all hospitals participating in the Medicaid program, other than children's hospitals, for outpatient services provided during FYs 2004 and 2005. For each fiscal year, the increase is to be the maximum amount possible using $9,811,136 ($4 million is the state share).

Supplemental Drug Rebates

S.B. 261 of 124th General Assembly (a FY 2002–2003 biennium budget correction bill) authorizes JFS to establish a supplemental drug rebate program under which drug manufacturers may be required to provide a supplemental rebate to the state as a condition of having their products covered by Medicaid without prior approval. The budget act continues this provision of the law and allows the full implementation of the supplemental rebate program and a Preferred Drug List (PDL). However, the Governor vetoed a provision of the budget act that would have provided that, each time before the Director of JFS contracted with an individual or private entity to administer the Medicaid program's preferred drug list or supplemental drug rebate program, an advisory council be appointed. The Governor also vetoed a provision that would have required drugs produced by a manufacturer to treat mental illness, HIV, or AIDS to also be exempt from "prior authorization or any other restriction" unless there was a generic equivalent.

These programs were initiated in April 2003; however, it is expected that a preferred drug will not be designated for all drug classes immediately. Additional classes of prescription drugs will continue to be added to the list throughout FY 2004.

The Department of Job and Family Services designates the most clinically and cost effective drug as the preferred drug in a class; in some cases, more than one drug may be designated as preferred. All other (nonpreferred) drugs in that class will remain covered; however, prior authorization from the Medicaid pharmacy benefit manager will be necessary in order to obtain a prescribed, nonpreferred drug. The

Department of Job and Family Services will seek supplemental rebates from manufacturers for nonpreferred prescription drugs.

The Department of Job and Family Services expects this supplemental drug rebate/PDL will save the state approximately $76 million in FY 2004 and $81 million in FY 2005. Approximately half of the savings to the state are expected to result from changes in drug utilization; the other half are expected to result from increased drug rebates which are used to offset GRF spending.

Copayment Program on Non PDL Drugs

The budget act, with some changes, continues law requiring the Director of JFS to examine instituting a Medicaid copayment program.

This provision of the budget act allows JFS to establish copayments for prescription drugs that are not included on the PDL. These copayments will be sought only from those recipients who are eligible for cost sharing under federal requirements. Services for children and those related to pregnancy are federally exempt from copayments, as are services for adults who reside in institutional settings. The copayment will not be required on preferred drugs in each class.

The Department of Job and Family Services expects this copayment program will save the state approximately $1 million each year in FY 2004 and FY 2005. This estimate is based on the assumption that a $1 copayment for nonpreferred generic drugs and a $3 copayment for nonpreferred trade name drugs will be charged.

Care Management For High Cost Populations

The budget act requires JFS to establish in some or all counties a "care management system" as part of the Medicaid program. The Department must designate the Medicaid recipients who are required or permitted to participate in the system. Under the system, JFS may require or permit Medicaid recipients to obtain health care services from providers JFS designates and through managed care organizations under contract with JFS.

The Governor vetoed a provision of the budget act that would have required the care management system to include a portion of the Medicaid recipients who are aged, blind, or disabled. This provision of the budget act would have specified that aged, blind, or disabled Medicaid recipients would not be designated for system participation unless they resided in a county in which other Medicaid recipients were participating in the system.

Under the care management system, JFS may do both of the following:

1. Require or permit participants in the system to obtain health care services from providers JFS designates;

2. Require or permit participants to obtain health care services through managed care organizations under contract with JFS.

Implementation of care management for high cost populations may result in savings to the state. However, it requires up-front expenditures on primary care, consumer education, and case management. Thus, significant savings are not expected in the FY 2004-2005 biennium. The Department of Job and Family Services estimates that the initial implementation of the care management system will require funding of approximately $5.3 million in FY 2004 and $25.4 million in FY 2005. This budget act includes that funding.

Maximum Mean Total Per Diem Rate for Nursing Facilities

The budget act continues law requiring JFS to pay the reasonable costs of services that a nursing facility or intermediate care facility for the mentally retarded (ICF/MR) with a Medicaid provider agreement provides to Medicaid recipients. The amount JFS pays a nursing facility or ICF/MR is determined by formulas established in the Revised Code.

Nursing facility and ICF/MR services are divided into four different categories, referred to as cost centers in state law. Each cost center has its own Medicaid reimbursement formula. The four cost centers are capital, direct care, other protected, and indirect care costs.

The budget act establishes a maximum mean total per diem rate applicable to nursing facilities in FY 2004 and FY 2005. For FY 2004, the mean total per diem rate for all nursing facilities in the state, weighted by May 2003 Medicaid days and calculated as of July 1, 2003, is not to exceed $156.68. For FY 2005, the mean total per diem rate for all nursing facilities in the state, weighted by May 2004 Medicaid days and calculated as of July 1, 2004, is not to exceed $159.00, plus any difference between $156.68 and the mean total per diem rate for all nursing facilities in the state for FY 2004, weighted by Medicaid days and calculated as of July 1, 2003. If the mean total per diem rate for all nursing facilities in the state for FY 2004 or FY 2005, weighted by Medicaid days and calculated as of the first day of July of the calendar year in which the fiscal year begins, exceeds the maximum amount established by the act, JFS is required to reduce the total per diem rate for each nursing facility in the state by a percentage that is equal to the percentage by which the mean total per diem rate exceeds the maximum amount established by the budget act for that fiscal year. The budget act provides that, subsequent to any such reduction, a nursing facility's rate is subject to any adjustments required or authorized by state law during the remainder of the fiscal year.

Maximum Mean Total Per Diem Rate for ICFs/MR

The budget act also establishes a maximum mean total per diem rate applicable to ICFs/MR in FY 2004 and FY 2005. For FY 2004, the mean total per diem rate for all ICFs/MR in the state, weighted by May 2003 Medicaid days and calculated as of July 1, 2003, is not to exceed $221.43. For FY 2005, the mean total per diem rate for all ICFs/MR in the state, weighted by May 2004 Medicaid days and calculated as of July 1, 2004, is not to exceed $225.86. If the mean total per diem rate for all ICFs/MR in the state for FY 2004 or FY 2005, weighted by Medicaid days and calculated as of the first day of July of the calendar year in which the fiscal year begins, exceeds the maximum amount established by the act, JFS is required to reduce the total per diem rate for each ICF/MR in the state by a percentage that is equal to the percentage by which the mean total per diem rate exceeds the maximum amount established by the budget act for that fiscal year. The budget act provides that, subsequent to any such reduction, an ICF/MR's rate is subject to any adjustments required or authorized by state law during the remainder of the fiscal year.

Reform of the Home Care Program

The Department of Job and Family Services currently operates the Ohio Home Care Program through both its state plan and waiver services.

State Plan Services. There are two levels of state plan services: (1) Core services including nursing and daily living services provided up to 14 hours per week, (2) Core Plus including the same services, but provided in excess of 14 hours per week. The increased service utilization has led to significant expenditure growth in this area of the Medicaid budget.

Waiver Services. The Home Care waiver provides an additional package of services to more than 7,000 recipients with disabilities who have an institutional level of care. These services include home delivered meals, supplemental adaptive/assistive living devices, out-of-home respite care, and adult day health services.

The budget act gives authority to the Director of JFS to request an additional waiver that will permit the existing Home Care waiver to be divided into two programs with more specifically targeted services and cost controls. The replacement programs will have a maximum number of enrollees, a maximum amount that may be spent for each enrollee each year, and a maximum aggregate amount that may be expended for all enrollees each year. Furthermore, the budget act allows the elimination of the Ohio Home Care program after all eligible individuals have been transferred to the replacement programs.

The Department of Job and Family Services is also allowed to continue the work undertaken in early 2003 to reform the state plan portion of the Home Care program. The more immediate savings expected to occur under this reform will result from new cost ceilings to restrict the monthly service costs of some existing Home Care waiver recipients. The Department of Job and Family Services estimates that the state will avoid approximately $3.5 million in FY 2004 and $21.4 million in FY 2005 in potential costs as a result of this initiative.

Among the additional reforms under consideration is an adjustment to the state plan that would restrict the limit on nursing and daily living to 14 hours or less per week for adults. This change would affect Medicaid waiver programs administered by other state agencies. While adult recipients would continue to have access to Core services through waivers, they would no longer be able to access Core Plus services to support and augment waiver services. According to JFS, eliminating private duty nursing services and Core Plus home care services in the state Medicaid program would contribute significantly to a reduced rate of growth in the cost of Medicaid home care services in the long run.

Ohio Access Success Project

H.B. 94 of the 124th General Assembly authorized the Director of JFS to establish the Ohio Access Success Project to help Medicaid recipients make the transition from residing in a nursing facility to residing in a community setting. The bill provided $150,000 in FY 2002 and $250,000 in FY 2003 to fund one-time benefits to not more than 75 Medicaid recipients in FY 2002 and not more than 125 Medicaid recipients in FY 2003. No person was to receive more than $2,000 worth of benefits under the project.

The budget act continues the Ohio Access Success Project. To the extent funds are available, the Ohio Access Success Project may provide benefits to help a Medicaid recipient make the transition from a nursing facility to a community setting. The Department plans to spend up to $350,000 in each fiscal year to provide one-time transitional benefits under the Ohio Access Success Project.

Medicaid Coverage for Parents

The budget act does not include a specific provision regarding Medicaid coverage for parents. The enacted version of H.B. 95 of the 125th General Assembly does not include a provision included in earlier versions that would have required the Director of JFS to seek federal approval to eliminate the expansion of Medicaid eligibility for parents up to 100% of the FPG. Further, the enacted version includes the use of new federal Medicaid funds available under recently enacted the federal Jobs and Growth Tax Relief

Reconciliation Act of 2003. The Department of Job and Family Services is to continue to cover certain parents with family income not exceeding 100% of FPG to the same extent as in the FY 2002-2003 biennium because of the federal restrictions associated with state access to the additional federal funds. The Department of Job and Family Services estimates that coverage for this population will cost the state approximately $9.6 million in FY 2004 and $71.5 million in FY 2005.

Disability Medical Assistance Program

Under prior law, the Disability Assistance program consisted of a financial assistance component and medical assistance component. The budget act separates the Disability Assistance program into the Disability Financial Assistance program and the Disability Medical Assistance program (DA Medical). Distinct requirements, eligibility determination procedures, administrative rules, and potential limitations are to be established by JFS for each of the programs.

In prior years the medical assistance component of the Disability Assistance program provided a limited health care benefit package to non-Medicaid eligible individuals based on income, resources, and severity of disability. The program supported individuals while they were applying for long-term federal disability benefits. The benefit package was a limited version of the primary and acute care services offered to consumers through Medicaid. Services were limited to prescription drugs, physician, clinic, restricted dental service, and restricted durable medical equipment services. Hospital services for this population were provided through HCAP.

Expenditures for the medical assistance component of the Disability Assistance program are not eligible for federal reimbursement because the recipients are not Medicaid eligible. In recent years the medical assistance component of the Disability Assistance program has experienced a period of significant growth, both in caseload and expenditures:

Fiscal Year	Avg. Caseload	Change	Expenditures	Change
2001	17,375	11.6%	$54.2 million	24.0%
2002	22,049	26.9%	$67.9 million	25.3%
2003 estimated	25,905	17.5%	$95.7 million	41.0%

The budget act allows the Director of JFS to enact reforms necessary to contain projected costs. Some possibilities include limiting the following: the number of individuals who are eligible for the program, the benefit package, utilization, and the amount of time an individual can receive DA Medical benefits. Specifically, JFS plans to hold DA Medical expenditures to 6% growth in FY 2004 and 0% growth in FY 2005. The Department of Job and Family Services estimates that the state will avoid approximately $21.6 million in FY 2004 and $47.4 million in FY 2005 in potential costs for DA Medical as a result.

Hospital Care Assurance Program (Appropriation Line Items 600-649, Hospital Care Assurance Program Fund, and 600-650, Hospital Care Assurance Match)

The Hospital Care Assurance Program (HCAP) is Ohio's version of the federally required Disproportionate Share Hospital program. It provides hospital services support for persons whose income falls at or below 100% of the FPG and who are not Medicaid eligible. Under HCAP, hospitals are annually assessed an amount based on their total facility costs and government hospitals make annual intergovernmental transfers to JFS. Assessments and intergovernmental transfers are made in periodic installments. The Department of Job and Family Services distributes to hospitals money generated by assessments, intergovernmental transfers, and allotted federal matching funds generated by the assessments and transfers. The federal funds are appropriated in appropriation line item 600-650, and the state funds (assessment revenues) are appropriated in appropriation line item 600-649. A portion of the money generated from the first installment of assessments and intergovernmental transfers during each program year beginning in an odd-numbered calendar year is deposited into the Legislative Budget Services Fund. Also, of the amount JFS receives during FYs 2004 and 2005 from the first installment of assessments and intergovernmental transfers made under HCAP, the Director is to deposit $350,000 into the state treasury to the credit of the Health Care Services Administration Fund, which is to be used to pay costs of administering the Medicaid program.

Termination of HCAP is delayed by the budget act from October 16, 2003 to October 16, 2005. The Director of JFS is given authority to set penalties for failure of hospitals to comply with HCAP reporting requirements. The budget act also shifts the deposit of HCAP penalty revenue from the General Revenue Fund (GRF) to the Health Care Services Administration Fund.

The FY 2003 spending level for HCAP was $560.6 million under line items 600-650 and 600-649. The total appropriation for HCAP through both line items 600-650 and 600-649 is $506.7 million in FY 2004 and $520 million in FY 2005. The decrease in the appropriation for HCAP from FY 2003 to FY 2004, and the increase in the appropriation from FY 2004 to FY 2005, are due to the changes in the federal allotment for HCAP.

Health Care Services Administration (Appropriation Line Item 600-654, Health Care Services Administration)

The budget act increases funding for line item 600-654, Health Care Services Administration, by $4.2 million in FY 2004 (above FY 2003 appropriation level), and decreases by $1.5 million in FY 2005 (below FY 2004 appropriations). According to JFS, the appropriation amount in FY 2004 is higher than FY 2005 because of start-up, operational, and new staff training costs.

S.B. 261 of the 124th General Assembly created the Health Care Services Administration Fund (Fund 5U3) and specified its sources of funding. The bill provided $3,419,405 in appropriations for FY 2003 to line item 600-623, Health Care Federal, and $3,419,405 in appropriations for FY 2003 to line item 600-654, Health Care Services Administration, which was newly created in the bill. The bill specified that line item 600-654 was to be used by JFS for costs associated with the administration of the Medicaid program. The bill permitted the Director of JFS, for FY 2003, to deposit into Fund 5U3 any revenue received from federal reimbursement for allowable Medicaid administrative expenditures made by state or local entities. The bill also provided $175,000 of the amount received during FY 2003, from the first installment of assessments on hospitals for HCAP and intergovernmental transfers under HCAP, to be deposited into the state treasury to the credit of Fund 5U3.

The budget act requires that $350,000 of the amount received each fiscal year during FYs 2004 and 2005, from the first installment of assessments on hospitals for HCAP and intergovernmental transfers under HCAP, be deposited into Fund 5U3.

The Department of Job and Family Services plans to use these funds to hire additional staff and pay for contracted services for various purposes that, according to JFS, will result in cost avoidance for the Department. Those various purposes include:

- Safeguarding Medicaid funds that are distributed to other state agencies to ensure proper use of the funds, which could result in fewer audit findings by the federal government that result in revenue loss to the state for the Medicaid program;

- Hiring more auditors to conduct audits of Medicaid providers to improve billing accuracy, and when appropriate, recover overpayments of Medicaid, and reduce fraud and abuse;

- Refinancing services currently funded with GRF and/or local funds in the mental retardation and developmental disabilities, education, and public health systems; and

- Developing care management strategies for Ohioans with higher medical needs.

Ohio Commission to Reform Medicaid (Appropriation Line Item 600-639, Commission to Reform Medicaid)

The budget act creates the Ohio Commission to Reform Medicaid. The Commission is required to conduct a comprehensive review of Ohio's Medicaid program. The budget act appropriates $125,000 in each fiscal year in a newly created GRF appropriation item 600-439, Commission to Reform Medicaid, to be used to fund the Ohio Commission to Reform Medicaid.

Federal Jobs and Growth Tax Relief Reconciliation Act of 2003

The federal Jobs and Growth Tax Relief Reconciliation Act of 2003 temporarily increases the share of Medicaid expenditures that the federal government will pay.

The budget act requires that for the third and fourth calendar quarters of federal fiscal year (FFY) 2003 and the first, second, and third calendar quarters of FFY 2004, the reimbursement rate for all Medicaid service expenditures paid by state or local entities shall be at the non-enhanced FMAP rate.

In addition, during the quarters that the enhanced FMAP is authorized, the budget act requires JFS to deposit the amount of federal revenue attributable to the enhanced FMAP that is being made available into the newly created Federal Fiscal Relief Fund. The disposition of cash from this new fund is to occur as follows:

1. On a schedule to be determined by the Office of Budget and Management, the Director of Budget and Management is to make cash transfers to the newly created Medicaid Reserve Fund. The total amount transferred shall be $18,611,156 in FY 2004 and $90,851,972 in FY 2005. The Director of Job and Family Services is required to make requests to the Director of Budget and Management as necessary to increase the appropriation in appropriation item 600-525, Health Care/Medicaid. The Director of Budget and Management is required to transfer the state share of such amounts from the Medicaid Reserve Fund to the General Revenue Fund. The transferred amount plus the federal share associated with this amount is appropriated. The Department of Job and Family Services is required to use this appropriation authority to pay claims for Medicaid services.

2. After the amounts have been transferred, the Director of Budget and Management is required to transfer the remainder of cash in the Federal Fiscal Relief Fund to the General Revenue Fund on a schedule to be determined by the Office of Budget and Management.

CHILD WELFARE

Overview and Budget Issues

The Department of Job and Family Services (JFS), Office for Children and Families (OCF) develops and administers programs and services designed to protect children and vulnerable adults and to preserve and strengthen families. The Department provides funding and support for a number of services, including prevention services, protective services, foster care, and adoption services. The services are provided directly by the county departments of job and family services and public children services agencies with JFS providing program planning, technical assistance, training, and monitoring. The Department also subsidizes child day care for certain low income families.

The final GRF appropriation amounts for the Children and Families program series is $229,731,362 in FY 2004, a 3.9% increase over FY 2003 actual expenditures, and $236,100,140 in FY 2005, a 2.8% increase over the FY 2004 appropriation amount.

Publicly Funded Child Care

In general, the state provides child care dollars to those families whose income levels fall below a certain threshold. The child care program currently serves more than 102,000 children. Since 1999, caseloads have increased 60% and expenditures have increased by an average of more than 25% annually. In FY 2003, JFS spent approximately $606 million on the child care program. Clients receiving child care benefits are required to pay a fee toward the cost of child care. Their fees range from a minimum of $0 per month, per child in care, to $108 per month, per child in care.

Traditional beneficiaries of publicly funded child care services include children and families who are: Ohio Works First (OWF) participants; transitioning from OWF, low income, employed, or in a training program; or have special protective needs. Transitional benefits are guaranteed for the lesser of a 12-month period following the last month the client was eligible for an OWF cash benefit or until income exceeds 150% of the federal poverty level (FPL). With some exceptions, non-OWF families and those for whom transitional child care benefits have lapsed may continue to qualify for child care (nonguaranteed child care) until income exceeds 150% of FPL.

Under current law, whenever the Department determines that the anticipated future expenditures of the county departments of job and family services will exceed available federal and state funds for child care, the Director of JFS is to issue and implement an administrative order that specifies the priorities for expending the remaining available funds and issue instructions and procedures to be used by the county departments. Within the scope of the Director's discretion is the ability to change the eligibility requirements of the program. The Director may limit enrollment of new participants whose incomes are at or below a specified percentage of FPL, and/or disenroll existing participants with income above a specified percentage of FPL. However, Am. Sub. H.B. 95 of the 125th General Assembly prohibits the Director of JFS from reducing the initial and continued eligibility level for publicly funded child care below 150% of FPL during FYs 2004 and 2005.

The Department's spending plan for child care is based on the Department's forecast of child care caseloads and includes funding for those with incomes at or below 150% of FPL. The Department received sufficient funding to pay the cost of child care for those individuals. However, should caseloads exceed available resources, prohibiting the Director from reducing eligibility below 150% of FPL may require the Department to either find other ways to reduce costs of the child care program (i.e., reduce provider payments), increase revenue (i.e., increase copayments, though not likely to generate much revenue), or seek additional appropriations from the General Assembly for additional appropriations.

Am. Sub. H.B. 95 also prohibits the Director from disenrolling, during FYs 2004 and 2005, publicly funded child care program participants who have incomes at or below 165% of FPL, and do not otherwise cease to qualify for the program, if the family enrolled in the program before June 9, 2003 or when the family's income was at or below 150% of FPL. The Department's initial spending for publicly funded child day care includes expenditures from the Temporary Assistance for Needy Families (TANF) Block Grant (appropriation item 600-689) in the amounts of $190,825,450 in FY 2004 and $245,753,442 in FY 2005. The Department plans to use an additional $20.0 million in TANF each fiscal year and $4.0 million of its GRF appropriations in FY 2005 to pay the cost associated with allowing certain publicly funded child care program participants who have incomes at or below 165% of FPL to continue to receive benefits during FYs 2004 and 2005.

Am. Sub. H.B. 95 also provides that federal funds available under the TANF block grant are among the funds JFS may use for publicly funded child day care. In the past, the Department has transferred TANF dollars into the Child Care and Development Fund (CCDF). Funds transferred into the CCDF become CCDF moneys, which means that 4% of those moneys must be spent on quality activities. This provision of the bill will allow the Department to directly charge the TANF Block Grant for child day care costs.

Head Start Plus

Head Start, as it exists now, is a part-day, part-year child development program that serves children age three to school age. Head Start programs are intended to promote school readiness of low income children by enhancing their social and cognitive development. Head Start providers may deliver full-day services by collaborating with local child care providers.

During FY 2004, Head Start will continue to function as it does under current law. The funding available for Head Start in FY 2004 is $68,170,000 ($11,000,000 GRF and $57,170,000 TANF), which will allow 11,600 children to receive state funded services under the program. (Funding for Head Start in FY 2003 was approximately $98.0 million, which allowed 18,000 children to receive state funded Head Start services.)

Am. Sub. H.B. 95 creates, beginning in FY 2005, the Head Start Plus program, which will provide child care settings with an enhanced program that meets the purposes of the Head Start program and meets families' needs for all-day, year-round child care. Given the available funding for Head Start Plus, 10,000 children will receive services through Head Start Plus, 4,000 children will receive services through traditional Head Start. The Department of Job and Family Services is planning to fund part of the Head Start Plus initiative with TANF dollars. Total funding for the Head Start/Head Start Plus initiative in FY 2005 is $115,184,000 ($5,000,000 GRF and $110,184,000 TANF).

The budget act also creates the Head Start Partnership Study Council to assist and advise the departments of Education and Job and Family Services in planning and implementing the new Head Start program. The Council must report to the General Assembly by December 31, 2003.

In addition, beginning September 1, 2005 JFS will be the sole agency responsible for licensing Head Start agencies. The Department's administrative costs are likely to increase (decrease for the Department of Education) once JFS begins licensing Head Start programs.

The budget act earmarks $57,170,000 in FY 2004 of appropriation item 600-689, TANF Block Grant, for the Head Start program. Of that amount, $5,000,000 is to be used to increase the number of Head Start slots in FY 2004. It also earmarks $110,184,000 in FY 2005 of appropriation item 600-689, TANF Block Grant, for the Head Start Plus program. Of that amount, $5,000,000 is to be used to ensure that Head Start Plus provider payments are at least $8,500 per year in FY 2005.

State Matching Funds for Independent Living for Young Adults

Am. Sub. H.B. 95 eliminates a requirement that JFS provide state matching funds needed to qualify for federal funds to facilitate the provision of independent living services for young adults who were in foster care.

The Foster Care Independence Act of 1999 established the John H. Chafee Foster Care Independence Program. The Act increased funding for independent living services. Independent living services are designed to aid children and young adults in successfully transitioning from foster care to independent adult living. Based on the federal funds available in federal fiscal year (FFY) 2002 ($4.3 million), former law required JFS to provide an estimated $860,000 in state matching funds to access the federal funds.

According to JFS, under this provision of the bill, funds otherwise used for state match will be consolidated into the general child welfare subsidy, which will allow the counties to use the funds to meet their program needs. This provision will not affect the amount of federal dollars that Ohio may draw down.

Recovery of Foster Care and Adoption Assistance Funds

Am. Sub. H.B. 95 provides for the Attorney General to take recovery actions if an inclusion or omission in a cost report for reimbursement for foster care or adoption assistance services causes a federal disallowance. In addition, the budget act makes government entities that provide federally reimbursable child placement services subject to fiscal accountability requirements applicable to public children services agencies, private child placing agencies, and private noncustodial agencies. The budget act also requires that rules governing Title IV-E foster care and adoption assistance requirements applicable to private child placing agencies and private noncustodial agencies be adopted in accordance with the Administrative Procedure Act.

These provisions of the budget act will enable JFS to recover misspent funds from foster care service providers that were identified in the audits performed by the Auditor of State. Some of the audit findings resulted in JFS having to refund federal revenue. By recovering funds from the providers, JFS will not have to completely absorb the loss of federal funds.

Adoption Subsidies

Am. Sub. H.B. 95 revises as follows the law regarding provision of State Adoption Maintenance Subsidy (SAMS) payments on behalf of a child:

- Requires payments to be made by either the public children services agency that had custody of the child before adoption or the public children services agency of the county in which the private child placing agency that had permanent custody of the child before adoption is located;
- Requires the Department of Job and Family Services (JFS) to establish by rule, a method to determine the amount of assistance available for a child; and

- Restricts public children services agencies from providing services using moneys other than state funds appropriated for that purpose.

Am. Sub. H.B. 95 revises as follows the law regarding provisions of Post Adoption Special Services Subsidy (PASSS) payments on behalf of a child:

- Requires JFS to establish clinical standards to evaluate a child's post-adoption condition and assess the child's need for assistance;
- Eliminates requirement that each agreement undergo an annual redetermination of need process;
- Limits to $10,000 ($15,000 if there are extraordinary circumstances) the value of services the child may receive during a single year;
- Requires the adoptive parent to pay at least 5% of the total cost of services provided the child; and
- Requires JFS to adopt rules establishing a method to determine the amount, duration, and scope of assistance to be provided a child.

In addition, the budget act permits the adoption of any other rules JFS considers necessary for the implementation of the SAMS or PASSS program. It also removes the fiscal penalty imposed on a public children services agency that fails to report to JFS the placement or maintenance of certain special needs children and allows JFS to take disciplinary action against a public children services agency that fails to report to JFS on the placement or maintenance of certain special needs adopted children.

According to JFS, the adoption subsidy program has historically been forced to cease or restrict operations before the close of each fiscal year because demand exceeded available funding. According to JFS, this change will allow the program to remain open longer and serve more children with existing available resources.

Am. Sub. H.B. 95 makes changes to the various adoption subsidy programs operated by JFS. The budget act eliminates the State Adoption Special Services Subsidy (SASSS) program, which was suppose to provide assistance to parents of adopted children who require special medical or psychological services. According to JFS, that program never came into existence. Therefore, eliminating that particular program will not have a fiscal effect on the adoption subsidy program.

Surplus Money in Putative Father Registry Fund

Am. Sub. H.B. 95 allows JFS to use surplus funds in the Putative Father Registry Fund to finance the Department's costs of developing, publishing, and distributing forms and materials the Department is required to create and provide to parents who voluntarily deliver a child to an emergency medical service worker, peace officer, or hospital employee. Am. Sub. H.B. 95 also permits the Department to use surplus moneys in the fund to promote the adoption of children with special needs. The budget act includes appropriations for this purpose in the amount of $300,000 in each fiscal year.

CHILD SUPPORT

Overview and Budget Issues

Title IV-D of the Social Security Act of 1975 designates the Ohio Department of Job and Family Services (JFS) as Ohio's Child Support Enforcement Agency. The Act requires JFS to be responsible for supervising local entities in the establishment and enforcement of support obligations owed by noncustodial parents. Within the Department, the Office of Child Support (OCS) has the responsibility for overseeing local activity. The local child support enforcement agency has the responsibility for the direct administration and provision of services to all individuals in need of child support services including location of an absent parent, paternity and support establishment, support collection, and enforcement of financial and medical obligations. The child support program supports over 900,000 cases statewide, which assists almost one million Ohio children. In FY 2002, Ohio collected and disbursed approximately $1.8 billion of child support. Of the amount collected, 66.8% was current support obligations. In FY 2002, approximately $153.8 million was added to arrears.

The final GRF appropriation amount for child support (appropriation items 600-420, Child Support Administration and 600-502, Child Support Match) is $21.9 million in each fiscal year. The GRF appropriation amount for child support in FY 2004 and FY 2005 is essentially flat funding from actual expenditures in FY 2003. At this funding level, OCS and the county CSEAs will be able to provide basic services to their customers.

Paternity/Support Establishment

The Personal Responsibility and Work Reconciliation Act of 1996 requires each state to develop a methodology for establishment of paternity and support obligations, which are the first two steps in collecting child support. The state's portion of federal incentive dollars is based on performance measures related to paternity and support order establishment. The Office of Child Support assists the counties in meeting these performance measure goals through contracts and interagency agreements.

In Ohio, licensed contractors provide DNA testing for establishment of paternity. The Department of Job and Family Services contracts with four vendors that all 88 counties have access to for genetic testing procedures. Statewide contracts allow the state to negotiate a lower price per test. By utilizing the statewide contracts, the child support enforcement agencies do not need to go through the process of securing individual vendors. Once paternity is established, the child support enforcement agency proceeds with support establishment and enforcement of support collections. In FY 2002, 15,340 cases were resolved resulting in establishing fathers for 8,041 children. Currently, the federal government reimburses 90% for the cost of genetic testing.

The final funding level allows the state to continue to provide statewide genetic testing through the four vendors. The Department will be able to maintain, but not expand the contracts with the current three vendors that aid in support collection and enforcement. The collections contracts are expected to cost $6,050,000 each year ($2,057,000 GRF and $3,993,000 federal). Since these contractors are paid on a contingent basis, the expected costs of the contracts would result in approximately an additional $46.5 million of support collected each year.

Support Enforcement Tracking System (SETS)

The Family Support Act of 1988 mandated that each state develop an automated system to manage child support enforcement by October 1, 1995. The Ohio automated system aids in the location of absent parents, and the establishment, enforcement, tracking, and reporting of child support cases. In Ohio, the system is called SETS. SETS is one of the largest statewide child support systems in the nation. The system maintains data on 1.9 million parents and children seeking child support payments and 634,000 cases. There are approximately 4,000 SETS users statewide.

While SETS was being implemented, Ohio failed on several occasions to comply with federally imposed deadlines and as a result paid millions of dollars in federal fines. Full conversion of cases to SETS was complete by September 30, 2000 and Ohio received conditional certification from the federal government. The federal government returned in the spring of 2003 to review a few outstanding issues with SETS. There are still three issues with SETS that the Department must address before receiving full certification. No further penalties were accessed and no additional penalties are expected.

Executive Ordered Repayment

Am. S.B. 170 of the 124th General Assembly requires each county child support enforcement agency to review certain child support cases to determine if disbursements of the support payments were made in accordance with the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The case reviews were to be conducted to ensure that once the federal law took effect, payments were made in accordance with PRWORA and with retroactive application of certain PRWORA requirements in accordance with the time frame set forth by Executive Order 2001-15T. If the case reviews reveal that support payments to certain individuals were not distributed in accordance with PRWORA requirements during the specified time frames, then under S.B. 170, JFS is required to make payments to those individuals. The payments that JFS must make are to represent the amount of child support arrearage payments that the individual would have received if the PRWORA requirements had been implemented.

The review of these cases is almost complete. The Department has repaid in excess of $14.0 million to over 61,500 families. In addition, over 41,000 families have received notices indicating their cases have been reviewed, but they are not entitled to a repayment. Am. Sub. H.B. 95 of the 125th General Assembly includes the funding necessary for the remaining review and repayment of child support payments in accordance with the executive order.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

JFS Job and Family Services, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	600-100	Personal Services	$ 55,294,474	$ 71,835,960	$313,649	$ 0	-100.00%	$ 0	N/A
GRF	600-200	Maintenance	$ 22,886,898	$ 23,916,618	$1,012,763	$ 0	-100.00%	$ 0	N/A
GRF	600-300	Equipment	$ 458,288	$ 528,111	$133,640	$ 0	-100.00%	$ 0	N/A
GRF	600-321	Support Services	----	----	$54,498,761	$ 69,537,296	27.59%	$ 65,736,930	-5.47%
GRF	600-402	Electronic Benefits Transfer (EBT)	$ 11,230,219	$ 15,169,330	$2,843,666	$ 0	-100.00%	$ 0	N/A
GRF	600-405	Family Violence Prevention Program	$ 715,078	$ 90,631	$0	$ 0	N/A	$ 0	N/A
GRF	600-406	Workforce Development	$ 314,327	----	$0	$ 0	N/A	$ 0	N/A
GRF	600-407	Unemployment Insurance/Employment	$ 22,579,652	$ 1,168	$0	$ 0	N/A	$ 0	N/A
GRF	600-408	Labor Market Projections	$ 147,023	----	$0	$ 0	N/A	$ 0	N/A
GRF	600-410	TANF State	$ 259,428,144	$ 268,461,459	$268,622,755	$ 272,619,061	1.49%	$ 272,619,061	0.00%
GRF	600-411	TANF Federal Block Grant	$ 541,453,386	$ 14,723,719	$0	$ 0	N/A	$ 0	N/A
GRF	600-413	Child Care Match/MOE	$ 89,162,077	$ 84,120,596	$84,118,257	$ 84,120,596	0.00%	$ 84,120,596	0.00%
GRF	600-414	Apprenticeship Council	$ 172,018	----	$0	$ 0	N/A	$ 0	N/A
GRF	600-416	Computer Projects	$ 108,520,778	$ 134,189,609	$140,271,621	$ 151,095,442	7.72%	$ 151,400,454	0.20%
GRF	600-420	Child Support Administration	$ 4,367,517	$ 5,349,447	$5,137,221	$ 5,091,446	-0.89%	$ 5,091,446	0.00%
GRF	600-421	Office of Family Stability	----	----	$3,962,170	$ 4,864,932	22.78%	$ 4,864,932	0.00%
GRF	600-422	Local Operations	----	----	$2,232,474	$ 2,305,232	3.26%	$ 2,305,232	0.00%
GRF	600-423	Office of Children and Families	----	----	$4,130,122	$ 5,000,000	21.06%	$ 5,000,000	0.00%
GRF	600-424	Office of Workforce Development	----	----	$802,164	$ 877,971	9.45%	$ 877,971	0.00%
GRF	600-425	Office of Ohio Health Plans	----	----	$34,351,227	$ 43,793,456	27.49%	$ 45,099,242	2.98%
GRF	600-426	Children's Health Insurance Plan	$ 23,957,445	$ 47,106,345	$0	$ 0	N/A	$ 0	N/A
GRF	600-427	Child and Family Services Activities	$ 2,737,524	$ 1,729,121	$542,093	$ 0	-100.00%	$ 0	N/A
GRF	600-428	Wellness Block Grant	$ 14,158,152	----	$0	$ 0	N/A	$ 0	N/A
GRF	600-429	Women's Programs	$ 464,638	----	$0	$ 0	N/A	$ 0	N/A
GRF	600-434	Nutrition Programs	$ 2,548,603	----	$0	$ 0	N/A	$ 0	N/A
GRF	600-435	Unemployment Compensation Review	----	$ 3,688,522	$3,151,998	$ 3,188,473	1.16%	$ 3,188,473	0.00%
GRF	600-436	Medicaid Systems Enhancements	----	$ 32,125	$0	$ 0	N/A	$ 0	N/A
GRF	600-439	Commission to Reform Medicaid	----	----		$ 125,000	N/A	$ 125,000	0.00%
GRF	600-502	Child Support Match	$ 20,765,684	$ 17,369,467	$16,803,024	$ 16,814,103	0.07%	$ 16,814,103	0.00%

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
JFS	**Job and Family Services, Department of**								
GRF	600-504	Non-TANF County Administration	$ 74,483,825	$ 67,150,231	$859,444	$ 0	-100.00%	$ 0	N/A
GRF	600-511	Disability Financial Assistance	$ 71,441,628	$ 87,222,475	$24,487,575	$ 22,839,371	-6.73%	$ 22,839,371	0.00%
GRF	600-512	Non-TANF Emergency Assistance	$ 4,218,417	$ 1,062,815	$0	$ 0	N/A	$ 0	N/A
GRF	600-521	Family Stability Subsidy	----	----	$58,040,559	$ 55,206,401	-4.88%	$ 55,206,401	0.00%
GRF	600-522	Burial Claims	$ 1,211,575	$ 91,187	$0	$ 0	N/A	$ 0	N/A
GRF	600-523	Children and Families Subsidy	----	----	$69,897,771	$ 69,846,563	-0.07%	$ 69,846,563	0.00%
GRF	600-525	Health Care/Medicaid	$ 6,479,302,550	$ 7,126,610,366	$8,008,531,527	$ 8,839,985,860	10.38%	$ 9,305,614,950	5.27%
GRF	600-527	Child Protective Services	$ 55,095,487	$ 58,633,007	$209,307	$ 0	-100.00%	$ 0	N/A
GRF	600-528	Adoption Services	$ 51,762,347	$ 60,427,409	$63,618,210	$ 70,764,203	11.23%	$ 77,132,981	9.00%
GRF	600-534	Adult Protective Services	$ 3,031,333	$ 2,738,097	$70,112	$ 0	-100.00%	$ 0	N/A
GRF	600-552	County Social Services	$ 11,909,349	$ 10,219,677	$277,055	$ 0	-100.00%	$ 0	N/A
General Revenue Fund Total			**$ 7,933,818,438**	**$ 8,102,467,493**	**$ 8,848,919,165**	**$ 9,718,075,406**	**9.82%**	**$ 10,187,883,706**	**4.83%**
613	600-645	Training Activities	----	$ 23,556	$14,730	$ 135,000	816.50%	$ 135,000	0.00%
4A8	600-658	Child Support Collections	$ 42,097,618	$ 42,303,897	$43,821,149	$ 27,255,646	-37.80%	$ 26,680,794	-2.11%
4R4	600-665	BCII Service Fees	$ 7,201	$ 7,163	$7,469	$ 136,974	1,733.90%	$ 136,974	0.00%
5C9	600-671	Medicaid Program Support	$ 66,976,461	$ 50,771,239	$59,151,893	$ 54,686,270	-7.55%	$ 55,137,078	0.82%
5N1	600-677	County Technologies	----	----	$276,983	$ 5,000,000	1,705.16%	$ 5,000,000	0.00%
General Services Fund Group Total			**$ 109,081,280**	**$ 93,105,855**	**$ 103,272,224**	**$ 87,213,890**	**-15.55%**	**$ 87,089,846**	**-0.14%**
316	600-602	State and Local Training	$ 2,268,595	$ 6,476,523	$7,983,451	$ 11,212,594	40.45%	$ 11,249,282	0.33%
327	600-606	Child Welfare	$ 8,609,288	$ 19,167,206	$19,645,815	$ 29,119,408	48.22%	$ 28,665,728	-1.56%
384	600-610	Food Stamps and State Administration	$ 74,749,539	$ 87,253,366	$97,938,456	$ 134,560,572	37.39%	$ 135,141,694	0.43%
385	600-614	Refugee Services	$ 2,632,291	$ 3,408,461	$3,579,853	$ 5,793,656	61.84%	$ 5,841,407	0.82%
395	600-616	Special Activities/Child and Family Ser	$ 2,983,998	$ 2,283,396	$1,649,953	$ 3,975,821	140.97%	$ 3,975,821	0.00%
3H7	600-617	Child Care Federal	$ 236,674,197	$ 314,874,784	$335,422,802	$ 224,539,425	-33.06%	$ 235,045,596	4.68%
396	600-620	Social Services Block Grant	$ 49,676,213	$ 50,336,680	$37,703,685	$ 74,969,767	98.84%	$ 74,986,134	0.02%
3S5	600-622	Child Support Projects	$ 280,831	$ 277,962	$160,800	$ 534,050	232.12%	$ 534,050	0.00%
3F0	600-623	Health Care Federal	$ 152,660,702	$ 251,580,895	$316,865,254	$ 391,658,105	23.60%	$ 394,221,409	0.65%
397	600-626	Child Support	$ 204,035,181	$ 237,228,542	$240,065,342	$ 304,157,939	26.70%	$ 307,468,576	1.09%
398	600-627	Adoption Maintenance/Administration	$ 169,106,232	$ 184,958,968	$215,057,999	$ 339,957,978	58.08%	$ 340,104,370	0.04%
3N0	600-628	IV-E Foster Care Maintenance	$ 117,877,069	$ 119,103,085	$120,940,020	$ 173,963,142	43.84%	$ 173,963,142	0.00%

Line Item Detail by Agency

JFS Job and Family Services, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
3A2	600-641	Emergency Food Distribution	$ 1,777,005	$ 2,425,381	$1,997,708	$ 2,083,500	4.29%	$ 2,187,675	5.00%
3D3	600-648	Children's Trust Fund Federal	$ 731,712	$ 641,407	$871,685	$ 2,040,524	134.09%	$ 2,040,524	0.00%
3F0	600-650	Hospital Care Assurance Match	$ 309,093,463	$ 320,551,643	$329,495,855	$ 298,128,308	-9.52%	$ 305,879,644	2.60%
3G5	600-655	Interagency Reimbursement	$ 724,031,893	$ 788,027,514	$977,276,055	$ 1,180,523,642	20.80%	$ 1,245,244,536	5.48%
3G9	600-657	Special Activities Self Sufficiency	$ 520,301	$ 377,853	$391,950	$ 0	-100.00%	$ 0	N/A
3W3	600-659	TANF/ Title XX	----	----	$22,710,087	$ 88,994,049	291.87%	$ 93,498,158	5.06%
3V0	600-662	WIA Ohio Option #7	----	----	$82,648,878	$ 87,407,014	5.76%	$ 89,352,850	2.23%
3V4	600-678	Federal Unemployment Programs	----	$ 64,445,475	$96,263,783	$ 153,690,682	59.66%	$ 154,111,608	0.27%
3V4	600-679	Unemployment Compensation Review	----	$ 1,616,355	$2,625,381	$ 3,097,320	17.98%	$ 2,860,297	-7.65%
365	600-681	JOB Training Program	$ 21,232,216	$ 19,034,130	$1,483,604	$ 5,000,000	237.02%	$ 0	-100.00%
331	600-686	Federal Operating	$ 101,658,727	$ 38,610,316	$40,956,746	$ 48,237,185	17.78%	$ 47,340,081	-1.86%
3V0	600-688	Workforce Investment Act	$ 62,989,353	$ 104,268,250	$68,607,612	$ 93,636,390	36.48%	$ 94,932,750	1.38%
3V6	600-689	TANF Block Grant	----	$ 569,408,004	$563,722,208	$ 786,095,609	39.45%	$ 845,909,688	7.61%
3V6	600-690	Wellness	----	$ 13,137,155	$12,567,447	$ 0	-100.00%	$ 0	N/A
Federal Special Revenue Fund Group Total			**$ 2,243,588,806**	**$ 3,199,493,350**	**$ 3,598,632,429**	**$ 4,443,376,680**	**23.47%**	**$ 4,594,555,020**	**3.40%**
600	600-603	Third-Party Recoveries	$ 885,771	$ 1,531,612	$0	$ 0	N/A	$ 0	N/A
4E7	600-604	Child and Family Services Collections	----	$ 58	$0	$ 300,000	N/A	$ 300,000	0.00%
4E3	600-605	Nursing Home Assessments	$ 7,353	($1,774)	$56,892	$ 4,759,913	8,266.58%	$ 4,759,914	0.00%
4A9	600-607	Unemployment Compensation Admin F	$ 7,782,037	$ 7,038,595	$126,666	$ 8,001,000	6,216.61%	$ 8,001,000	0.00%
5R2	600-608	Medicaid-Nursing Facilities	----	$ 56,531,059	$98,585,728	$ 113,754,184	15.39%	$ 113,754,184	0.00%
4F1	600-609	Foundation Grants/Child & Family Servi	----	$ 98,380	$0	$ 119,310	N/A	$ 119,310	0.00%
4J5	600-613	Nursing Facility Bed Assessments	$ 29,707,332	$ 43,415,949	$33,878,723	$ 35,060,013	3.49%	$ 35,064,238	0.01%
4J5	600-618	Residential State Supplement Payment	$ 14,139,057	$ 13,935,742	$13,681,359	$ 15,700,000	14.75%	$ 15,700,000	0.00%
5Q9	600-619	Supplemental Inpatient Hospital Payme	----	----	$11,779,720	$ 30,797,539	161.45%	$ 30,797,539	0.00%
4K1	600-621	ICF/MR Bed Assessments	$ 24,846,488	$ 20,007,768	$21,419,351	$ 20,467,050	-4.45%	$ 20,428,726	-0.19%
4Z1	600-625	Healthcare Compliance	$ 421,720	$ 925,689	$899,953	$ 10,000,000	1,011.17%	$ 10,000,000	0.00%
5S3	600-629	MR/DD Medicaid Administration and O	----	----	$245,350	$ 1,620,960	560.67%	$ 1,620,960	0.00%
5E6	600-634	State Option Food Stamps	----	$ 5,297,303	$5,176,393	$ 0	-100.00%	$ 0	N/A
3W8	600-638	Hippy Program	----	$ 62,500	$0	$ 0	N/A	$ 0	N/A
3W9	600-640	Adoption Connection	----	$ 50,000	$0	$ 0	N/A	$ 0	N/A
198	600-647	Children's Trust Fund	$ 2,382,201	$ 2,786,937	$2,860,319	$ 4,336,109	51.60%	$ 4,336,109	0.00%

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
JFS	***Job and Family Services, Department of***								
651	600-649	Hospital Care Assurance Program Fun	$ 217,740,460	$ 222,480,309	$231,061,911	$ 208,634,072	-9.71%	$ 214,058,558	2.60%
5T2	600-652	Child Support Special Payment	----	----	$12,869,481	$ 1,500,000	-88.34%	$ 750,000	-50.00%
5U3	600-654	Health Care Services Administration	----	----	$135,208	$ 7,576,322	5,503.46%	$ 6,119,127	-19.23%
5U6	600-663	Children and Family Support	----	----	$1,197,811	$ 4,929,718	311.56%	$ 4,929,718	0.00%
4N7	600-670	Wellness Block Grant	$ 1,000,000	----	$0	$ 0	N/A	$ 0	N/A
4G1	600-683	Interagency Agreements	$ 45,493	----	$0	$ 0	N/A	$ 0	N/A
557	600-684	Apprenticeship Council Conference	$ 31,697	----	$0	$ 0	N/A	$ 0	N/A
5A5	600-685	Unemployment Benefit Automation	$ 3,231,898	$ 1,493,492	$7,809,680	$ 14,000,000	79.26%	$ 0	-100.00%
4R3	600-687	Banking Fees	$ 314,920	$ 404,000	$655,364	$ 892,000	36.11%	$ 892,000	0.00%
5P4	600-691	TANF Child Welfare	----	$ 2,163,229	$9,672,179	$ 0	-100.00%	$ 0	N/A
5P5	600-692	Health Care Services	----	$ 258,544,053	$353,153,059	$ 492,932,514	39.58%	$ 515,947,439	4.67%
3W3	600-696	Non-TANF Adult Assistance	----	$ 1,000,000	$0	$ 0	N/A	$ 0	N/A
State Special Revenue Fund Group Total			**$ 302,536,426**	**$ 637,764,900**	**$ 805,265,147**	**$ 975,380,704**	**21.13%**	**$ 987,578,822**	**1.25%**
5B6	600-601	Food Stamp Intercept	$ 442,797	$ 1,263,289	$1,169,823	$ 5,000,000	327.42%	$ 5,000,000	0.00%
583	600-642	Support Intercept-State	$ 15,434,147	$ 14,718,542	$13,150,190	$ 20,565,582	56.39%	$ 20,565,582	0.00%
192	600-646	Support Intercept-Federal	$ 106,889,760	$ 97,951,642	$93,516,410	$ 136,500,000	45.96%	$ 136,500,000	0.00%
Agency Fund Group Total			**$ 122,766,703**	**$ 113,933,474**	**$ 107,836,423**	**$ 162,065,582**	**50.29%**	**$ 162,065,582**	**0.00%**
R12	600-643	Refunds and Audit Settlements	$ 10,673	$ 46,364	$3,523,314	$ 5,343,906	51.67%	$ 5,343,906	0.00%
R13	600-644	Forgery Collections	----	----	$0	$ 700,000	N/A	$ 700,000	0.00%
Holding Account Redistribution Fund Group Total			**$ 10,673**	**$ 46,364**	**$ 3,523,314**	**$ 6,043,906**	**71.54%**	**$ 6,043,906**	**0.00%**
Job and Family Services, Department of Total			***$ 10,711,802,327***	***$ 12,146,811,435***	***$ 13,467,448,702***	***$ 15,392,156,168***	***14.29%***	***$ 16,025,216,882***	***4.11%***

- Relocation to Ohio Courts Building scheduled for Spring 2004
- Tight budget precipitates reductions in staff, activities, and programs

Judicial Conference of Ohio

Jamie L. Slotten, Budget Analyst

ROLE

The Judicial Conference of Ohio is a statutory entity within the judicial branch of state government created to continually study and recommend changes in the procedures and practices of Ohio's court system in an effort to promote a fair and effective administration of justice. The mission is accomplished primarily through research projects, program activities, and published materials that allow information, experiences, and ideas to be shared with and among judges.

The Conference consists of all 712 of the active judges in Ohio, including the Supreme Court of Ohio, the courts of appeals, the courts of common pleas, the municipal courts, and the county courts. In addition, the Courts of Appeals Judges Association, the Ohio Common Pleas Judges Association, the Ohio Association of Probate Judges, the Ohio Association of Juvenile Court Judges, the Ohio Association of Domestic Relations Judges, and the Association of Municipal-County Judges of Ohio are members of the Conference. Members are required to pay annual dues, and although they receive no compensation for services rendered to the Conference, may receive reimbursement for reasonable and necessary expenses.

The general charge and supervision of the administration of the Conference's affairs rests with judges who serve on the executive committee, which includes its officers and its chair. The executive committee is comprised of approximately 40 judges, including representatives of all six judicial associations. The Chief Justice of the Supreme Court of Ohio serves as the honorary chairman of the Conference. Member judges sit on more than 20 *ad hoc* and permanent committees, which work to produce products and share information that will enhance the administration of justice. Currently, the Conference has 11 full-time staff, including the executive director who is appointed by the officers of the executive committee.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
11	$1.2 million	$1.2 million	$962,000	$957,000	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Costs of the Conference's day-to-day business is covered by a single GRF line item (018-321, Operating Expenses), while the expenses associated with supporting the work of its *ad hoc* and permanent committees and conducting various conferences, workshops, and special projects are covered by its lone non-GRF line item (018-601, Ohio Jury Instructions).

In the fall of 2003, the Conference requested what it termed a "no-growth" GRF budget consisting of $1.1 million in each of FYs 2004 and 2005. The Conference anticipated those levels of annual GRF funding would enable it to maintain FY 2003 service levels and cover the payroll costs associated with 11 existing full-time staff positions. The FY 2004-2005 biennial budget as enacted provided GRF appropriations totaling $962,000 in FY 2004 and $957,000 in FY 2005, short of the requested annual GRF amounts by $162,000, or 14.4%, in FY 2004 and by $167,000, or 14.9%, in FY 2005. Also of note is that, relative to the Conference's actual total FY 2003 expenditures of $1.1 million, the FY 2004-2005 biennial budget as enacted provided total annual GRF appropriations that were lower by $153,905, or 13.8%, in FY 2004 and by $158,905, or 14.2%, in FY 2005.

Historically, the Conference has relied on the GRF to finance around 85% of its total annual operating expenses. From the Conference's perspective, recent reductions in its level of annual GRF funding have created a variety of problems, a number of which are discussed below.

BUDGET ISSUES

RELOCATION TO OHIO COURTS BUILDING

It appears that, when constructing its FY 2004-2005 biennial budget request, the Conference assumed its planned office relocation to the Ohio Courts Building would occur in January of 2004. The Ohio Courts Building, formerly known as the Ohio Departments Building and located on Front Street in downtown Columbus, is in the process of undergoing a $85-plus million restoration. Currently, the Conference rents private office space at 10 West Broad Street. The Supreme Court of Ohio will be managing all building operations and it appears that the Court does not intend to charge the Conference for any building operating expenses.

As of this writing, the Conference believes that its office relocation will be delayed until March or April of 2004. Such a delay means that the Conference would incur at least three to four additional months of office space rental payments that were not budgeted for FY 2004.

NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS

The Conference is obligated to pay the expenses associated with the State Council of Uniform State Laws. The Council, which consists of four commissioners appointed by the Governor, collects and digests data concerning the prevailing law in the United States and other countries, upon such subjects where uniformity is important. It is also charged with ascertaining the best means to effect uniformity upon such subjects in the laws of the various states of the United States.

The Council submits its funding request to the Conference and the amounts are appropriated and earmarked accordingly. Contained in the FY 2004-2005 biennial budget is temporary law earmarking GRF funds of up to $63,000 in FY 2004 and up to $66,000 in FY 2005 for this purpose. The Conference appears to have no discretion in determining the amount that the Council requests. In addition, the Conference has little, if any, interaction with the commissioners. The Conference essentially acts as a pass-through funding conduit for the State Council of Uniform State Laws.

PLANNED INITIATIVES

Under the direction of Executive Director Kenneth A. Rohrs, who was just appointed to the post in January 2003, the Conference has already undertaken or planned to undertake several initiatives over the course of the FY 2004-2005 biennium. However, given its reduced level of annual GRF funding, the Conference may have trouble sustaining initiatives already undertaken, and will in all likelihood be unable to implement other planned initiatives. The status of some of those initiatives as of this writing is noted below.

- ***Judicial committees.*** One initiative, already underway, is designed to increase the number of member judges who sit on the Conference's *ad hoc* and permanent committees. With this increased involvement though, the Conference has also already started to experience increased costs associated with supporting committee activities, including business meeting expenses and telecommunications charges.
- ***Judicial associations.*** Another initiative, already underway as well, is designed to improve the Conference's relationships with other judicial associations. The Conference does not anticipate that its reduced level of annual GRF funding will adversely affect those relationships.
- ***Judicial intervention and wellness.*** The Conference planned to develop and implement judicial wellness and intervention programs to help judges address issues that may affect their ability to do their work effectively and efficiently. The Conference will not be able to develop and implement those programs as planned, but intends to explore other options.

SERVICE LEVELS

The Conference has noted that, in light of reduced GRF funding, its ability to maintain service levels has become problematic. Some of the apparent effects are noted below.

- ***Staffing.*** The Conference closed FY 2002 with a staffing level of 12 full-time equivalents (FTEs). In an effort to cut its ongoing annual operating expenses in FY 2003, the Conference: (1) eliminated one FTE staff position, (2) downgraded two FTE staff positions, and (3) reduced staff training.
- ***Ohio Judges Resources Manual.*** The Conference is currently in the process of updating its Ohio Judges Resource Manual, which is regarded as an important document given the increase in the number of new judges resulting from the retirement of judges and the creation of new judgeships. The Conference is not sure that it has sufficient funding to complete that task.
- ***Outreach/public confidence activities.*** The Conference has also cut back on its program dedicated to promoting public confidence in the judiciary, which has affected a voter education campaign, a planned update of an outreach manual for judges, and research on public opinion of judges and the judicial system.
- ***Inter-branch programs and activities.*** Wherever possible, the Conference has reduced its involvement in inter-branch programs and activities, including co-sponsoring conferences and projects and assisting task forces and workgroups.
- ***Electronic communications.*** The Conference has slowed web development activities and other electronic efforts to communicate with judges, legislators, and the general public.
- ***Equipment.*** The Conference intends to delay equipment maintenance and replacement.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

JCO Judicial Conference of Ohio

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	018-321	Operating Expenses	$ 1,063,940	$ 1,067,688	$1,115,905	$ 962,000	-13.79%	$ 957,000	-0.52%
GRF	018-502	Court Security Subsidy	----	$ 38,017	$0	$ 0	N/A	$ 0	N/A
General Revenue Fund Total			**$ 1,063,940**	**$ 1,105,705**	**$ 1,115,905**	**$ 962,000**	**-13.79%**	**$ 957,000**	**-0.52%**
403	018-601	Ohio Jury Instructions	$ 187,621	$ 156,202	$198,944	$ 200,000	0.53%	$ 200,000	0.00%
General Services Fund Group Total			**$ 187,621**	**$ 156,202**	**$ 198,944**	**$ 200,000**	**0.53%**	**$ 200,000**	**0.00%**
Judicial Conference of Ohio Total			***$ 1,251,561***	***$ 1,261,907***	***$ 1,314,849***	***$ 1,162,000***	***-11.62%***	***$ 1,157,000***	***-0.43%***

- Judges' salaries consume a large portion of GRF budget
- Supreme Court will relocate to and operate the Ohio Courts Building in the Spring of 2004

Judiciary / Supreme Court

Jamie L. Slotten, Budget Analyst

ROLE

The Supreme Court of Ohio is established by Article IV, Section 1 of the Ohio Constitution, which provides that: "The judicial power of the state is vested in a supreme court, courts of appeals, courts of common pleas and divisions thereof, and such other courts inferior to the supreme court as may from time to time be established by law." The Court is comprised of a Chief Justice and six justices who are elected in even numbered years to six-year terms. The Court has the final say on the interpretation of both the Constitution of the State of Ohio and Ohio law. The majority of the cases heard by the Court are appeals from the state's 12 district courts of appeals. The Court also:

- Hears appeals involving contested elections;
- Hears appeals from cases dealing with an interpretation of the United States Constitution or the Ohio Constitution, cases in which the death penalty was imposed, cases in which the courts of appeals have offered conflicting opinions, and appeals from the Board of Tax Appeals and the Public Utilities Commission;
- Has original jurisdiction for certain special remedies (writs of habeas corpus, mandamus, procedendo, prohibition, and quo warranto) that permit a person to file an action directly in the Supreme Court of Ohio;
- Adopts rules governing practice and procedure in Ohio's courts, which become effective unless both houses of the General Assembly adopt a concurrent resolution of disapproval;
- Exercises general superintendence over all state courts through its rule-making authority;
- Admits attorneys to the practice of law in Ohio;
- Disciplines judges and attorneys for violation of their respective codes of conduct; and
- Responsible for addressing complaints alleging the unauthorized practice of law.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
213	$119.5 million	$124.5 million	$114.2 million	$119.0 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

On August 6, 2003, the Court reported that it had 207 full-time staff, 3 part-time staff, and 10 vacant staff positions. These numbers include staff positions that support the operations of the Supreme Court as well as the work of the justices of the Supreme Court. These staff numbers do not include any "Judiciary" positions paid in full or in part from the state treasury, which includes more than 700 local judges throughout the state, 88 county clerks of courts, and judges of the courts of appeals and their staff. These staff numbers are detailed in Table 1 below. It should also be the number of employees in the 'Agency in Brief' table above – 213; this most likely does not represent an accurate portrayal of the Court's future staffing level. When the Court assumes management responsibilities of the Ohio Courts Building in the spring of 2004, it will need to hire a mix of roughly 30 security, building management, and maintenance personnel.

Table 1: Annual Salaries Payable from the State Treasury

Office	Number of Positions	Portion of Annual Salary Payable from the State Treasury
Justices of the Supreme Court and Court staff	207 full-time/ 3 part-time	100% of salary
Judges of the courts of appeals and Section 2501.16 employees	251	100% of salary
Common pleas, municipal, and county court judges	721	Varies; Determined by statute
County clerks of courts	88	1/8 of salary for court of appeals-related service

OVERVIEW

GRF BUDGET

The Judiciary/Supreme Court's (JSC) FY 2004-2005 biennial budget totals $244 million, over 95% of which represents funding appropriated from the GRF. The Court's GRF budget has the following three readily identifiable components:

1. ***Judicial salaries***. This component of the GRF budget funds the state's share of the salaries and benefits of judges of the courts of appeals, courts of common pleas, municipal courts, county courts, and county clerks of courts (projected FY 2004 cost of $72.8 million).
2. ***Courts of appeals support staff***. This component of the GRF budget funds the salaries for the support staff of the state's 12 courts of appeals (projected FY 2004 cost of $18 plus million).
3. ***Supreme Court operations***. This component of the GRF budget funds the salaries of the justices and staff, the future operation and maintenance of the Ohio Courts Building, and the provision of programs that benefit the trial and appellate courts (projected FY 2004 cost of around $25.0 million).

These components also suggest that, in any given year, of the spending from the Court's budget, 75% to 80% pays for the state share of the salaries and fringe benefits of judges and certain court personnel and 20% to 25% pays for the operation of the Supreme Court.

FY 2004-2005 BIENNIAL BUDGET

The level of GRF support provided in the FY 2004-2005 biennial budget as enacted is around $1.9 million less and $2.7 million less than what the Court had requested in each of FYs 2004 and 2005, respectively. The Court has indicated that, despite receiving slightly less than their requested levels of annual GRF support, its operations should be largely unaffected due to the organizational review and reorganization actions that were undertaken over the course of the FY 2002-2003 biennium in order to reduce GRF expenditures. In the Court's view, these changes have made it a more efficient organization. As a result, the Court does not believe that receiving less than requested amounts of annual GRF funding will adversely impact it. That is, presuming there are no further GRF expenditure reductions and the actual annual costs to operate the newly restored Ohio Courts Building do not noticeably exceed the estimated annual operating costs.

That said, an interesting contrast to note is that, in comparison to the Court's total FY 2003 GRF expenditures, its GRF appropriations for each of FYs 2004 and 2005 are higher than total FY 2003 GRF expenditures by $16.0 million, or 16.3%, in FY 2004, and by $20.8 million, or 21.1%, in FY 2005, an increase of 4.2% from the FY 2004 requested amount. Those increased levels in FY 2004 and FY 2005 GRF funding, in part, reflect two significant fiscal issues.

1. ***Judges' salaries.*** Sub. H. B. 712 of the 123rd General Assembly established a schedule of increase in the annual compensation of various judicial personnel, including judges, through calendar year 2008. Thus, over the course of the next biennium, judges' salaries could increase by as much as 3% annually.
2. ***Ohio Courts Building.*** The Court, and related judicial entities, is scheduled to move into the newly restored Ohio Courts Building by March 2004. The Court will actually operate and maintain the building, which will require it to hire an estimated 30 or so security, management, and maintenance personnel. State agencies generally are not responsible for the management and operation of space occupied in state-owned buildings. However, in this case, apparently because the judicial branch of Ohio government will be the primary tenant of the building, the Court has been delegated to assume all responsibility for the building.

BUDGETARY STRUCTURE

Prior to FY 1998, The Judiciary and the Supreme Court of Ohio operated under separate budget structures; although the reality was that the Court in effect had control of and managed the Judiciary's budget. The Judiciary is not a state entity, but a collection of accounts that are administered by personnel of the Court. Am. Sub. H. B. 215 of the 122nd General Assembly, the main appropriations act that covered FYs 1998 and 1999, merged the two separate budget structures into a single "agency" budget known as The Judiciary/Supreme Court. The merger was undertaken at the request of the Court in order to ease some of the associated administrative burden.

BUDGET ISSUES

COMMISSION FOR LEGAL EDUCATION OPPORTUNITY

The Court's original GRF funding request included $685,000 in FY 2004 and $1,270,000 in FY 2005 to support activities of the Commission for Legal Education Opportunity (GRF line item 005-502). The FY 2004-2005 biennial budget as enacted contained no GRF appropriations for the purpose of supporting the Commission and its activities. The Court believes the Commission for Legal Education Opportunity to be a highly worthwhile investment and has indicated that it will continue to pursue funding in the hope that such a project will be considered in the future.

The Commission was first funded in FY 2003 with a GRF appropriation of $657,600 to assist minority, lower income, and educationally disadvantaged college graduates in gaining access to and completing a legal education by sponsoring intensive preparatory courses, as well as to provide stipends for tuition and living expenses. In order to constrain FY 2003 GRF expenditures, the Court did not disburse any of the Commission's FY 2003 GRF appropriation, with the result being that those appropriated funds lapsed back into the GRF's unobligated and unappropriated FY 2003 ending cash balance.

RICHLAND COUNTY COURT OF COMMON PLEAS JUDGE

The enacted budget amends permanent law to create one additional judge for the Richland County Court of Common Pleas to be elected in 2004 as judge of the Juvenile Division of the court for a term to begin January 3, 2005.

Starting with FY 2006, the annual amount in GRF funding that the Supreme Court of Ohio will disburse in the form of state support for the new judge in Richland County is estimated at $124,562, which consists of: (1) $102,100 in salary, (2) $13,590 in PERS contributions, and (3) $8,872 in miscellaneous other contributions. Currently, the state has statutorily prescribed annual pay increases in the state share of the salary of common pleas court judges through calendar year 2008. Since this new judgeship begins at the halfway point in the state's FY 2005, the amount of state support in FY 2005 would total $62,281, which represents only the last six months of that fiscal year.

The annual salary and benefits for the new judge to be added to the court of common pleas will cost Richland County $15,897, which is comprised of $14,000 in annual base salary, plus 13.55%, or $1,897, in PERS benefits. As of this writing, the Richland County Board of Commissioners does not anticipate the need to hire any additional staff to support the new judgeship. In addition, the Board does not believe that any capital improvements (new construction or renovation projects) will have to be undertaken in order to house the new judge, but intends to reassess that need once the new judge takes office in January 2005.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

JSC Judiciary / Supreme Court

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	005-321	Operating Expenses - Judiciary/Supre	$ 84,585,866	$ 94,996,070	$97,725,993	$ 113,636,659	16.28%	$ 118,401,294	4.19%
GRF	005-401	State Criminal Sentencing Council	$ 309,139	$ 289,530	$280,145	$ 346,194	23.58%	$ 356,371	2.94%
GRF	005-402	Task Force on Family Law and Childre	$ 99,855	$ 2,405	$0	$ 0	N/A	$ 0	N/A
GRF	005-406	Law-Related Education	----	$ 197,790	$203,724	$ 209,836	3.00%	$ 216,131	3.00%
GRF	010-321	Operating Expenses - Supreme Court	$ 9,145,889	$ 216,947	$0	$ 0	N/A	$ 0	N/A
GRF	010-401	Law-Related Education	$ 203,077	----	$0	$ 0	N/A	$ 0	N/A
General Revenue Fund Total			**$ 94,343,825**	**$ 95,702,741**	**$ 98,209,862**	**$ 114,192,689**	**16.27%**	**$ 118,973,796**	**4.19%**
672	005-601	Continuing Judicial Education	$ 217,149	$ 100,040	$176,799	$ 126,000	-28.73%	$ 120,000	-4.76%
6A2	005-602	Dispute Resolution	$ 30,107	----	$0	$ 0	N/A	$ 0	N/A
5Q7	005-608	Court Security Operations Manual	----	$ 30,764	$0	$ 0	N/A	$ 0	N/A
General Services Fund Group Total			**$ 247,256**	**$ 130,804**	**$ 176,799**	**$ 126,000**	**-28.73%**	**$ 120,000**	**-4.76%**
3J0	005-603	Federal Grants	$ 921,851	$ 516,075	$572,252	$ 1,030,061	80.00%	$ 1,030,061	0.00%
Federal Special Revenue Fund Group Total			**$ 921,851**	**$ 516,075**	**$ 572,252**	**$ 1,030,061**	**80.00%**	**$ 1,030,061**	**0.00%**
4C8	005-605	Attorney Registration	----	$ 1,928,195	$2,147,137	$ 2,332,733	8.64%	$ 2,495,171	6.96%
6A8	005-606	Supreme Court Admissions	----	$ 851,199	$925,238	$ 1,230,514	32.99%	$ 1,267,428	3.00%
643	005-607	Commission on Continuing Legal Educ	----	$ 465,611	$482,745	$ 568,788	17.82%	$ 587,210	3.24%
5T8	005-609	Grants and Awards	----	----	$0	$ 33,296	N/A	$ 33,296	0.00%
643	010-601	Commission on Continuing Legal Educ	$ 491,260	----	$0	$ 0	N/A	$ 0	N/A
6A8	010-602	Supreme Court Admissions	$ 801,351	----	$0	$ 0	N/A	$ 0	N/A
4C8	010-603	Attorney Registration	$ 1,820,276	----	$0	$ 0	N/A	$ 0	N/A
State Special Revenue Fund Group Total			**$ 3,112,887**	**$ 3,245,005**	**$ 3,555,120**	**$ 4,165,331**	**17.16%**	**$ 4,383,105**	**5.23%**
Judiciary / Supreme Court Total			***$ 98,625,819***	***$ 99,594,626***	***$ 102,514,033***	***$ 119,514,081***	***16.58%***	***$ 124,506,962***	***4.18%***

- Funding in FY 2004 and FY 2005 is equal to funding for FY 2003
- Excess moneys in the Lake Erie Resources Fund may be transferred to the Lake Erie Protection Fund

Lake Erie Commission

Kerry Sullivan, Budget Analyst

ROLE

The Lake Erie Commission is responsible for coordinating state policies and programs that are related to Lake Erie and its surrounding areas. The Commission's role is to preserve Lake Erie's natural resources, protect the quality of its waters and ecosystems, and promote development of the North Coast. Efforts to protect and improve the environmental quality of the lake are coordinated with the development of tourism, recreation, the fishing industry, and the maintenance of Lake Erie ports.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
5	$1.8 million	$1.8 million	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Appropriations for FY 2004 and FY 2005 total $1,759,979 each year. This amount is equivalent to the total appropriated in FY 2003 and is $757,138 more than actual expenditures for FY 2003. Funding levels over the 2003-2005 biennium match those requested by the Board and recommended by the Executive.

The Commission consists of the directors of the Ohio Environmental Protection Agency and of the departments of Agriculture, Development, Health, Natural Resources, and Transportation. Commission staff works from the Lake Erie Office in Toledo and currently consists of four full-time and one part-time employee. When fully staffed, the Office consists of five full-time and two part-time employees.

The Lake Erie Commission uses no General Revenue Fund moneys and maintains two State Special Revenue accounts. The Lake Erie Resources Fund (Fund 5D8) receives Ohio's share of earnings from the Great Lakes Protection Fund, an interstate trust fund established to protect and restore the Great Lakes. States contiguous to the Great Lakes deposit money to the fund for projects and programs related to the lakes. Moneys in Fund 5D8 are used to support the operations of the Commission and its staff.

The Lake Erie Protection Fund (Fund 4C0) receives money from thousands of individual donations, primarily through the Lake Erie license plate program. This fund is used solely to award research grants and contracts, through a competitive proposal process, that protect and enhance Lake Erie. Over the 2003-2005 biennium, the Commission will award some 80 grants to private and nonprofit organizations, academic groups, and state and local agencies totaling $2 million.

BUDGET ISSUES

LAKE ERIE PROTECTION FUND AND GRANTS PROGRAM

A continuing challenge for the Lake Erie Commission is generating sufficient revenue to maintain a meaningful Lake Erie Protection Fund grants program. The fund's main source of income, the Lake Erie license plate program, has decreased from a high of $919,210 in FY 1997 to $605,970 in FY 2002 due to increased competition within the specialty license plate market. Overall, revenue from license plate sales decreased at an average annual rate of 5% from FY 1997 to FY 2001. From FY 2001 to FY 2002, revenue decreased 19%.

Temporary language in Am. Sub. H.B. 95 allows the Commission to transfer excess funds from the Lake Erie Resources Fund to the Lake Erie Protection Fund to support both ongoing and future grants.

In FY 1999, the Lake Erie Office commissioned a comprehensive marketing research evaluation of its revenue-generating programs. In keeping with the findings of this research, the Commission intends to pursue new license plate initiatives aimed at reversing decreasing sales trends.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
LEC	***Lake Erie Commission***								
4C0	780-601	Lake Erie Protection	$ 998,298	$ 987,520	$631,529	$ 1,070,975	69.58%	$ 1,070,975	0.00%
5D8	780-602	Lake Erie Resources	$ 462,347	$ 452,039	$371,312	$ 689,004	85.56%	$ 689,004	0.00%
State Special Revenue Fund Group Total			**$ 1,460,645**	**$ 1,439,559**	**$ 1,002,841**	**$ 1,759,979**	**75.50%**	**$ 1,759,979**	**0.00%**
Lake Erie Commission Total			***$ 1,460,645***	***$ 1,439,559***	***$ 1,002,841***	***$ 1,759,979***	***75.50%***	***$ 1,759,979***	***0.00%***

- Am. Sub. H.B. 95 enacts several recommendations of a recent performance audit

Legal Rights Service

Clay Weidner, Budget Analyst

ROLE

Section 5123.60 of the Revised Code created the Ohio Legal Rights Service (OLRS) in 1975 as Ohio's federally-mandated protection and advocacy (P&A) agency. The federal government requires every state to designate a P&A organization. To date, only eight state P&As are government agencies. The agency's goal is to provide people with disabilities the opportunity to realize self-determination, equality of opportunity, and full participation in the community. Legal Rights Service provides P&A services to individuals with a developmental disability, mental illness, or other significant physical or mental impairment that substantially interferes with life activity. Legal Rights Service responds to allegations of abuse, neglect, and rights violations and advocates for access to appropriate education, health care, housing, employment, and institutional reform for individuals with disabilities. Legal Rights Service provides legal representation, information and referral, professional assistance, negotiation and mediation, education, and training. Legal Rights Service also conducts public hearings and subpoenas persons in order to obtain information needed to perform their duties. The agency has a staff of 51, consisting of attorneys, advocates, administrators, policy analysts, and support. In FY 2002, OLRS provided services for 21,837 individuals with disabilities.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
51	$4.3 million	$4.3 million	$521,000	$521,000	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Legal Rights Service is appropriated $4,338,288 in both FY 2004 and FY 2005, which represents a 10.5% decrease from FY 2003 expenditures. The Legal Rights Service appropriation includes $520,555 in GRF funding, which represents approximately 11% of the agency's total operating budget, in both fiscal years of the biennium. The GRF portion of the agency's budget decreases by 5.5% from FY 2003 expenditures with level funding in FY 2005. Approximately 87% of the agency's budget is federal funds. According to the agency, the appropriations will maintain current service levels because of a new federal grant and increases in other grants.

BUDGET ISSUES

PERFORMANCE AUDIT

The Legal Rights Service Commission recently requested the Office of the Auditor to perform a performance audit of OLRS. Legal Rights Service voluntarily agreed to the audit, which cost the agency approximately $60,000. According to OLRS, the Auditor's recommendations will help the agency "chart a course for agency services and management." The Legal Rights Service Commission has posted the Auditor's recommendations on their website and will post implementation plans and updates for each of the Auditor's recommendations.

Am. Sub. H.B. 95 includes changes in the law to implement some of the Auditor's recommendations including giving the Legal Rights Service Commission the authority to make rules, establishing litigation policy guidelines, reviewing budget requests, deleting the Commission's authority to establish guidelines for the resolution of litigation, changing the tenure of the Legal Rights Service Administrator to serve at the pleasure of the Commission, and expressly adding to the purposes of the Commission the role of advising the Legal Rights Service Administrator on establishing and annually reviewing a strategic plan.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

LRS Legal Rights Service

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	054-100	Personal Services	$ 316,769	$ 242,522	$217,331	$ 193,514	-10.96%	$ 193,514	0.00%
GRF	054-200	Maintenance	$ 49,672	$ 44,599	$39,852	$ 33,938	-14.84%	$ 33,938	0.00%
GRF	054-300	Equipment	$ 2,744	$ 2,439	$2,238	$ 1,856	-17.07%	$ 1,856	0.00%
GRF	054-401	Ombudsman	$ 374,969	$ 306,942	$291,247	$ 291,247	0.00%	$ 291,247	0.00%
General Revenue Fund Total			**$ 744,154**	**$ 596,502**	**$ 550,668**	**$ 520,555**	**-5.47%**	**$ 520,555**	**0.00%**
416	054-601	Gifts and Donations	----	$ 26,982	$0	$ 1,352	N/A	$ 1,352	0.00%
524	054-608	Traumatic Brain Injury	$ 42,655	$ 107,345	$0	$ 0	N/A	$ 0	N/A
5M0	054-610	Settlements	$ 121,673	$ 261,796	$49,487	$ 75,000	51.55%	$ 75,000	0.00%
General Services Fund Group Total			**$ 164,327**	**$ 396,124**	**$ 49,487**	**$ 76,352**	**54.29%**	**$ 76,352**	**0.00%**
305	054-602	Protection and Advocacy-Development	$ 1,052,240	$ 1,165,774	$1,615,108	$ 1,280,363	-20.73%	$ 1,280,363	0.00%
3B8	054-603	Protection and Advocacy-Mentally Ill	$ 842,019	$ 1,116,768	$1,049,152	$ 1,018,279	-2.94%	$ 1,018,279	0.00%
3R9	054-604	Family Support Collaborative	$ 227,799	$ 262,740	$174,672	$ 242,500	38.83%	$ 242,500	0.00%
3N3	054-606	Protection and Advocacy-Individual Rig	$ 372,601	$ 494,090	$733,754	$ 507,648	-30.81%	$ 507,648	0.00%
3N9	054-607	Assistive Technology	$ 72,952	$ 39,364	$47,325	$ 50,000	5.65%	$ 50,000	0.00%
3T2	054-609	Client Assistance Program	$ 391,851	$ 378,148	$407,062	$ 404,807	-0.55%	$ 404,807	0.00%
3X1	054-611	Protection and Advocacy for Beneficiar	$ 2,663	$ 115,817	$202,600	$ 187,784	-7.31%	$ 187,784	0.00%
3Z6	054-612	Traumatic Brain Injury	----	----	$17,149	$ 50,000	191.56%	$ 50,000	0.00%
Federal Special Revenue Fund Group Total			**$ 2,962,124**	**$ 3,572,701**	**$ 4,246,822**	**$ 3,741,381**	**-11.90%**	**$ 3,741,381**	**0.00%**
Legal Rights Service Total			***$ 3,870,606***	***$ 4,565,327***	***$ 4,846,977***	***$ 4,338,288***	***-10.49%***	***$ 4,338,288***	***0.00%***

- Financial disclosure filing fees increased from $10 to $25 for lobbyists
- Late filing fees now imposed on executive lobbyists instead of only legislative lobbyists

Legislative Ethics Committee, Joint

Jonathan Lee, Budget Analyst

ROLE

The Joint Legislative Ethics Committee (JLEC) was established to monitor the compliance with Ohio Ethics Law as it applies to the legislative branch. The Committee is authorized to interpret and enforce the Ethics Law's provisions, receive and review financial disclosure statements, and render advisory opinions on ethical issues raised by officials and employees of the General Assembly. The Committee's staff is known as the Office of the Legislative Inspector General (OLIG) and is responsible for the actual implementation of the provisions of the ethics and lobbying laws and administers legislative agent registrations and filings.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
6	$550,000	$550,000	$550,000	$550,000	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Committee's fiscal year (FY) 2004-2005 total appropriations decreased 1% from FY 2002-2003 total adjusted appropriations. Overall, funding will allow the OLIG to maintain salaries and fringe benefits, and pay office rent, supplies, operations, and computer expenses. Current staff levels will be maintained throughout the biennium with no anticipation of additions. The Office of the Legislative Inspector General will continue to register lobbyists, issue advisory and written opinions, investigate complaints, conduct ethics training sessions, and provide all lobbying information on-line. Over the biennium, the Committee will evaluate the process of optical character recognition as a data entry medium and the institution of on-line filing of information by lobbyists.

BUDGET ISSUES

FUND ELIMINATION

Am. Sub. H.B. 95 eliminated JLEC's appropriation item, 028-601, Joint Legislative Ethics Committee, in the State Special Revenue Fund Group. Prior to the elimination of this fund, the cash balance was approximately $224,000. On July 1, 2003, 50% of the cash balance, or approximately $112,000, was transferred to the GRF. On July 1, 2004, the remaining cash balance will be transferred to the GRF. This fund was supported by lobbyist financial disclosure filing fees.

FINANCIAL DISCLOSURE FILING FEES

Am. Sub. H.B. 95 increased the financial disclosure fees from $10 to $25 for each legislative lobbyist and their employer. This fee increase is estimated to generate approximately $50,000 per year in additional revenue. All revenue collected from the filing fees will be deposited into the GRF instead of the former Joint Legislative Ethics Committee Fund.

Am. Sub. H.B. 95 also imposes a late financial disclosure filing fee of $12.50 per day up to $100 for executive agency lobbyists and their employers. Previously, the OLIG only had the legal authority to impose a late filing fee upon legislative agency lobbyists and their employers.

Line Item Detail by Agency

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			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
JLE	***Joint Legislative Ethics Committee***								
GRF	028-321	Legislative Ethics Committee	$ 446,995	$ 415,492	$441,551	$ 550,000	24.56%	$ 550,000	0.00%
General Revenue Fund Total			**$ 446,995**	**$ 415,492**	**$ 441,551**	**$ 550,000**	**24.56%**	**$ 550,000**	**0.00%**
4G7	028-601	Joint Legislative Ethics Committee	$ 46,052	$ 26,305	$33,316	----	N/A	----	N/A
State Special Revenue Fund Group Total			**$ 46,052**	**$ 26,305**	**$ 33,316**	**----**	**N/A**	**----**	**N/A**
Joint Legislative Ethics Committee Total			***$ 493,046***	***$ 441,797***	***$ 474,867***	***$ 550,000***	***15.82%***	***$ 550,000***	***0.00%***

- CIIC funding is restored
- LOEO is required to conduct two studies
- Total appropriation for FY 2004 is 1.3% less than FY 2003; FY 2005 is 3.8% more than FY 2004

Legislative Service Commission

Kerry Sullivan, Budget Analyst

ROLE

The Legislative Service Commission (LSC) consists of the Speaker of the House of Representatives, six members of the House appointed by the Speaker, the President of the Senate, and six members of the Senate appointed by the President. The Legislative Service Commission staff provides nonpartisan technical and research services to members of the Ohio General Assembly. Some of these services include: drafting bills, amendments, and resolutions; preparing bill analyses, fiscal notes, and local impact statements; providing staff assistance to standing committees and subcommittees of the General Assembly; providing legal and technical review of the Ohio Revised Code; conducting tax revenue and welfare caseload forecasts; publishing resource documents and reports of interest to state and local government officials; operating a legislative research library; and training legislative interns as staff aides to the House of Representatives and the Senate.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
218**	$20.8 million	$21.6 million	$20.6 million	$21.4 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.
**Includes employment counts for the Legislative Service Commission, the Legislative Office of Education Oversight, the Legislative Information Systems Office, and the legislative intern program.

OVERVIEW

Appropriations for FY 2004 total $20,793,550. This amount is $265,877 less than the revised appropriation for FY 2003 (a 1.3% decrease) and is $2,354,920 more than actual expenditures for FY 2003. Appropriations for FY 2005 total $21,578,964, or $785,414 more than FY 2004 (a 3.8% increase).

Three additional offices that provide staff assistance to separate committees of the General Assembly are funded through LSC appropriations. These are the Legislative Office of Education Oversight (LOEO), the Legislative Information Systems Office (LIS), and the Correctional Institution Inspection Committee (CIIC). The Legislative Office of Education Oversight performs research for the General Assembly on select educational programs. Reports prepared by LOEO provide an in-depth look at the effects of education policies and practices in elementary and secondary schools and in colleges and universities. The Legislative Information Systems Office provides network computer development and services for the

General Assembly. The Correctional Institution Inspection Committee inspects correctional institutions, and evaluates and assists in developing programs to improve their conditions or operations.

BUDGET ISSUES

CORRECTIONAL INSTITUTION INSPECTION COMMITTEE

The Correctional Institution Inspection Committee consists of four senators and four representatives from the General Assembly. Under section 103.73 of the Revised Code, CIIC has the responsibility of establishing and maintaining a continuing program of inspection of each state correctional institution and each private correctional facility each biennium. The Committee may also inspect local correctional institutions. The Committee is also charged with evaluating and assisting in the development of programs to improve the condition or operation of correctional institutions.

Under Am. Sub. H.B. 94 of the 124th General Assembly, funding to General Revenue line item 035-405, Correctional Institution Inspection Committee, was eliminated. Although the Committee itself was not abolished and legislative duties prescribed under section 103.73 were still carried out, funding for committee staff was discontinued. The current budget act restores funding for the Committee in the amount of $200,000 in FY 2004 and $300,000 in FY 2005. This will allow the Committee to hire a small staff of administrative personnel who will be able to respond to written inquiries from inmates.

LOEO STUDIES

The budget act contains two separate provisions that require LOEO to conduct a study. The first requires LOEO to conduct a formative evaluation of the Pilot Project Special Education Scholarship Program. Under this program, the parent of a child identified as autistic who is receiving, or who is eligible to receive, special education and related services from the child's resident school district may receive a scholarship of up to $15,000 to pay all or part of the cost of a special education program provided by another school district. In conducting the evaluation, LOEO must gather comments from parents who have been awarded scholarships under the program, school district officials, representatives of registered private providers, educators, and representatives of educational organizations for inclusion in the report. LOEO must report its findings to the General Assembly by March 1, 2005.

The second provision requires LOEO to conduct a review of partnership agreements between Head Start providers and providers of childcare or daycare services. In conducting the review, LOEO is to consider the following: the impact on literacy-readiness for children receiving services under these agreements; the costs and benefits of these agreements to both the participant children and the providers; the operation of the agreements; and whether an administrative entity, such as a county department of job and family services, oversees implementation of the agreement. The Legislative Office of Education Oversight must report its findings to the General Assembly by December 31, 2004.

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:

Report For: Main Operating Appropriations Bill **Version:** Enacted

LSC Legislative Service Commission

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	035-321	Operating Expense	$ 10,023,248	$ 12,246,566	$12,306,856	$ 14,065,000	14.29%	$ 14,770,000	5.01%
GRF	035-402	Legislative Interns	$ 831,954	$ 810,009	$786,907	$ 975,000	23.90%	$ 990,000	1.54%
GRF	035-403	Legislative Budget Office	$ 2,310,474	$ 189,072	$0	$ 0	N/A	$ 0	N/A
GRF	035-404	Office of Education Oversight	$ 1,018,929	$ 926,550	$981,651	$ 1,205,000	22.75%	$ 1,256,427	4.27%
GRF	035-405	Correctional Institution Inspection Com	$ 421,109	$ 2,236	$0	$ 200,000	N/A	$ 300,000	50.00%
GRF	035-406	ATMS Replacement Project	$ 92,467	$ 13,132	$2,583	$ 20,000	674.29%	$ 20,000	0.00%
GRF	035-407	Legislative Task Force on Redistricting	$ 327,060	$ 971,855	$0	$ 100,000	N/A	$ 0	-100.00%
GRF	035-409	National Associations	$ 390,948	$ 398,406	$414,881	$ 430,000	3.64%	$ 441,000	2.56%
GRF	035-410	Legislative Information Systems	$ 5,623,138	$ 4,631,480	$3,739,528	$ 3,624,200	-3.08%	$ 3,624,200	0.00%
General Revenue Fund Total			**$ 21,039,326**	**$ 20,189,307**	**$ 18,232,406**	**$ 20,619,200**	**13.09%**	**$ 21,401,627**	**3.79%**
410	035-601	Sale of Publications	$ 11,103	----	$0	$ 25,000	N/A	$ 25,000	0.00%
4F6	035-603	Legislative Budget Services	$ 115,767	$ 117,459	$106,224	$ 149,350	40.60%	$ 152,337	2.00%
General Services Fund Group Total			**$ 126,869**	**$ 117,459**	**$ 106,224**	**$ 174,350**	**64.13%**	**$ 177,337**	**1.71%**
5V4	035-604	Education Studies	----	----	$100,000	$ 0	-100.00%	$ 0	N/A
State Special Revenue Fund Group Total			**----**	**----**	**$ 100,000**	**$ 0**	**-100.00%**	**$ 0**	**N/A**
Legislative Service Commission Total			***$ 21,166,195***	***$ 20,306,766***	***$ 18,438,630***	***$ 20,793,550***	***12.77%***	***$ 21,578,964***	***3.78%***

- In FY 2004, OPLIN will be funded through the Library and Local Government Support Fund (as in the previous biennium), however, in FY 2005, OPLIN funding moves back to the GRF

Library Board, State

Sara D. Anderson, Budget Analyst

ROLE

The State Library Board was established by the General Assembly in 1817 to provide information and reading materials to legislators and state officials. The role of the State Library has gradually expanded to include the following goals: to collect, disseminate, and provide access to information for Ohio's state government; to be an advocate for all libraries in Ohio; to be a leader and a partner in the development of library services throughout Ohio; to promote resource sharing among libraries and library networks; and to provide specialized services to Ohio's citizens. The State Library is a reference library as well as a depository for the publications of state and federal agencies. The State Library is governed by a board of five members appointed for five-year terms by the State Board of Education.

The State Library operates two library centers: one in Caldwell (Noble County) and one in Fayetteville (Brown County). These two library centers provide reference services to area libraries, as well as a variety of other services to the libraries in southeastern and southwestern Ohio. However, bookmobile services that were provided by these two centers were discontinued in the FY 2002-2003 biennium due to budget cuts. Budget cuts also forced the State Library to close two branch libraries (one in Riffe Center and one in Rhodes Tower) on July 1, 2001.

The budget for the State Library also includes funding for the Ohio Public Library Information Network, the Cleveland and Cincinnati Libraries for the Blind and Physically Handicapped, and the seven regional library systems.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
96	$24.2 million	$23.8 million	$9.5 million	$14.4 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

In FY 2004, the State Library's GRF funding decreases by 1.9% from the FY 2003 spending level, while in FY 2005 the GRF funding for the library increases by 52.3% from the FY 2004 appropriation level. This increase is a result of moving the funding for the Ohio Public Library Information Network (OPLIN) from the Library and Local Government Support Fund (LLGSF) back into the GRF in FY 2005. Overall, funding in FY 2004 will increase by 1.7% over FY 2003 spending and funding in FY 2005 will decrease by 1.8% from FY 2004.

Funding for the regional library systems decreases by 17.8% to $1,194,374 in FY 2004 and is flat-funded in FY 2005. The number of regional library systems in the state has been capped at seven. This reduced budget impacts the seven regional library systems around the state that serve all types of libraries, including approximately two-thirds of Ohio's public libraries.

The State Library also acts as a fiscal agent for the Cleveland and Cincinnati Public Libraries for the Blind and Physically Handicapped. These two libraries provide Talking Book materials to over 25,000 blind and physically handicapped people in the state and provide these people with access to library services that they would not otherwise have. The Cleveland library serves customers living in the state's northern 55 counties, while the Cincinnati library serves those living in the 33 southern counties. The budget for the Cleveland library is $879,042 in FY 2004, a 5.0% decrease from FY 2003, and $857,066 in FY 2005, a 2.5% decrease from FY 2004. The Cincinnati library will receive $584,414, a 5.0% decrease from FY 2003, and $569,803 in FY 2005, a 2.5% decrease from FY 2004.

BUDGET ISSUES

OHIO PUBLIC LIBRARY INFORMATION NETWORK (OPLIN)

Prior to the FY 2002-2003 budget, OPLIN was funded through the GRF. Beginning on July 1, 2001, OPLIN was funded through the OPLIN Technology Fund (Fund 4S4), which consisted of funds transferred from the LLGSF. Moving funding for OPLIN from the GRF to the LLGSF did not warrant any change in OPLIN's operations.

In FY 2004, OPLIN will continue to be funded through the LLGSF. However, the budget moves funding for OPLIN back into the GRF on July 1, 2004. This change will not have any immediate effect on OPLIN operations.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

LIB Library Board, State

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	350-100	Personal Services	$ 4,924,148	----	$0	$ 0	N/A	$ 0	N/A
GRF	350-200	Maintenance	$ 1,957,289	----	$0	$ 0	N/A	$ 0	N/A
GRF	350-300	Equipment	$ 2,099,275	----	$0	$ 0	N/A	$ 0	N/A
GRF	350-321	Operating Expenses	----	$ 7,204,125	$6,556,287	$ 6,700,721	2.20%	$ 6,700,721	0.00%
GRF	350-400	Ohio Public Library Information Networ	$ 5,796,459	$ 686,016	$0	$ 0	N/A	$ 5,000,000	N/A
GRF	350-401	Ohioana Rental Payments	$ 68,327	$ 120,972	$120,972	$ 124,816	3.18%	$ 124,816	0.00%
GRF	350-501	Cincinnati Public Library	$ 838,306	$ 702,480	$615,172	$ 584,414	-5.00%	$ 569,803	-2.50%
GRF	350-502	Regional Library Systems	$ 1,888,234	$ 1,659,544	$1,453,123	$ 1,194,374	-17.81%	$ 1,194,374	0.00%
GRF	350-503	Cleveland Public Library	$ 1,266,749	$ 1,056,668	$925,307	$ 879,042	-5.00%	$ 857,066	-2.50%
GRF	350-505	Netwellness	$ 735,000	----	$0	$ 0	N/A	$ 0	N/A
General Revenue Fund Total			**$ 19,573,788**	**$ 11,429,806**	**$ 9,670,861**	**$ 9,483,367**	**-1.94%**	**$ 14,446,780**	**52.34%**
459	350-602	Interlibrary Service Charges	$ 1,082,725	$ 1,409,769	$1,773,469	$ 2,759,661	55.61%	$ 2,809,661	1.81%
139	350-602	Intra-Agency Service Charges	$ 26,200	$ 27,949	$15,070	$ 9,000	-40.28%	$ 9,000	0.00%
4S4	350-604	OPLIN Technology	$ 634,500	$ 5,744,793	$7,001,681	$ 6,450,000	-7.88%	$ 1,000,000	-84.50%
General Services Fund Group Total			**$ 1,743,425**	**$ 7,182,511**	**$ 8,790,220**	**$ 9,218,661**	**4.87%**	**$ 3,818,661**	**-58.58%**
313	350-601	LSTA Federal	$ 5,070,859	$ 5,590,706	$5,379,719	$ 5,541,647	3.01%	$ 5,541,647	0.00%
313	350-603	LSCA Construction	$ 566,544	----	$0	$ 0	N/A	$ 0	N/A
Federal Special Revenue Fund Group Total			**$ 5,637,403**	**$ 5,590,706**	**$ 5,379,719**	**$ 5,541,647**	**3.01%**	**$ 5,541,647**	**0.00%**
Library Board, State Total			***$ 26,954,616***	***$ 24,203,023***	***$ 23,840,800***	***$ 24,243,675***	***1.69%***	***$ 23,807,088***	***-1.80%***

- Commission continues to issue decisions within the 45-day goal (currently 14 days)
- $27,700 earmarked in FY 2004 and $4,500 earmarked in FY 2005 for computer equipment

Liquor Control Commission

Jeremie Newman, Budget Analyst

ROLE

The Liquor Control Commission (LCO) is a rule-making and adjudication agency that oversees the alcohol beverage industry in Ohio. Its mission is to ensure compliance with Ohio's liquor laws and regulations. The Commission works jointly with the Department of Commerce, Division of Liquor Control, and the Department of Public Safety. The Commission's activities include: (1) making and interpreting rules regarding liquor production, sales, and advertising, etc, (2) hearing and ruling on cases regarding violations of liquor laws that could result in the suspension or revocation of a liquor permit, (3) hearing and ruling on appeals of decisions of the Division of Liquor Control concerning liquor permit renewals and distribution, and (4) hearing and ruling on appeals of liquor permit revocations and of permit non-renewals due to tax delinquency.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
9	$779,886	$794,387	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Liquor Control Commission's (LCO) budget is solely funded through the Liquor Control Fund (Fund 043) revenue, which is primarily generated through wholesale and retail spirituous liquor sales. The FY 2004 appropriation is $779,886, or 8.07% above actual FY 2003 expenditures of $721,639. The FY 2005 appropriation is $794,387, or 1.86% higher, than FY 2004.

BUDGET ISSUES

COMPUTER EQUIPMENT EARMARK

In FY 2002, the Commission heard over 3,000 cases. These hearings are extremely paper intensive and computer usage can and does allow the Commission to handle paper intensive tasks effectively and efficiently. In addition, the Commission shares many electronic data files with its partner agencies (Commerce's Division of Liquor Control, the Department of Public Safety, and the Attorney General). The existing Mac computers the Commission uses now make this difficult. Therefore, the earmarked funds, $27,7000 in FY 2004 and $4,500 in FY 2005, will be used to purchase computer equipment. The Commission plans to purchase six Dell computer systems with Office Professional, six Filemaker Pro upgrades for the new personal computers, and one new printer.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
LCO Liquor Control Commission									
043	970-321	Operating Expenses	$ 569,778	$ 652,156	$721,639	$ 779,886	8.07%	$ 794,387	1.86%
Liquor Control Fund Group Total			**$ 569,778**	**$ 652,156**	**$ 721,639**	**$ 779,886**	**8.07%**	**$ 794,387**	**1.86%**
Liquor Control Commission Total			***$ 569,778***	***$ 652,156***	***$ 721,639***	***$ 779,886***	***8.07%***	***$ 794,387***	***1.86%***

- The Ohio Lottery is self-sustaining and funded through the State Lottery Fund.
- Am. Sub. H.B. 95 eliminates the Unclaimed Prize Fund.

Lottery Commission, Ohio

Jean J. Botomogno, Economist

ROLE

The Ohio Lottery operates to create profits to be transferred to the Lottery Profits Education Fund (LPEF) for use in programs benefiting primary, secondary, vocational, and special education. The total amount transferred comes largely from operating profits with other transfers made primarily from the Unclaimed Prize Fund. In the current biennium, no additional transfers will be made from the Unclaimed Funds which has been eliminated.

The Ohio Lottery is self-sustaining and funded through the State Lottery Fund. Of the $1,983.1 million of total ticket sales generated in FY 2002, approximately 58% was awarded to players as prizes, 31% was transferred to the Ohio Department of Education, 6% was paid to agents as commissions and bonuses, and 5% was spent on operations. The Lottery operates a variety of on-line and instant ticket games. The on-line games are Pick 3, Pick 4, Buckeye 5, Super Lotto, Mega Millions, and the Kicker.[6] Ohio entered Mega Millions, a multi-state game,[7] in May of 2002. Fiscal Year 2003 was the first full year of operation of this game in the state. The on-line games generated approximately 48.2% of total ticket sales revenue in FY 2003. The Lottery sells a wide variety of instant games, including special games that coincide with major holidays. Instant games were approximately 51.8% of total ticket sales revenue in FY 2003.

The Lottery is governed by a nine-member commission, appointed by the Governor and confirmed by the Senate. No more than five members of the commission may be from the same political party. Daily administration of the Lottery is the responsibility of an executive director who is appointed by the Governor to oversee staff and operations.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
351	$446	$446	$0	$0	Am. Sub. H.B. 95

*Employee head count as of June 28, 2003 obtained from the Ohio Lottery Commission.

[6] These on-line games are played via a terminal at a Lottery sales agent. Those terminals are linked to Ohio Lottery headquarters computers. On-line games do not refer to "Internet" lottery sales.

[7] Mega Millions is also played in the following states: Georgia, Illinois, Maryland, Massachusetts, Michigan, New Jersey, New York, Virginia, and Washington.

Fifty-four percent of the employees are in sales and marketing. Executive and administrative staff constitutes 25% of the work force. In FY 2003, the Ohio Lottery added the product research and development division, which has nine employees or 3% of the workforce. The remainder of the staff is either in the finance or the information technology divisions.

OVERVIEW

Appropriations for FY 2004 are $445.7 million, a 19% increase from FY 2003 expenditures. Actual FY 2003 expenditures were 17% below appropriated amounts for that year in the FY 2002-2003 operating budget. Fiscal Year 2005 appropriations are virtually identical to FY 2004 appropriations. Seventy-four percent of total appropriations are related to prizes. Appropriations for prizes, bonuses, and commissions are $166.2 million in FY 2004 and in FY 2005. Annuity prizes appropriations are $162.2 million in each year of the biennium. For spending to reach the appropriation level for these two accounts, lottery sales would have to substantially increase over current levels. Appropriations for the problem gambling subsidy are $335,000 each year, 267% more than the amount spent in FY 2003. These funds are provided to the Ohio Department of Alcohol and Drug Addiction Services for the treatment of co-occurring instances of gambling addiction with alcohol and drug addictions.

All operating funds are from the State Lottery Fund, which receives all its moneys from lottery ticket sales. The Ohio Lottery Commission uses no general revenue funds.

BUDGET ISSUES

ELIMINATION OF THE UNCLAIMED PRIZE FUND

Am. Sub. H.B. 95, the new biennial budget act, eliminated the Unclaimed Lottery Prizes Fund as well as the Ohio Lottery's power to conduct lotteries in order to disburse unclaimed prize awards, and required unclaimed prize awards to be returned to the State Lottery Fund. The budget act directs the Office of Budget and Management to transfer up to $7.5 million from the Unclaimed Prizes Fund (Fund 872) to the Lottery Profits Education Reserve Fund, and the remaining balances as of July 31, 2003 to the State Lottery Fund (Fund 044). As a result of this change, money from the Unclaimed Prize Fund will no longer be available to supplement transfers from operations to the Lottery Profit Education Fund. Instead, any funds from nonoperating sources may be provided from the Deferred Prize Trust Fund or the Lottery Profit Education Reserve Fund to shore up transfers when transfers from operations are insufficient to meet targets established during the budget process.[8]

[8] Am. Sub. H.B. 94 (123rd General Assembly) removed a provision of law requiring that at least 30% of ticket sales be transferred to the Lottery Profit Education Fund (LPEF), thus allowing the Ohio Lottery greater flexibility in the design and the mix of games. Am. Sub. H.B. 94 also changed the manner in which the Ohio Lottery transfers profits to LPEF. A target for such transfers is determined for each biennium during the legislative budget process.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill   **Version:** Enacted

LOT Lottery Commission, Ohio

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
044	950-100	Personal Services	$ 21,082,266	$ 23,718,456	$23,835,504	$ 25,114,200	5.36%	$ 25,133,314	0.08%
044	950-200	Maintenance	$ 20,357,375	$ 17,553,779	$17,124,488	$ 20,100,168	17.38%	$ 20,120,268	0.10%
044	950-300	Equipment	$ 2,017,550	$ 2,224,887	$2,799,342	$ 3,067,250	9.57%	$ 3,113,259	1.50%
044	950-402	Game and Advertising Contracts	$ 60,268,419	$ 56,659,038	$59,279,886	$ 68,683,000	15.86%	$ 68,683,000	0.00%
044	950-500	Problem Gambling Subsidy	----	----	$91,200	$ 335,000	267.32%	$ 335,000	0.00%
044	950-601	Prizes, Bonuses and Commissions	$ 129,530,896	$ 169,428,927	$117,238,055	$ 166,173,455	41.74%	$ 166,173,455	0.00%
871	950-602	Annuity Prizes	$ 223,556,967	$ 156,088,753	$145,682,058	$ 162,228,451	11.36%	$ 162,185,260	-0.03%
872	950-603	Unclaimed Prize Awards	$ 9,625,475	$ 12,981,264	$8,452,728	$ 0	-100.00%	$ 0	N/A
State Lottery Fund Group Total			**$ 466,438,948**	**$ 438,655,103**	**$ 374,503,261**	**$ 445,701,524**	**19.01%**	**$ 445,743,556**	**0.01%**
Lottery Commission, Ohio Total			***$ 466,438,948***	***$ 438,655,103***	***$ 374,503,261***	***$ 445,701,524***	***19.01%***	***$ 445,743,556***	***0.01%***

- Number of licensees regulated by the Board increased 5.7% from 2001 to 2002

Medical Board, State

Chris Murray, Economist

ROLE

The mission of the State Medical Board is to protect and enhance the health and welfare of Ohio's citizens through effective medical regulation. The Board is comprised of twelve members, plus five members of the Physicians Assistant Policy Committee who are appointed by the president of the Board. The Board regulates about 52,000 active licensees in the state of Ohio, with oversight provided for M.D.s, D.O.s, D.P.M.s, and physician assistants (P.A.s). The Board also regulates the practitioners of several limited branches of medicine such as massage therapists (M.T.s), cosmetic therapists (C.T.s), mechanotherapists (D.M.s), acupuncturists, and anesthesiologist assistants (A.A.s).

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
90	$7.1 million	$7.2 million	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The activities of the Board are funded with licensure fees and fines collected for violations of the rules and laws governing the practice of medicine in Ohio. All of the revenues received by the Medical Board are deposited into Fund 5C6, the State Medical Board Operating Fund. The Medical Board was appropriated $7,098,956 in fiscal year (FY) 2004 and $7,199,935 in FY 2005. This represents an 8.6% increase over FY 2003 expenditures and an increase of 1.4% in FY 2005 over FY 2004 appropriation levels. Approximately 79% of the funding will be used to cover personnel expenses for the Board. At these funding levels, the Board will be able to improve its operations by hiring two additional enforcement coordinators in the Board's enforcement section. This will allow the Board to reduce caseload levels and decrease complaint-processing time.

BUDGET ISSUES

LICENSING SYSTEM

The occupational licensing boards, in partnership with the Department of Administrative Services (DAS), are working to implement a new licensing system. The system will be phased in over the next biennium and each board will pay its share of the costs out of Fund 4K9. The Medical Board will pay DAS about $158,300 over the biennium for this system.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
MED State Medical Board									
5C6	883-609	State Medical Board Operating	$ 5,812,749	$ 6,135,817	$6,538,043	$ 7,098,956	8.58%	$ 7,199,935	1.42%
General Services Fund Group Total			**$ 5,812,749**	**$ 6,135,817**	**$ 6,538,043**	**$ 7,098,956**	**8.58%**	**$ 7,199,935**	**1.42%**
State Medical Board Total			***$ 5,812,749***	***$ 6,135,817***	***$ 6,538,043***	***$ 7,098,956***	***8.58%***	***$ 7,199,935***	***1.42%***

- Budget will allow Department to continue current functions at same level
- Combining GRF appropriation items gives flexibility

Mental Health, Department of

Holly Wilson, Budget Analyst

ROLE

The Department of Mental Health (DMH) is a cabinet level agency that is responsible for ensuring that quality mental health services are available in all communities in Ohio. The Department employs approximately 2,597 personnel. In the last 15 years since the passage of the Mental Health Act of 1988, Ohio has transitioned to a state-managed, locally-administered mental health system.

The Department works with 50 local mental health boards to ensure the provision of mental health services. Ohio has 43 community Alcohol, Drug Addiction, and Mental Health Services Boards and seven community Mental Health Services Boards covering all 88 counties. The boards are responsible for planning, funding, monitoring, and evaluating the service delivery system within their geographic areas. The community mental health boards contract with local service providers to deliver mental health services in the community.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
2,597	$916.9 million	$945.6 million	$534.7 million	$543.9 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Mental Health payroll reports as of June 28, 2003.

OVERVIEW

The General Assembly approved funding for the Department in the FY 2004-2005 biennial budget act at the levels proposed by the Governor. Hospital care received a slight increase to cover the current level of care, while community services are basically flat funded.

In the FY 2002-2003 biennium, special accounts, often referred to as rotary or cash reserve funds, were used to cover Central Office Administration. For FY 2004, the three line items supporting Central Office administration (333-100, 333-200, and 333-300) were combined into one line item (333-321) to provide the Department greater funding flexibility. Am. Sub. H.B. 95 of the 125th General Assembly increases GRF funding for Central Office Administration by approximately $3.6 million, or 18.6%, from FY 2003 actual spending. This increase is necessary because non-GRF rotary funds previously used to fund Central Office Administration were depleted to cover a shortfall in operating expenses in FYs 2002 and 2003. Given the increase in GRF funding, Central Office will be able to operate at current staffing levels and to provide the current level of support to the Department throughout the FY 2004-2005 biennium.

GOVERNOR'S VETOES

Am. Sub. H.B. 95 included language authorizing the creation of a State Facilities Closure Commission regarding the possible closing of state institutional facilities for the purpose of expenditure reductions or budget cuts. The bill also included language requiring the submission to the General Assembly specifying information describing how a state agency plans to meet the needs of clients served by the proposed closing of a state institutional facility.

The Governor vetoed the provisions described in this section.

BUDGET ISSUES

COMMUNITY AND HOSPITAL SERVICES

As stated earlier, the Department is responsible for the oversight of behavioral healthcare services managed locally by 50 community alcohol, drug addiction, and mental health services (ADAMH) boards. These boards are directly responsible for the local planning and funding of these services. The local system of care's primary role is to provide acute care services for persons who do not have the financial resources to purchase private care. Community mental health boards contract with community agencies to provide services such as individual and group counseling, residential treatment, crisis intervention, case management, and employment assistance to persons with severe and persistent mental illness. Over 500 community agencies provide services to more than 180,000 adults and 75,000 youth annually. Of the adults, approximately 64,500 are certified as severely mentally disabled (SMD). Of the youth, about 42,000 are considered to have a serious emotional disturbance (SED).

The key issue that the Department focused on throughout the budget process was the adequacy of community care, especially considering the "Pac-Man" effect of Community Medicaid. Over the past decade, community mental health Medicaid expenditures in Ohio have grown exponentially, from approximately $60 million in FY 1990 to $267 million in FY 2002. Because Medicaid is a federal entitlement, meeting the demand for Medicaid services reduced the available funding for "non-Medicaid" services. This is sometimes referred to as the "Pac-Man" effect.

The 2.5% ($12.5 million) reduction implemented in FY 2003 broke out as follows:

- $102,634 in Central Office ($77,634 in line item 333-100 and $25,000 in line item 333-416);
- $2 million out of hospitals in line item 334-408 (the community allocation was unaffected);
- $4 million out of the Mental Health Trust Fund (depleted cash reserves in Fund 4P9);
- $500,000 out of the risk fund (depleted cash reserves in Fund 692);
- $1 million from line item 335-508 in unused funding for the Family Stability Incentive Fund (community allocation was unaffected); and
- $4.9 million out of currently allocated subsidy fund (line item 335-502).

General Revenue Fund line items 334-408, Community Mental Health and Hospital Services; 335-502, Community Mental Health Programs; and 335-508, Services for Severely Mentally Disabled provide the majority of GRF funding to both the community mental health and mental health hospital systems. The budget act combines line items 335-502 and 335-508 into one new line item 335-505, Local Mental Health Systems of Care, and restores funding to FY 2003 appropriation levels (i.e., prior to the executive order reductions in FY 2003).

The budget act also provides a 0.1% increase in community medication subsidy funding (line item 335-419) in FY 2004 and a 3.2% increase in FY 2005. This line item provides funding to assist community mental health boards with the purchase of psychotropic medication for indigent persons. However, the appropriation levels will not fund all the medication costs for indigent persons. Community mental health boards will have to pick up the remaining costs. Given the relatively flat funding over the biennium in line item 335-419 and the demand for new, more effective, but more expensive, psychotropic medications in the community, boards could have to pay a greater portion of medication costs in the upcoming biennium than in the past.

Overall, community GRF funding is increased by approximately 3.1% over the funding levels prior to the 2.5% executive order cuts in FY 2003.

ASSERTIVE COMMUNITY TREATMENT AND INTENSIVE HOME-BASED SERVICES

The budget act amends section 5119.611 of the Revised Code to require the Department of Job and Family Services to request federal approval by October 1, 2003 to include assertive community treatment (ACT) for adults and intensive home-based services (IHB) for children as Medicaid reimbursable services. The budget act also requires the Director of Mental Health to adopt rules by October 1, 2003, in consultation with the Department of Job and Family Services, to establish certification standards for assertive community treatment and intensive home-based services. Making these services reimbursable under the Medicaid program will expand the continuum of care and offer alternatives to hospitalization for adults and out-of-home placement for children. In addition to provisions stated above, ODMH has been working with the Department of Job and Family Services to establish criteria for the continuation of partial hospitalization.

FAMILY STABILITY INCENTIVE ENDS

No appropriations were made for Fund 4N8 line item 335-606, Family Stability Incentive, in the budget act. The Family Stability Incentive program will not be continued with state dollars. However, certain communities may choose to use local dollars to continue providing services available under the program. This program was funded with federal moneys from the Ohio Department of Job and Family Services. In FY 2003, the Department of Mental Health used the approximate $1 million balance of unused cash in Fund 4N8 to help offset the FY 2003 executive order reductions.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill   **Version:** Enacted

DMH Mental Health, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	332-401	Forensic Services	$ 4,315,366	$ 4,152,291	$4,341,823	$ 4,338,858	-0.07%	$ 4,338,858	0.00%
GRF	333-100	Personal Services - Central Administrat	$ 15,074,658	$ 17,124,762	$16,777,940	$ 0	-100.00%	$ 0	N/A
GRF	333-200	Maintenance - Central Administration	$ 2,468,132	$ 2,278,226	$2,146,438	$ 0	-100.00%	$ 0	N/A
GRF	333-300	Equipment - Central Administration	$ 615,335	$ 385,935	$312,583	$ 0	-100.00%	$ 0	N/A
GRF	333-321	Central Administration	----	----	$0	$ 22,808,798	N/A	$ 24,178,778	6.01%
GRF	333-402	Resident Trainees	$ 1,282,965	$ 1,551,633	$1,431,575	$ 1,364,919	-4.66%	$ 1,364,919	0.00%
GRF	333-403	Pre-Admission Screening Expenses	$ 658,665	$ 638,246	$650,135	$ 650,135	0.00%	$ 650,135	0.00%
GRF	333-415	Lease Rental Payments	$ 27,565,340	$ 24,581,264	$25,127,891	$ 25,935,650	3.21%	$ 23,206,750	-10.52%
GRF	333-416	Research Program Evaluation	$ 914,547	$ 810,289	$939,318	$ 1,001,551	6.63%	$ 1,001,551	0.00%
GRF	333-701	Cambridge Environment Improvement	$ 645,242	$ 95,263	$0	$ 0	N/A	$ 0	N/A
GRF	334-408	Community and Hospital Mental Health	$ 348,498,822	$ 356,719,170	$370,130,056	$ 380,249,629	2.73%	$ 390,506,082	2.70%
GRF	334-506	Court Costs	$ 1,026,171	$ 926,461	$965,334	$ 976,652	1.17%	$ 976,652	0.00%
GRF	335-419	Community Medication Subsidy	$ 7,701,549	$ 7,682,295	$7,701,549	$ 7,711,092	0.12%	$ 7,959,798	3.23%
GRF	335-502	Community Mental Health Programs	$ 38,344,494	$ 36,612,580	$31,145,262	$ 0	-100.00%	$ 0	N/A
GRF	335-505	Local MH Systems of Care	----	----	$0	$ 89,687,868	N/A	$ 89,687,868	0.00%
GRF	335-508	Services for Severely Mentally Disable	$ 57,572,105	$ 57,716,586	$56,845,128	$ 0	-100.00%	$ 0	N/A
General Revenue Fund Total			**$ 506,683,392**	**$ 511,275,001**	**$ 518,515,032**	**$ 534,725,152**	**3.13%**	**$ 543,871,391**	**1.71%**
149	333-609	Central Office Rotary - Operating	$ 2,604,245	$ 2,513,951	$1,565,159	$ 1,087,454	-30.52%	$ 1,103,578	1.48%
149	334-609	Hospital Rotary - Operating Expenses	$ 19,046,665	$ 17,698,111	$25,144,532	$ 22,908,053	-8.89%	$ 24,408,053	6.55%
150	334-620	Special Education	$ 193,942	$ 120,557	$101,429	$ 120,930	19.23%	$ 120,930	0.00%
4P9	335-604	Community Mental Health Projects	----	$ 200,000	$0	$ 200,000	N/A	$ 200,000	0.00%
4N8	335-606	Family Stability Incentive	$ 7,045,651	$ 4,054,295	$5,082,463	$ 0	-100.00%	$ 0	N/A
General Services Fund Group Total			**$ 28,890,503**	**$ 24,586,915**	**$ 31,893,583**	**$ 24,316,437**	**-23.76%**	**$ 25,832,561**	**6.23%**
324	333-605	Medicaid/Medicare	$ 388,895	$ 507,660	$504,967	$ 523,761	3.72%	$ 514,923	-1.69%
3A6	333-608	Community & Hospital Services	----	----	$1,650	$ 0	-100.00%	$ 0	N/A
3A7	333-612	Social Services Block Grant	----	----	$0	$ 25,000	N/A	$ 0	-100.00%
3A8	333-613	Federal Grant-Administration	$ 61,812	$ 75,946	$17,092	$ 57,470	236.24%	$ 57,984	0.89%
3A9	333-614	Mental Health Block Grant	$ 991,512	$ 933,787	$818,369	$ 827,363	1.10%	$ 835,636	1.00%
3B1	333-635	Community Medicaid Expansion	$ 6,350,092	$ 5,119,310	$6,780,696	$ 4,126,430	-39.14%	$ 4,145,222	0.46%

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
DMH	***Mental Health, Department of***								
324	334-605	Medicaid/Medicare	$ 13,575,304	$ 11,406,738	$10,703,493	$ 10,484,944	-2.04%	$ 10,916,925	4.12%
3B0	334-617	Elementary and Secondary Education	$ 172,791	$ 152,392	$163,519	$ 248,644	52.06%	$ 251,866	1.30%
3B1	334-635	Hospital Medicaid Expansion	----	$ 4,534,931	$0	$ 2,000,000	N/A	$ 2,000,000	0.00%
3A6	335-608	Federal Miscellaneous	$ 25,294	----	$0	$ 0	N/A	$ 0	N/A
3A7	335-612	Social Services Block Grant	$ 10,913,752	$ 7,076,735	$9,228,401	$ 9,314,108	0.93%	$ 9,314,108	0.00%
3A8	335-613	Federal Grant - Community Mental Hea	$ 1,426,601	$ 1,663,741	$1,896,062	$ 1,717,040	-9.44%	$ 1,717,040	0.00%
3A9	335-614	Mental Health Block Grant	$ 19,363,322	$ 16,554,473	$14,375,990	$ 16,887,218	17.47%	$ 17,056,090	1.00%
3B1	335-635	Community Medicaid Expansion	$ 176,716,368	$ 181,611,451	$207,516,569	$ 220,472,136	6.24%	$ 237,766,721	7.84%
Federal Special Revenue Fund Group Total			**$ 229,985,742**	**$ 229,637,164**	**$ 252,006,808**	**$ 266,684,114**	**5.82%**	**$ 284,576,515**	**6.71%**
5M2	333-602	PWLC Campus Improvement	$ 177,310	$ 911,895	$410,795	$ 200,000	-51.31%	$ 200,000	0.00%
4X5	333-607	Behavioral Health Medicaid Services	$ 2,658,304	$ 2,562,848	$2,828,385	$ 2,913,327	3.00%	$ 3,000,634	3.00%
5V2	333-611	Non-Federal Grant	----	----	$85,000	----	N/A	----	N/A
485	333-632	Mental Health Operating	$ 48,934	$ 25,612	$0	$ 134,233	N/A	$ 134,233	0.00%
5L2	334-619	Health Foundation/Greater Cincinnati	$ 136,534	$ 187,053	$119,095	$ 26,000	-78.17%	$ 0	-100.00%
485	334-632	Mental Health Operating	$ 2,635,733	$ 2,973,866	$1,314,009	$ 2,387,253	81.68%	$ 2,476,297	3.73%
692	334-636	Community Mental Health Board Risk	$ 1,500,000	----	$0	$ 100,000	N/A	$ 100,000	0.00%
5V2	335-611	Non-Federal Grant	----	----	$100,000	----	N/A	----	N/A
632	335-616	Community Capital Replacement	----	$ 171,619	$320,291	$ 250,000	-21.95%	$ 250,000	0.00%
State Special Revenue Fund Group Total			**$ 7,156,815**	**$ 6,832,893**	**$ 5,177,575**	**$ 6,010,813**	**16.09%**	**$ 6,161,164**	**2.50%**
151	235-601	General Administration	$ 76,411,799	$ 77,350,307	$77,528,873	$ 85,181,973	9.87%	$ 85,181,973	0.00%
Intragovernmental Service Fund Group Total			**$ 76,411,799**	**$ 77,350,307**	**$ 77,528,873**	**$ 85,181,973**	**9.87%**	**$ 85,181,973**	**0.00%**
Mental Health, Department of Total			***$ 849,128,251***	***$ 849,682,280***	***$ 885,121,871***	***$ 916,918,489***	***3.59%***	***$ 945,623,604***	***3.13%***

- Funding level will require the closure of two developmental centers
- Added 4,000 Individual Options (IO) waiver slots, requested 2,000 additional IO waiver slots, and received federal approval for 6,000 Level 1 waiver slots as part of Medicaid redesign

Mental Retardation and Developmental Disabilities, Department of

Clay Weidner, Budget Analyst

ROLE

The Department of Mental Retardation and Developmental Disabilities (DMR) is the primary service agency for 61,000 Ohioans with mental retardation and other developmental disabilities (MR/DD). The Department provides services to 1,892 individuals at 12 developmental centers. Services are also provided to approximately 9,889 people through two home and community-based Medicaid service waivers (HCBS): Individual Options (IO) and Residential Facilities Waiver (RFW). Approximately 7,400 individuals with MR/DD are living with caregivers over the age of 60. Of that number, approximately 2,300 are on county board waiting lists for waiver services. There are about 16,000 Ohioans in total with MR/DD on county board waiting lists for waiver services. The Department estimates that the remaining 5,100 individuals living with aging caregivers that are not on the waiting list for services will be in need of emergency supports in the near future.

The Department also provides funding assistance to the 88 county boards of MR/DD in Ohio for residential and support services. These services include, but are not limited to, residential supports, early intervention and family supports, adult vocational and employment services, and service and support administration. Approximately 61,000 people receive support services through programs provided by the county boards of MR/DD. Residential supports offered by county boards serve more than 13,000 individuals with MR/DD.

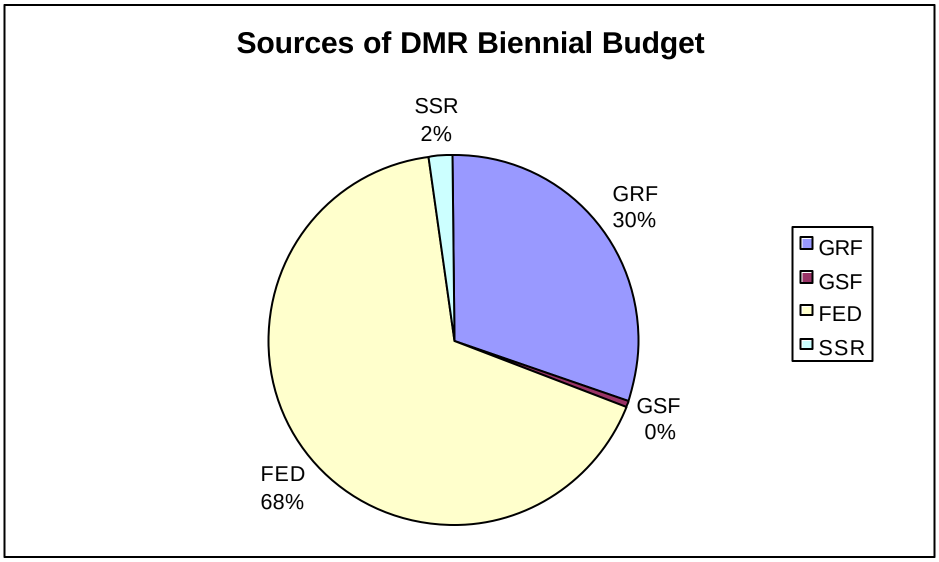
Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
4,426	$1.1 billion	$1.2 billion	$351.9 million	$356.4 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Am. Sub. H.B. 95 increases the Department's budget by 20.6% from FY 2003 expenditures and 4.1% in FY 2005. The increase in funding for FY 2004 is largely attributable to a substantial increase in federal reimbursement generated from Medicaid redesign. In FY 2004, total appropriations for DMR are $1,144,613,335. In FY 2005, this figure increases to $1,191,632,613. The GRF represents 30.4% of the total agency budget. The GRF portion of the DMR budget increases by 1.6% in FY 2004 over FY 2003 expenditures. In FY 2005, this increase is 1.3% from FY 2004. Federal funds represent 66.9% of the total agency budget. The federal portion of the DMR budget increases by 31.7% from FY 2003 expenditures. In FY 2005, this increase is 5.6% from FY 2004.

The following chart illustrates the various funding sources of the DMR biennial budget:



BUDGET ISSUES

MEDICAID REDESIGN

Background

With the passage of Am. Sub. H.B. 94 and Am. Sub. H.B. 405, both of the 124th General Assembly, the most far-reaching reforms of Ohio's MR/DD delivery system began. According to the Department, these changes are necessary to reduce the large residential services waiting lists (approximately 16,000), the inequity among county board services, high direct care staff turnover; to increase consumer choice, to comply with recent Supreme Court decisions (*Olmstead*), and to bring Ohio's MR/DD services in compliance with Medicaid requirements. These reforms, collectively known as Medicaid redesign, are predicated on redirecting GRF and local levy dollars, which have historically funded most MR/DD programs, to maximize Federal Financial Participation (FFP), or federal Medicaid reimbursement. The Department refers to this process as "refinancing." Under the Medicaid program, the federal government reimburses allowable expenditures according to a state's Federal Medical Assistance Percentage (FMAP) rate. The FMAP rate for Ohio in FY 2003 was 58.83%. Refinancing, consequently, frees state and local dollars that were previously used to pay 100% of the costs of services in certain programs. This allows HCBS waiver services to be expanded to those on county board waiting lists and in emergency situations (e.g., death of a caregiver). Formerly, a high percentage of state MR/DD spending was unmatched state and local money that funded Medicaid-reimbursable services. For example, in FY 2000, 31.0% of Ohio's total MR/DD spending was unmatched state and local funds, which ranked as the fourth highest percentage in the United States (behind California, Georgia, and Maryland).[9] The Department believes Medicaid redesign will bring this percentage down.

New Waiver System

The redesign calls for the implementation of a three-waiver system consisting of a Level 1 waiver, Level 2 wavier, and Level 3 waiver. The Level 1 waiver, for which the Department received federal approval, will have an individual cost cap of approximately $5,000. Match for the Level 1 waiver comes directly from the county board of MR/DD. The current IO waiver will be split into the Level 2 and Level 3 waivers. The Level 2 waiver will have an approximate cost floor of $5,001 and a cost cap of approximately $66,000. The Level 3 waiver will have an aggregate cost cap equaling the average cost of state institutionalization. The Level 3 waiver's aggregate cost cap means that a particular individual's cost may exceed the average cost of institutionalization, as long as the average of all enrollees does not exceed the waiver's cost cap. Eventually, the RFW will be phased out and its enrollees will be transferred to one of the three aforementioned waivers.

Progress

During the FY 2002-2003 biennium, the Department added 4,000 IO slots and received federal approval for 6,000 Level 1 slots. The new IO slots were distributed proportionately among Ohio's 88 counties. Of those 4,000 new IO waiver slots, approximately 3,400 are currently being used. The remaining 600 slots have been allocated to county boards. However, the county boards receiving the 600 slots have been unable to supply the necessary match. These county boards are having trouble supplying the match because the boards counted on Level 1 waiver refinancing to free up match money for additional IO waiver slots. If these county boards cannot provide the match within a reasonable period, the Department will take the slots away from them and distribute the slots to county boards that can provide the necessary match.

County boards enrolled 3,215 of the new 4,000 IO slots. Of those county-enrolled slots, 2,218 individuals have been refinanced from the GRF-funded Supported Living program. This represents approximately half of those individuals that county boards had planned to refinance. Additionally, 497 individuals have been moved from county board waiting lists to an IO waiver. Further expansion of IO slots will be needed for county boards to fully refinance Supported Living and use those funds to reduce county board waiting lists. On June 30, 2003, the Department requested an additional 2,000 IO slots from the federal government. If approved, these slots will be paid for entirely by refinanced local moneys. According to the Department, fully implementing the Level 1 waiver is the first priority since doing so would allow county boards to finish refinancing and free up match money for additional IO slots.

The 6,000 Level 1 slots will be filled over three years (3,000 in FY 2004, 2,000 in FY 2005, and 1,000 in FY 2006). The Level 1 waiver has been approved by the federal Centers for Medicare and Medicaid Services and enrollment will begin soon.

[9] Source: Braddock, David, Richard Hemp, Mary Rizzolo, Susan Parish, and Amy Pomeranz, 2002. *The State of the States in Developmental Disabilities: 2002 Study Summary*. Coleman Institute for Cognitive Disabilities and Department of Psychiatry: The University of Colorado. Available at: http://www.cu.edu/ColemanInstitute/stateofthestates/home.htm.

DEVELOPMENTAL CENTER CLOSURES

The developmental center appropriations will not cover increased developmental center costs. As a result, the Department will close two developmental centers (Apple Creek and Springview), one at the end of the FY 2004-2005 biennium. The Springview Developmental Center, which serves 86 people and has 179 staff members, will close by June 30, 2005, and the Apple Creek Developmental Center, which has 181 residents and 381 staff members, will close by June 30, 2006.

Managing the Closures

The Department considered numerous factors before selecting which developmental centers to close, including each centers' cost per resident and proximity to other developmental centers. Springview and Apple Creek have some of the highest costs per resident of all the developmental centers. Springview has the highest daily cost per resident not reimbursed by Medicaid and Apple Creek has the sixth highest. Regarding their proximity to other centers, Apple Creek and Springview are both relatively close to other facilities. Apple Creek is within one hour of four other centers and Springview is within 40 miles of two other centers.

The Department states that it is committed to managing the closings in the most convenient way possible for the affected residents. The Department will meet individually with each resident and their family or guardian to discuss the resident's options. If the resident would like to try a community placement, the Department will supply the state match for a waiver slot. If the resident wants to stay in a developmental center, DMR is committed to placing those individuals in the facility the resident chooses. The Department has created a committee to oversee the safe transition of displaced individuals. The Department hopes parent groups, advocacy groups, and other system stakeholders will actively participate on the committee.

Regarding displaced employees, the Department will try to coordinate vacancies at other developmental centers with those affected employees as much as possible.

Potential Savings

In the short-term, costs of the centers will rise because of employee buyouts, early retirement, unemployment claims, and other transitional costs. Further, the Department will have to request, and provide match for, additional Medicaid waiver slots to accommodate those residents who decide to move into community placements. The DMR is unable to predict exactly how many individuals will choose to move to a community setting as of this writing. The Department estimates that the remaining developmental centers can accommodate a maximum of 161 additional individuals.

According to the Department's preliminary estimates, closing two developmental centers will save the GRF approximately $30 million over the course of four years (FYs 2004-2007).

Controlling Growth and Intake

Under provisions contained in Am. Sub. H.B. 95, the Department will be able to control intake into developmental centers and limit the Department's potential fiscal liability when individuals are committed to state-operated developmental centers from other settings in the MR/DD system.

The Department pays the nonfederal share of Medicaid costs for state-operated intermediate care facilities for the mentally retarded (ICFs/MR) out of its budget. However, the Department of Job and Family Services (JFS) pays the nonfederal share of Medicaid expenditures for individuals living in private and county-owned ICFs/MR.

Am. Sub. H.B. 95 requires DMR to reduce a residential facility's licensed bed capacity by one when a resident of a facility is committed to a state-operated ICF/MR, unless within 90 days that facility replaces the former resident with a designated individual from a state-operated ICF/MR or from another setting. If the individual who has moved from a residential facility to a state-operated ICF/MR is not replaced, the Department of Job and Family Services may transfer the nonfederal share of Medicaid expenditures that will no longer be paid to the residential facility to DMR to cover the costs of the resident's care in the state-operated ICF/MR. The Director of DMR must follow processes provided in the Administrative Procedure Act to reduce a residential facility's licensed capacity.

Am. Sub. H.B. 95 also gives the Department a mechanism to recoup expenses for the provision of services to an individual moving from a county-funded program to a state-operated ICF/MR if the county board refuses to serve a resident of a state-operated facility in the community in exchange. In such cases, the Department is required to use funds otherwise allocated to a county board of MR/DD to cover the non-federal share of the cost of Medicaid services to the individual committed to a state-operated ICF/MR if (1) the individual received Supported Living or home and community-based services funded by the county board of MR/DD and (2) the county board will not admit a resident of a state-operated facility into a residential facility.

CAP ON RESIDENTIAL FACILITY BEDS

The Department's budget does not include the funding necessary to support any growth in the residential facility system. Consequently, Am. Sub. H.B. 95 caps the number of residential facility beds in the system and provides the Department with a mechanism to pay for any newly certified ICF/MR bed. The Department of Job and Family Services is responsible for the non-federal share of residential facility expenditures up to the cap set by the bill. The Department of Mental Retardation and Developmental Disabilities is responsible for the non-federal share of residential facility expenditures for any newly certified residential facility beds.

Under the bill, if a residential facility voluntarily converts a residential facility bed for use under the Supported Living program, the Director of DMR must reduce the maximum number of residential facility beds in the state by the number of such beds that the license holder voluntarily converts to use for Supported Living.

GROWTH IN ICF/MR SYSTEM

Funding in Am. Sub. H.B. 95 is not sufficient to support any growth in the ICF/MR system. In order to fund any growth in the ICF/MR system, the bill provides two mechanisms for the Department to pay the non-federal share of the cost under Medicaid for newly certified ICF/MR beds. If the beds are located in a county served by a county board that initiates or supports the beds' certification, the Department may use funds appropriated for Family Support Services, Service and Support Administration, and other services. If the beds are located in a county served by a county board that does not initiate or support the beds' certification, the Department may use funds appropriated for home and community-based services and Supported Living.

MARTIN V. TAFT

The Department is in negotiations to settle the ongoing lawsuit *Martin v. Taft*. In 1989, the Ohio Legal Rights Service (OLRS) filed a federal class action lawsuit against Ohio claming undue segregation in MR/DD institutions and large waiting lists for people in need of services. According to OLRS, *Martin* seeks integrated community residential services and specifies that state programs should not discriminate against people with severe disabilities. The case has been through several rounds of court-ordered mediation and negotiations. However, a settlement has not been reached.

Language in Am. Sub. H.B. 95 creates a new waiver enrollment priority category for up to 40 individuals in each fiscal year that reside in nursing facilities, are eligible for home and community-based services, and are willing and able to move. According to the Department, this is a good faith effort at settling the lawsuit. However, if an agreement cannot be reached, the Department opposes the creation of the new priority category.

TASK FORCE TO ELIMINATE HEALTH SERVICES DUPLICATION

Am. Sub. H.B. 95 creates the Task Force to Eliminate Health Services Duplication. The Task Force is charged with studying the feasibility of combining the Commission on Minority Health and the departments of Aging, Alcohol and Drug Addiction Services, Health, Mental Health, and Mental Retardation and Developmental Disabilities and creating a centralized services procurement point. The Task Force must submit a report of its findings and recommendations to the General Assembly by March 31, 2004.

OHIO AUTISM TASK FORCE

Am. Sub. H.B. 95 creates the Ohio Autism Task Force. The Task Force consists of 22 members charged with studying and making recommendations regarding the growing incidence of autism and ways to improve the delivery of autism services in Ohio. The Task Force will cease to exist upon the submission of a report of its recommendations to the Governor, Speaker of the House of Representatives, and President of the Senate not later than June 26, 2004. The Department is responsible for providing meeting facilities and other support as necessary.

HOME CARE PROVIDER CHECK-IN SYSTEM

Am. Sub. H.B. 95 requires home care providers to formulate procedures for requiring providers of home care services involving the health and safety of persons over age 60 or disabled adults to have in place a system of monitoring whether its employees are providing the services as scheduled. The requirement is to be implemented by the departments of Mental Retardation and Developmental Disabilities, Aging, Job and Family Services, and Health. Some providers are exempt from these requirements. The departments are to conduct a study on how the exempted providers may be made subject to the requirements of this provision. The departments are required to prepare a report and submit their findings and recommendations to the President of the Senate and the Speaker of the House of Representatives.

This provision of the bill may increase administrative costs for those providers that currently do not have a monitoring system. The study required by this provision would create a minimal increase in expenditures for the departments.

GOVERNOR'S VETOES

The Governor vetoed all of the items included in this section.

Am. Sub. H.B. 95 included language authorizing the creation of a State Facilities Closure Commission regarding the possible closing of state institutional facilities for the purpose of expenditure reductions or budget cuts.

The bill also included language requiring the submission to the General Assembly of specified information describing how a state agency plans to meet the needs of clients served by the proposed closing of a state institutional facility.

Language in the bill required the Director of DMR to issue one or more residential facility licenses to an applicant without requiring the applicant to have development plans submitted, reviewed, or approved and notwithstanding the cap on the maximum number of residential facility beds established in the bill, if certain conditions were satisfied.

Am. Sub. H.B. 95 contained language requiring the Director of Job and Family Services to seek federal Medicaid funds for the administrative costs for habilitation center services, home and community-based services, and Service and Support Administration that each county board of MR/DD incurs pursuant to its Medicaid administrative authority and claims in accordance with Medicaid requirements.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

DMR Mental Retardation and Developmental Disabilities, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	320-321	Central Administration	$ 11,663,996	$ 9,899,611	$7,333,527	$ 9,174,390	25.10%	$ 9,357,878	2.00%
GRF	320-411	Special Olympics	$ 200,000	$ 200,000	$0	$ 0	N/A	$ 0	N/A
GRF	320-412	Protective Services	$ 1,316,437	$ 1,499,991	$1,449,298	$ 1,911,471	31.89%	$ 2,008,330	5.07%
GRF	320-415	Lease-Rental Payments	$ 27,565,340	$ 24,581,264	$25,127,891	$ 25,935,650	3.21%	$ 23,206,750	-10.52%
GRF	322-405	State Use Program	$ 196,210	$ 242,004	$261,282	$ 268,792	2.87%	$ 273,510	1.76%
GRF	322-413	Residential and Support Services	$ 130,856,142	$ 137,669,440	$154,235,070	$ 8,439,337	-94.53%	$ 8,450,787	0.14%
GRF	322-414	Sermak Class Services	$ 37,015	----	$0	$ 0	N/A	$ 0	N/A
GRF	322-416	Waiver State Match	----	----	$0	$ 95,695,198	N/A	$ 100,019,747	4.52%
GRF	322-417	Supported Living	----	----	$0	$ 43,179,715	N/A	$ 43,179,715	0.00%
GRF	322-451	Family Support Services	$ 7,975,864	$ 7,975,870	$6,975,870	$ 6,975,870	0.00%	$ 6,975,870	0.00%
GRF	322-452	Service and Support Administration	$ 6,384,663	$ 8,849,707	$8,849,724	$ 8,849,724	0.00%	$ 8,849,724	0.00%
GRF	322-501	County Boards Subsidies	$ 46,863,627	$ 49,708,303	$41,416,400	$ 31,795,691	-23.23%	$ 31,795,691	0.00%
GRF	322-503	Tax Equity	----	----	$0	$ 14,000,000	N/A	$ 15,000,000	7.14%
GRF	323-321	Residential Facilities Operations	$ 102,336,062	$ 100,499,356	$100,666,372	$ 105,701,254	5.00%	$ 107,252,799	1.47%
General Revenue Fund Total			**$ 335,395,357**	**$ 341,125,545**	**$ 346,315,434**	**$ 351,927,092**	**1.62%**	**$ 356,370,801**	**1.26%**
4B5	320-640	Conference/Training	$ 195,121	$ 17,887	$24,866	$ 400,000	1,508.62%	$ 400,000	0.00%
488	322-603	Residential Services Refund	$ 679,351	$ 928,265	$322	$ 1,000,000	310,459.01%	$ 1,000,000	0.00%
4U4	322-606	Community MR and DD Trust	----	----	$0	$ 300,000	N/A	$ 300,000	0.00%
4V1	322-611	Program Support	$ 634,540	$ 981,854	$776,016	$ 610,000	-21.39%	$ 625,000	2.46%
4V1	322-615	Ohio's Self-Determination Project	$ 23,033	----	$0	$ 0	N/A	$ 0	N/A
4V1	322-623	Special Projects	----	----	$26,600	$ 0	-100.00%	$ 0	N/A
4J6	322-645	Intersystem Services for Children	$ 1,954,417	$ 1,409,197	$3,200,117	$ 3,300,000	3.12%	$ 3,300,000	0.00%
152	323-609	Residential Facilities Support	$ 106,601	$ 606,527	$810,465	$ 912,177	12.55%	$ 912,177	0.00%
General Services Fund Group Total			**$ 3,593,062**	**$ 3,943,730**	**$ 4,838,386**	**$ 6,522,177**	**34.80%**	**$ 6,537,177**	**0.23%**
3A4	320-605	Administrative Support	$ 6,595,895	$ 3,863,732	$6,873,753	$ 12,492,892	81.75%	$ 12,492,892	0.00%
3A5	320-613	DD Council Operating Expenses	$ 775,662	$ 905,322	$839,507	$ 861,000	2.56%	$ 861,000	0.00%
325	320-634	Protective Services	$ 386,810	$ 150,000	$75,000	$ 100,000	33.33%	$ 100,000	0.00%
3A4	322-605	Community Program Support	$ 737,258	$ 657,994	$0	$ 1,000,000	N/A	$ 1,000,000	0.00%
325	322-608	Federal Grants - Operating Expenses	$ 606,912	$ 1,065,281	$876,046	$ 2,023,587	130.99%	$ 1,833,815	-9.38%

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
DMR		***Mental Retardation and Developmental Disabilities, Department of***							
3A4	322-610	Community Residential Support	----	----	$0	$ 500,000	N/A	$ 500,000	0.00%
325	322-612	Social Service Block Grant	$ 10,026,326	$ 9,982,234	$7,565,273	$ 10,319,346	36.40%	$ 10,330,830	0.11%
3A5	322-613	DD Council Grants	$ 1,959,852	$ 2,153,524	$2,007,402	$ 3,130,000	55.92%	$ 3,130,000	0.00%
325	322-617	Education Grants - Operating	$ 107,632	$ 8,439	$8,028	$ 75,500	840.46%	$ 75,500	0.00%
3G6	322-639	Medicaid Waiver	$ 120,725,093	$ 145,491,897	$228,378,979	$ 344,068,714	50.66%	$ 373,772,814	8.63%
3M7	322-650	CAFS Medicaid	$ 160,018,753	$ 191,543,590	$217,477,018	$ 254,739,737	17.13%	$ 267,668,087	5.08%
3A4	323-605	Residential Facilities Reimbursement	$ 103,416,121	$ 106,580,994	$111,680,440	$ 128,736,729	15.27%	$ 128,831,708	0.07%
325	323-608	Federal Grants - Subsidies	$ 322,571	$ 333,764	$396,179	$ 571,381	44.22%	$ 582,809	2.00%
325	323-617	Education Grants - Residential Facilitie	$ 348,400	$ 356,298	$370,642	$ 425,000	14.67%	$ 425,000	0.00%
Federal Special Revenue Fund Group Total			**$ 406,027,285**	**$ 463,093,069**	**$ 576,548,267**	**$ 759,043,886**	**31.65%**	**$ 801,604,455**	**5.61%**
4K8	322-604	Waiver-Match	$ 17,095,213	$ 13,183,009	$9,727,561	$ 12,000,000	23.36%	$ 12,000,000	0.00%
5H0	322-619	Medicaid Repayment	$ 115	----	$0	$ 25,000	N/A	$ 25,000	0.00%
489	323-632	Operating Expense	$ 7,997,918	$ 11,465,025	$8,993,683	$ 12,125,628	34.82%	$ 12,125,628	0.00%
5S2	590-622	Medicaid Administration & Oversight	----	----	$2,998,303	$ 2,969,552	-0.96%	$ 2,969,552	0.00%
State Special Revenue Fund Group Total			**$ 25,093,245**	**$ 24,648,033**	**$ 21,719,547**	**$ 27,120,180**	**24.87%**	**$ 27,120,180**	**0.00%**
Mental Retardation and Developmental Disabilities, De			***$ 770,108,950***	***$ 832,810,377***	***$ 949,421,634***	***$ 1,144,613,335***	***20.56%***	***$ 1,191,632,613***	***4.11%***

- GRF provides 83% of the Commission's total budget
- During FYs 2002-2003, the Commission awarded approximately 200 grants for minority health activities.

Minority Health, Commission on

Chris Murray, Economist

ROLE

Created in 1987, based on the recommendations of the Governor's Task Force on Black and Minority Health, the Ohio Commission on Minority Health (MIH) was the first state-level office in the United States formed exclusively to address the condition of minority health. Today, 35 states and the federal government have minority health offices. The mission of the Ohio Commission on Minority Health is to promote health and prevent disease among economically disadvantaged African-American, Hispanic, Asian, and Native-American Ohioans. An 18-member commission provides guidance for the agency, including its grant administration.

The Commission's seven-person staff focuses on meeting six long-term goals. First, MIH aims to develop nontraditional service protocols designed to reduce the effects of targeted diseases and conditions, namely, heart disease, cancer, diabetes, infant mortality, substance abuse, and violence. The Commission also strives to develop and institutionalize an accessible delivery system for people with Systemic Lupus Erythematosus (SLE). Other Commission goals include providing access to culturally appropriate health information for under-served minority populations and increasing access to culturally relevant health services by funding demonstration projects. And last, in the long run MIH expects to increase minority recruitment and retention in health education and to provide advocacy leading to system changes that improve minority health.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
7	$1.7 million	$1.7 million	$1.4 million	$1.4 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Commission on Minority Health is primarily funded through General Revenue Funds (GRF) moneys, comprising 83% of the Commission's total budget. General Revenue Fund funding for fiscal year (FY) 204 and FY 2005 is 3.8% below FY 2003 expenditures. The Commission will receive about $300,000 over the FY 2004-2005 biennium from federal funds, registration fees, and donations. In total, the Commission's FY 2004 appropriation is 7.2% below FY 2003 expenditure levels. The Commission is flat funded for FY 2005.

The Minority Health Grant program, which is funded through the General Revenue Fund, is the chief means by which the Commission fulfills its mission. During the FY 2002-2003 biennium, the Commission awarded approximately 200 grants for minority health activities. Among grants awarded by the Commission were demonstration grants, Minority Health Month grants, and Lupus Program grants. The grants are for a period of two years. The Commission on Minority Health awarded ten demonstration grants in the past biennium. Demonstration grants are intended to assist community-based agencies in establishing new programming that will be supported by alternative funding sources in later years.

BUDGET ISSUES

MINORITY HEALTH SERVICES

The Commission on Minority Health will have to reduce some services under the current budget. The Commission will continue to provide 11 Lupus Program grants at reduced funding levels and Minority Health Month activities; however, the Commission will have to reduce the number of demonstration grants from ten to seven. The Commission will also restructure travel and maintenance schedules while trying to maintain its outreach abilities.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill — **Version:** Enacted

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
MIH	**Minority Health, Commission on**								
GRF	149-321	Operating Expenses	$ 556,891	$ 539,318	$560,505	$ 539,318	-3.78%	$ 539,318	0.00%
GRF	149-501	Minority Health Grants	$ 991,562	$ 840,231	$776,162	$ 751,478	-3.18%	$ 751,478	0.00%
GRF	149-502	Lupus Program	$ 159,301	$ 144,485	$152,339	$ 141,556	-7.08%	$ 141,556	0.00%
General Revenue Fund Total			**$ 1,707,754**	**$ 1,524,034**	**$ 1,489,006**	**$ 1,432,352**	**-3.80%**	**$ 1,432,352**	**0.00%**
3J9	149-602	Federal Grants	$ 104,063	$ 157,240	$238,977	$ 150,000	-37.23%	$ 150,000	0.00%
Federal Special Revenue Fund Group Total			**$ 104,063**	**$ 157,240**	**$ 238,977**	**$ 150,000**	**-37.23%**	**$ 150,000**	**0.00%**
4C2	149-601	Minority Health Conference	$ 200,608	$ 219,294	$138,608	$ 150,000	8.22%	$ 150,000	0.00%
State Special Revenue Fund Group Total			**$ 200,608**	**$ 219,294**	**$ 138,608**	**$ 150,000**	**8.22%**	**$ 150,000**	**0.00%**
Minority Health, Commission on Total			***$ 2,012,424***	***$ 1,900,568***	***$ 1,866,591***	***$ 1,732,352***	***-7.19%***	***$ 1,732,352***	***0.00%***

- Nearly 80% of all known collision repair facilities are registered

Motor Vehicle Collision Repair Registration, Board of

Jonathan Lee, Budget Analyst

ROLE

The Ohio Motor Vehicle Collision Repair Registration Board (CRB) licenses all motor vehicle collision repair operators who perform five or more collision repairs in a 12-month period. The Board's mission is to protect the public and to create a level playing field for all collision repair facilities by ensuring that all facilities are in compliance with state and federal taxation, employment, and environmental laws.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds**		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
10	$285,000	$314,000	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.
**The board does not receive General Revenue funds and is solely supported by a $150 annual registration fee paid by collision repair shops.

OVERVIEW

The CRB's fiscal year (FY) 2004-2005 total non-GRF appropriations increased 17% above FY 2002-2003 appropriation levels. Core budget levels were funded $7,500 less than requested resulting in elimination of merit raises and limited office supply purchases over the biennium. The board's supplemental request of $81,515 was fully funded and will provide for contracted web site programming services, computer software/hardware updates, interagency payments, printing, telecommunications, office supplies, vehicle maintenance, office rent, a copier replacement, and a vehicle replacement in FY 2005. Current staff will be maintained throughout the biennium with no anticipation of additions. During the biennium, the board will continue to register the remaining 20% of repair facilities, prosecute unregistered facilities, investigate complaints, and educate facilities about federal, state, and local statutes.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
CRB Motor Vehicle Collision Repair Registration, Board of									
5H9	865-609	Operating Expenses	$ 225,262	$ 233,483	$260,324	$ 285,497	9.67%	$ 314,422	10.13%
General Services Fund Group Total			**$ 225,262**	**$ 233,483**	**$ 260,324**	**$ 285,497**	**9.67%**	**$ 314,422**	**10.13%**
Motor Vehicle Collision Repair Registration, Board of			***$ 225,262***	***$ 233,483***	***$ 260,324***	***$ 285,497***	***9.67%***	***$ 314,422***	***10.13%***

- The Civilian Conservation Corps program was eliminated.
- Hunting and Fishing License fees are increased.
- Senior Fishing and Hunting License fees are phased in.

Natural Resources, Department of

Wendy Risner, Budget Analyst

ROLE

The role of the Ohio Department of Natural Resources (ODNR) is to provide for the preservation, conservation, and use of the state's natural resources to ensure a balance between the wise use of these resources and their protection. The Department manages or owns more than 482,000 acres of land, including 74 state parks, 20 state forests, 123 state nature preserves, and 100 wildlife areas. The Department also has jurisdiction over more than 124,000 acres of inland waters, 7,000 miles of streams, 481 miles of the Ohio River, and 23 million acres of Lake Erie. It also comprises 14 operating divisions, covering three broad areas of responsibility: recreational management, resource protection, and resource management. These areas of responsibility encompass: operating state parks; managing state forests; protecting designated scenic rivers, natural areas, and preserves; oversight of mining and natural gas operations; managing and providing technical assistance in water resource management; providing geological services; providing boating safety and law enforcement; and wildlife management and protection.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
3,248**	$317.6 million	$325.9 million	$119.5 million	$128.4 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.
**Of these employees, 436 are part-time and 1,028 are seasonal/other.

OVERVIEW

The Department received $317,560,457 in FY 2004 in total appropriations, which is a 13.6% increase over actual FY 2003 expenditures. Total appropriations for FY 2005 are $325,894,689 and represent a 2.6% increase over FY 2004 appropriations. A portion of the percentage increase from FY 2003 to FY 2004 can be traced to increases in the Federal Special Revenue Fund Group total. This fund group increased by 59% in FY 2004. In fact, appropriation item 725-653, Federal Land and Water Conservation, increased from $519,239 in FY 2003 to $4,900,000 in FY 2004. This appropriation is used to reimburse local governments for outdoor recreational programs and the purchase of land. The reimbursement covers up to 50% of local government expenses. Also, appropriation item 725-645, Federal Abandoned Mine Lands, increased from $8,367,187 in FY 2003 to $11,922,845 in FY 2004. These moneys are used for reclamation of mines abandoned before 1977 and for high priority projects.

GRF funding is increased by 7.5% in FY 2004 and 7.4% in FY 2005. A large portion of this increase is due to the increase within the debt service line items. For instance, appropriation item 725-903, Natural Resources General Obligation Debt Service, was increased by $5.1 million or 27% in FY 2004 and by $3.1 million or 13% in FY 2005. Appropriation item 725-413, OPFC Lease Rental Payments is increased by $1.5 million (11%) in FY 2004 and by $2.6 million in FY 2005. These appropriation items are used to pay debt service on bonds issued to finance capital improvements or for various parks and recreation facilities. Without the debt service line items, the GRF total increases by 2.2% in FY 2004 and by 3.9% in FY 2005.

BUDGET ISSUES

CIVILIAN CONSERVATION CORPS

The Civilian Conservation Corps' (CCC) is eliminated as a result of the Governor's recommendation. The program funding was changed last biennium. The program received reduced state dollars in FY 2002 and no state dollars in FY 2003. The Civilian Conservation Corps' was funded through federal workforce development moneys (WIA), administered by the Ohio Department of Job and Family Services in FY 2003. The Civilian Conservation Corps' was also a sub-grantee of grants from the Department of Labor (Welfare to Work) and the Corporation of National Service (Americorps). Revenue was also generated through work service projects and miscellaneous income from items such as recycling, housing, and the sale of meals, to name a few. The federal funds are not guaranteed for this program. As a result, the Department requested moneys to administer the CCC in their budget request. No moneys were granted. The program ended June 30, 2003.

The Civilian Conservation Corps' provided an opportunity for unemployed young adults between the ages of 18 and 24 to receive workforce development training. According to the Department, the "workforce development training included employment, hands-on experience, career technical certification, educational advancement, and basic employability, life, health, and safety skills." The Department estimates that 130,000 hours of conservation work had been provided annually by the CCC. These hours equated to a savings of $1.9 million in direct operating expenses to many DNR divisions such as State Parks and Recreation, Natural Areas and Preserves, and Water. The end of the CCC will result in the divisions paying for the $1.9 million in conservation work previously done by corps members at reduced rates.

INCREASE IN HUNTING AND FISHING LICENSES AND WILDLIFE PERMITS

Hunting and fishing license fees, as well as wildlife permits are increasing in price. The hunting and fishing licenses will be increased by $4 and other wildlife permits and fees will be increased by various amounts. These licenses have not been raised since 1994. The Department estimates that the fee increases will generate a total of approximately $6 million per year. The Department will not fully realize this increase until FY 2005. A listing of licensing fees both prior to Am. Sub. H.B. 95 and the new established fees is outlined below.

Hunting, Fishing, and Wildlife Fee Increases					
Description	**Prior Fee**	**New Fee**	**Description**	**Prior Fee**	**New Fee**
Resident Annual Hunting	$15	$19	Phase-in of Senior Licenses	-----	$10
Resident Youth Hunting	$8	$10	Wild Animal Collecting Fee	$10	$25
Non-Resident Annual Hunting	$91	$125	Wildlife Conservation Stamp	$5	Not to exceed Wetlands Habitat Stamp
Non-Resident 3-Day Tourist	$25	$40	Field Trial Permits	$25	$50
Deer Permit	$20	$25	Fur Dealer Permit	$50	$75
Urban Deer Permit	$10	$15	Fish Transportation Permit	$50	$65
Turkey Permit	$20	$25	Bait Dealers	$25	$40
Adult Fur Taker	$11	$15	Ohio River Net Storage	$10	$50
Youth Fur Taker	$6	$8	Wholesale Fish Permit	$50	$65
Resident Annual Fishing	$15	$19	Commercial Fishing – Quota Species	$0.20/lb	$0.05/lb
Non-Resident Annual Fishing	$24	$40	Commercial Fishing – other	$0.01/lb	$0.02/lb
Non-Resident 3-Day Tourist	$15	$30	----------	----------	------------------

According to the agency's website, there were 343,078 hunting licenses sold in 2000 and 742,587 fishing licenses sold. These numbers have been steadily decreasing. For instance, in 1990, 418,089 hunting licenses and 918,481 fishing licenses were sold.

Elimination of Free Senior Hunting and Fishing Licenses

Currently, there are more than 334,000 free licenses issued to Ohio hunters and fishermen over 66 years of age. This is roughly 20% of total licenses sold and equates to lost revenue to the Department of approximately $5 million per year. The free licenses issued to seniors are being phased out. Seniors born prior to December 31, 1937 would still receive free licenses. However, those born after December 31, 1937 will pay the reduced costs. As a result, the Department will still be granting free licenses for many years to come and will see only modest increases with the reduced senior rate for many years. In FY 2005, the Department estimates that an increase in revenues of $160,000 will result from the Senior licenses sold. There will be an increase of approximately $515,000 in FY 2006 for the Division with proportional increases in the following years.

Dam Inspection Fees Increased

The Dam Safety Fees charged to dam owners are being increased. The permit fee for the construction of a dam will be increased in the following way:

- For the first $100,000 of estimated cost of construction, a fee of 4% will be charged – currently it is 2%;
- For the next $400,000 of estimated cost, a fee of 3% is proposed – currently it is 1.5%;
- For the next $500,000 of estimated cost, a fee of 2% – currently it is 1%;
- And lastly, for all costs in excess of $1 million, a fee of one-half of 1% – currently it is 0.25%.

The minimum filing fee is increased from $200 to $1,000, while the maximum filing fee is increased from $50,000 to $100,000. Also, any dam that is classified as a Class I dam, except any federal dam, is subject to an annual filing fee that is increased from $30 plus $3 per foot of height of dam to $30 plus $10 per foot of height of dam. The Department anticipates that these dam fee increases will generate approximately $260,000 per year, which will be used to fund inspectors.

Wildlife Central Support

Under Ohio law, Wildlife funds are protected from non-Wildlife uses. As a result, past General Assemblies provided the Division's central support costs with funding in line item 725-401, Wildlife – GRF Central Support. The funding was approximately $1.2 million in FY 2000 and decreased to $0 in FY 2003. This appropriation item received no funding for the current biennium. As a result, the other divisions will pick up Wildlife's Central Support share.

Department of Natural Resources' Earmarks

Soil and Water Districts

GRF appropriation item 725-502, Soil and Water Districts, is used to distribute money to each of the state's 88 soil and water conservation districts. The soil and water conservation districts work to enhance the quality of Ohio's land and water resources by providing technical, educational, and financial assistance to Ohio citizens. In addition to state payments to soil and water conservation districts, DNR may also grant up to $30,000 annually from appropriation item 725-502 upon receipt of a request and justification from the district and approval by the Ohio Soil and Water Conservation Commission. The county auditor must credit the payments to the special fund established for the local soil and water conservation districts. Moneys received by each district must be expended for the purposes of the district.

This appropriation item received funding of $11,182,024 in FY 2004 and $11,475,507 in FY 2005. This is an increase of 3.8% and 2.6% respectively. The appropriation contains the following earmarks:

- $120,000 in FY 2004 for the Franklin County Soil and Water District;
- $175,000 in FY 2004 for the Indian Lake Watershed;
- $50,000 in each fiscal year for the Rush Creek Watershed;
- $28,000 in each fiscal year for the Conservation Action Program;
- $150,000 in each fiscal year for the Muskingum Conservancy District; and
- $120,000 in FY 2004 for the relocation of Route 30.

These earmarks total $643,000 in FY 2004 and $228,000 in FY 2005. All of these earmarks reduce the amount of subsidy available for the state's match formula to all the soil and water conservation districts. For instance, in FY 2004 the match is decreased from 100% to 91% in FY 2004 and 94% in FY 2005 as a result of the earmarks.

Division of Soil and Water

GRF appropriation item 737-321, Division of Soil and Water, funds the operations of the Division of Soil and Water Conservation to ensure that all private, public, urban, and agricultural land in Ohio is managed to protect soil and water resources while maximizing the land's usefulness. There is an earmark of $220,000 in each fiscal year for the Water Quality Laboratory located at Heidelberg College. The appropriation item received $4,215,288 in FY 2004 and $4,234,788 in FY 2005. This is an increase of 5.3% and 0.5% respectively.

PROHIBITION AGAINST ENTRANCE FEES FOR STATE PARKS AND NATURE PRESERVES

The Department of Natural Resources is prohibited from charging a fee for entering a state park or a nature preserve for the FY 2004-2005 biennium.

BUDGET IMPACTS

A few of the appropriation items that were cut as a result of the enacted budget bill will be highlighted below:

- **Conservation and Reserve Enhancement Program** (725-407) received funding of $1,218,750 in each fiscal year. This is a reduction of 22.3% in FY 2004 from actual FY 2003 expenditures. Originally, the program, under Am. Sub. H.B. 283 of the 123rd General Assembly, was to receive GRF funding of $2 million per fiscal year for ten years. The moneys are administered by the state through the CREP, a United States Department of Agriculture and state grant program that awards landowners who improve water quality and mitigate soil erosion. The goal of the program is to create 67,000 acres of riparian area to reduce sediment pollution in Lake Erie and its watersheds. The program will improve water quality, soil erosion control, and wildlife habitat, thus preserving wetlands. The program matches 20% GRF funds (725-407) to access 80% federal funds. As a result of funding, the program will lose $6.5 million of federal matching funds for the biennium, as well as the ability to protect 2,800 acres of riparian land per year.

- **Stream and Groundwater Gauging** (725-423) received funding of $331,819 in each fiscal year, which is a decrease in funding of 17% in FY 2004 from actual FY 2003 expenditures. This line item is used to pay the state's share of funding for several water gauging stations throughout Ohio, which are operated by the United States Geological Survey. It also is used to provide grants for water supply related research. As a result of funding, the number of water gauges will be cut or downgraded which will impact the Division of Water's ability to provide accurate data for flood plain insurance and analysis, bridge structure requirements, and flood plain management.

- The **Division of Water** (733-321) will receive $3,355,830 in FY 2004 and $3,237,619 in FY 2005, which is a decrease in funding of 5.3% and 3.5% respectively. The Division, among other things, develops the state's water plans, provides information and technical assistance for the development of underground water supplies, and inspects dams and issues permits for their construction.

- The **Division of Real Estate and Land Management** (738-321) received funding of $2,322,031 in FY 2004 and $2,331,781 in FY 2005. This is a decrease of 5.4% in FY 2004 from actual FY 2003 expenditures. The Division funds functions relating to real estate including appraisals, title work, negotiations, acquisition, land inventory, and leasing of Lake Erie submerged lands.

- The **Division of Geological Survey** (728-321) received funding of $1,731,456 in each fiscal year, which is a decrease of 12.1% in FY 2004 from actual FY 2003 expenditures. The Division collects, studies, and interprets information on the geologic structure of the state, as well as developing and distributing geologic maps.

- The **Office of Information Technology** (729-321) received funding of $440,895 in each fiscal year, which is a decrease of 56% in FY 2004 from actual FY 2003 expenditures. The Office develops and maintains the Geographic Information Management System (GIMS), among other things.

The Department has stated that cuts will need to be made in all of the areas listed above. Also, the divisions of Forestry, Parks and Recreation, Natural Areas and Preserves, Soil and Water, Engineering, and Mineral Resources will experience cuts. The divisions are currently cutting equipment and maintenance budgets and are not filling vacant positions. The Division of Parks and Recreation is seasonalizing park areas and creating satellite parks. The Division of Forestry is considering abolishing three positions in FY 2004, while seven more positions will probably need to be abolished in FY 2005 in various divisions. The Department has stated it will be unable to maintain service levels due to the increase in the workers compensation rate and the $140,000 facility disaster insurance premium.

Report For: Main Operating Appropriations Bill — Version: Enacted

DNR Natural Resources, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	725-401	Wildlife-GRF Central Support	$ 912,168	$ 258,177	$0	$ 0	N/A	$ 0	N/A
GRF	725-404	Fountain Square Rental Payments - O	$ 1,081,012	$ 1,081,029	$1,078,696	$ 1,093,300	1.35%	$ 1,094,800	0.14%
GRF	725-407	Conservation Reserve Enhancement P	$ 1,864,683	$ 1,778,098	$1,567,659	$ 1,218,750	-22.26%	$ 1,218,750	0.00%
GRF	725-412	Reclamation Commission	$ 65,396	$ 32,359	$31,866	$ 57,934	81.81%	$ 57,934	0.00%
GRF	725-413	OPFC Lease Rental Payments	$ 11,843,863	$ 15,409,855	$13,534,590	$ 15,066,500	11.32%	$ 17,709,500	17.54%
GRF	725-415	Mine Examining Board	$ 76,881	$ 18,000	$0	$ 0	N/A	$ 0	N/A
GRF	725-423	Stream & Groundwater Gauging	$ 452,984	$ 410,314	$400,383	$ 331,819	-17.12%	$ 331,819	0.00%
GRF	725-425	Wildlife License Reimbursement	$ 956,175	$ 925,900	$816,319	$ 816,319	0.00%	$ 816,319	0.00%
GRF	725-456	Canal Lands	$ 423,203	$ 368,333	$287,279	$ 332,859	15.87%	$ 332,859	0.00%
GRF	725-502	Soil and Water Districts	$ 11,594,618	$ 10,762,445	$10,768,305	$ 11,182,024	3.84%	$ 11,475,507	2.62%
GRF	725-903	Natural Resources General Obligation	----	$ 17,650,055	$18,690,506	$ 23,808,300	27.38%	$ 26,914,300	13.05%
GRF	727-321	Division of Forestry	$ 9,998,572	$ 9,452,211	$9,153,515	$ 9,068,735	-0.93%	$ 9,068,735	0.00%
GRF	728-321	Division of Geological Survey	$ 2,240,598	$ 1,968,934	$1,969,117	$ 1,731,456	-12.07%	$ 1,731,456	0.00%
GRF	729-321	Office of Information Technology	$ 1,061,102	$ 764,564	$999,819	$ 440,895	-55.90%	$ 440,895	0.00%
GRF	730-321	Division of Parks and Recreation	$ 34,581,696	$ 33,005,733	$32,267,369	$ 34,232,205	6.09%	$ 37,061,493	8.26%
GRF	731-321	Office of Coastal Management	----	----		$ 248,679	N/A	$ 259,707	4.43%
GRF	733-321	Division of Water	$ 3,982,139	$ 3,732,219	$3,542,715	$ 3,355,830	-5.28%	$ 3,237,619	-3.52%
GRF	736-321	Division of Engineering	$ 4,083,585	$ 3,479,663	$3,326,967	$ 3,410,852	2.52%	$ 3,436,918	0.76%
GRF	737-321	Division of Soil and Water	$ 4,637,170	$ 4,363,326	$4,001,553	$ 4,215,288	5.34%	$ 4,234,788	0.46%
GRF	738-321	Division of Real Estate and Land Mana	$ 2,751,137	$ 2,481,335	$2,453,495	$ 2,322,031	-5.36%	$ 2,331,781	0.42%
GRF	741-321	Division of Natural Areas and Preserve	$ 3,408,648	$ 3,203,239	$3,050,244	$ 3,104,405	1.78%	$ 3,104,405	0.00%
GRF	743-321	Division of Civilian Conservation	$ 4,984,383	$ 134,120	$0	$ 0	N/A	$ 0	N/A
GRF	744-321	Division of Mineral Resources Manage	$ 3,969,635	$ 3,346,892	$3,178,705	$ 3,439,744	8.21%	$ 3,495,967	1.63%
General Revenue Fund Total			**$ 104,969,647**	**$ 114,626,801**	**$ 111,119,102**	**$ 119,477,925**	**7.52%**	**$ 128,355,552**	**7.43%**
155	725-601	Departmental Projects	$ 1,777,192	$ 2,128,596	$2,969,501	$ 2,645,479	-10.91%	$ 2,831,337	7.03%
158	725-604	Natural Resources Publication Center I	$ 82,195	$ 68,135	$8,200	$ 0	-100.00%	$ 0	N/A
4D5	725-618	Recycled Materials	$ 41,228	$ 10,836	$19,279	$ 50,000	159.35%	$ 50,000	0.00%
516	725-620	Water Management	$ 2,167,237	$ 2,062,359	$1,933,928	$ 3,663,849	89.45%	$ 2,342,814	-36.06%
4S9	725-622	NatureWorks Personnel	$ 680,235	$ 727,648	$618,524	$ 908,516	46.88%	$ 983,103	8.21%

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
DNR	**Natural Resources, Department of**								
519	725-623	Burr Oak Water Plant	$ 2,525,104	$ 1,167	$0	$ 0	N/A	$ 0	N/A
162	725-625	CCC Operations	$ 1,138,547	$ 7,548,817	$6,436,845	$ 0	-100.00%	$ 0	N/A
510	725-631	Maintenance - State-owned Residence	$ 186,702	$ 243,706	$151,238	$ 255,905	69.21%	$ 260,849	1.93%
161	725-635	Parks Facilities Maintenance	$ 3,439,610	$ 1,607,447	$1,295,732	$ 2,063,124	59.22%	$ 2,576,240	24.87%
157	725-651	Central Support Indirect	$ 7,039,241	$ 7,276,627	$7,095,211	$ 8,272,102	16.59%	$ 8,423,094	1.83%
4X8	725-662	Water Resources Council	$ 34,996	$ 55,280	$39,414	$ 282,524	616.81%	$ 282,524	0.00%
5F9	725-663	Flood Reimbursement	$ 356,840	$ 85,729	$0	$ 0	N/A	$ 0	N/A
635	725-664	Fountain Square Facilities Managemen	$ 2,473,381	$ 2,601,256	$2,402,810	$ 3,104,199	29.19%	$ 3,104,199	0.00%
223	725-665	Law Enforcement Administration	----	----		$ 969,825	N/A	$ 976,225	0.66%
697	725-670	Submerged Lands	$ 534,761	$ 566,750	$341,910	$ 507,099	48.31%	$ 542,011	6.88%
430	725-671	Canal Lands	$ 1,051,215	$ 1,000,174	$876,363	$ 1,119,834	27.78%	$ 1,059,056	-5.43%
508	725-684	Natural Resources Publications	$ 194,584	$ 131,341	$158,632	$ 209,364	31.98%	$ 215,626	2.99%
204	725-687	Information Services	$ 1,798,839	$ 2,203,904	$3,130,489	$ 3,384,275	8.11%	$ 3,476,627	2.73%
206	725-689	REALM Support Services	$ 369,678	$ 489,480	$370,105	$ 475,000	28.34%	$ 475,000	0.00%
207	725-690	Real Estate Services	$ 33,820	$ 31,567	$49,945	$ 54,000	8.12%	$ 54,000	0.00%
General Services Fund Group Total			**$ 25,925,406**	**$ 28,840,819**	**$ 27,898,126**	**$ 27,965,095**	**0.24%**	**$ 27,652,705**	**-1.12%**
328	725-603	Forestry Federal	$ 1,380,456	$ 1,295,042	$1,201,937	$ 1,530,561	27.34%	$ 1,484,531	-3.01%
3P0	725-630	Natural Areas and Preserves- Federal	$ 290,645	$ 605,255	$590,688	$ 718,876	21.70%	$ 552,480	-23.15%
3P1	725-632	Geological Survey-Federal	$ 342,739	$ 496,994	$616,912	$ 470,780	-23.69%	$ 479,653	1.88%
3B3	725-640	Federal Forest Pass-Thru	$ 21,259	$ 59,169	$73,867	$ 140,000	89.53%	$ 150,000	7.14%
3B4	725-641	Federal Flood Pass-Thru	$ 158,252	$ 238,802	$313,540	$ 280,000	-10.70%	$ 285,000	1.79%
3P2	725-642	Oil and Gas-Federal	$ 129,886	$ 177,780	$190,289	$ 224,537	18.00%	$ 232,964	3.75%
3B5	725-645	Federal Abandoned Mine Lands	$ 6,211,191	$ 8,989,160	$8,367,187	$ 11,922,845	42.50%	$ 11,843,866	-0.66%
3P3	725-650	Coastal Management Federal	$ 1,165,422	$ 3,740,460	$2,506,145	$ 2,357,000	-5.95%	$ 2,357,000	0.00%
3B6	725-653	Federal Lands and Water Conservatio	$ 94	$ 772	$519,239	$ 4,900,000	843.69%	$ 5,000,000	2.04%
3B7	725-654	Reclamation - Regulatory	$ 1,501,635	$ 1,688,820	$1,894,202	$ 2,179,870	15.08%	$ 2,168,413	-0.53%
3Z5	725-657	REALM - Federal	----	----	$0	$ 1,578,871	N/A	$ 1,578,871	0.00%
3P4	725-660	Water-Federal	$ 161,979	$ 252,348	$339,058	$ 300,000	-11.52%	$ 242,000	-19.33%
332	725-669	Federal Mine Safety Grant	$ 171,773	$ 364,403	$223,005	$ 247,364	10.92%	$ 258,103	4.34%
3R5	725-673	Acid Mine Drainage Abatement/Treatm	$ 184,354	$ 314,684	$571,386	$ 792,028	38.62%	$ 837,223	5.71%

Line Item Detail by Agency

			FY 2001:	*FY 2002:*	*FY 2003:*	*FY 2004 Appropriations:*	*% Change 2003 to 2004:*	*FY 2005 Appropriations:*	*% Change 2004 to 2005:*
DNR	***Natural Resources, Department of***								
Federal Special Revenue Fund Group Total			**$ 11,719,686**	**$ 18,223,690**	**$ 17,407,455**	**$ 27,642,732**	**58.80%**	**$ 27,470,104**	**-0.62%**
509	725-602	State Forest	$ 1,715,263	$ 1,623,330	$1,137,971	$ 982,970	-13.62%	$ 1,127,117	14.66%
512	725-605	State Parks Operations	$ 26,680,070	$ 28,367,698	$29,302,180	$ 29,915,146	2.09%	$ 29,915,146	0.00%
514	725-606	Lake Erie Shoreline	$ 784,173	$ 924,463	$770,090	$ 1,027,093	33.37%	$ 936,254	-8.84%
526	725-610	Strip Mining Administration Fee	$ 1,689,877	$ 1,700,288	$1,834,991	$ 1,449,459	-21.01%	$ 1,449,459	0.00%
5K1	725-626	Urban Forestry Grant	$ 157,099	$ 273,710	$301,345	$ 400,000	32.74%	$ 400,000	0.00%
521	725-627	Off-Road Vehicle Trails	$ 35,477	$ 22,112	$59,169	$ 118,490	100.26%	$ 123,490	4.22%
4J2	725-628	Injection Well Review	$ 43,760	$ 56,998	$82,261	$ 98,468	19.70%	$ 81,188	-17.55%
4M7	725-631	Wildfire Suppression	$ 97,285	$ 95,225	$64,325	$ 100,000	55.46%	$ 100,000	0.00%
586	725-633	Scrap Tire Program	----	$ 37,528	$1,541,383	$ 1,000,000	-35.12%	$ 1,000,000	0.00%
5P2	725-634	Wildlife Boater Angler Administration	----	$ 25,800	$378,163	$ 1,500,000	296.65%	$ 1,500,000	0.00%
527	725-637	Surface Mining Administration	$ 1,917,940	$ 2,278,575	$1,923,036	$ 2,793,938	45.29%	$ 2,693,938	-3.58%
529	725-639	Unreclaimed Land Fund	$ 2,100,658	$ 2,055,094	$798,313	$ 1,841,589	130.69%	$ 1,971,037	7.03%
518	725-643	Oil & Gas Permit Fees	$ 1,676,792	$ 1,421,026	$1,622,105	$ 2,205,651	35.97%	$ 2,399,580	8.79%
532	725-644	Litter Control and Recycling	$ 10,684,489	$ 12,052,647	$11,941,234	$ 12,544,686	5.05%	$ 12,544,686	0.00%
511	725-646	Ohio Geological Mapping	$ 619,286	$ 801,938	$748,248	$ 983,274	31.41%	$ 985,940	0.27%
531	725-648	Reclamation Forfeiture	$ 581,181	$ 1,420,912	$2,056,431	$ 2,393,762	16.40%	$ 2,374,087	-0.82%
522	725-656	Natural Areas Checkoff Funds	$ 742,323	$ 537,818	$1,113,851	$ 2,046,737	83.75%	$ 1,550,670	-24.24%
615	725-661	Dam Safety	$ 177,737	$ 267,615	$237,973	$ 286,045	20.20%	$ 408,223	42.71%
655	725-667	Lake Katherine Management	----	$ 5,304	$1,526	----	N/A	----	N/A
4U6	725-668	Scenic Rivers Protection	$ 96,492	$ 155,416	$141,031	$ 561,000	297.78%	$ 617,100	10.00%
5B3	725-674	Mining Regulation	$ 58	$ 1	$0	$ 35,000	N/A	$ 35,000	0.00%
518	725-677	Oil & Gas Well Plugging	$ 753,723	$ 625,215	$997,549	$ 1,000,000	0.25%	$ 1,000,000	0.00%
State Special Revenue Fund Group Total			**$ 50,553,684**	**$ 54,748,712**	**$ 57,053,175**	**$ 63,283,308**	**10.92%**	**$ 63,212,915**	**-0.11%**
086	725-414	Waterways Improvement	$ 3,267,556	$ 3,003,479	$3,149,967	$ 3,813,051	21.05%	$ 4,140,186	8.58%
086	725-416	Natural Areas Marine Patrol	$ 23,187	$ 7,383	$0	$ 0	N/A	$ 0	N/A
086	725-417	Parks Marine Patrol	$ 33,276	$ 21,122	$0	$ 0	N/A	$ 0	N/A
086	725-418	Buoy Placement	$ 14,237	$ 22,508	$24,402	$ 42,182	72.86%	$ 42,182	0.00%
086	725-501	Waterway Safety Grants	$ 72,164	$ 69,518	$68,660	$ 137,867	100.80%	$ 137,867	0.00%
086	725-506	Watercraft Marine Patrol	$ 523,250	$ 562,000	$554,731	$ 576,153	3.86%	$ 576,153	0.00%

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
DNR		***Natural Resources, Department of***							
086	725-513	Watercraft Educational Grants	$ 300,000	$ 340,254	$366,643	$ 366,643	0.00%	$ 366,643	0.00%
880	725-614	Cooperative Boat Harbor Project	$ 52,790	----	$0	$ 0	N/A	$ 0	N/A
086	739-321	Division of Watercraft	$ 13,850,570	----	$0	$ 0	N/A	$ 0	N/A
086	739-401	Division of Watercraft	----	$ 12,525,367	$13,501,594	$ 19,420,712	43.84%	$ 18,718,847	-3.61%
Waterways Safety Fund Group Total			**$ 18,137,031**	**$ 16,551,630**	**$ 17,665,997**	**$ 24,356,608**	**37.87%**	**$ 23,981,878**	**-1.54%**
4M8	725-675	FOP Contract	$ 17,504	$ 13,622	$20,228	$ 20,844	3.05%	$ 20,844	0.00%
Accrued Leave Liability Fund Group Total			**$ 17,504**	**$ 13,622**	**$ 20,228**	**$ 20,844**	**3.05%**	**$ 20,844**	**0.00%**
81A	725-612	Wildlife Education	$ 1,248,593	$ 201	$0	$ 0	N/A	$ 0	N/A
818	725-629	Cooperative Fisheries Research	$ 896,964	$ 703,199	$867,660	$ 988,582	13.94%	$ 988,582	0.00%
815	725-636	Cooperative Management Projects	$ 82,852	$ 187,829	$86,132	$ 120,449	39.84%	$ 120,449	0.00%
816	725-649	Wetlands Habitat	$ 636,665	$ 1,022,510	$542,214	$ 966,885	78.32%	$ 966,885	0.00%
817	725-655	Wildlife Conservation Checkoff Fund	$ 908,079	$ 2,196,733	$2,904,971	$ 5,000,000	72.12%	$ 5,000,000	0.00%
819	725-685	Ohio River Management	$ 25,116	$ 31,935	$50,402	$ 128,584	155.12%	$ 128,584	0.00%
015	740-321	Division of Wildlife Conservation	$ 36,724,549	----	$0	$ 0	N/A	$ 0	N/A
015	740-401	Division of Wildlife Conservation	----	$ 39,096,134	$42,798,182	$ 46,427,945	8.48%	$ 46,814,691	0.83%
Wildlife Fund Group Total			**$ 40,522,818**	**$ 43,238,541**	**$ 47,249,561**	**$ 53,632,445**	**13.51%**	**$ 54,019,191**	**0.72%**
R43	725-624	Forestry	$ 1,509,658	$ 1,448,160	$1,021,983	$ 800,000	-21.72%	$ 800,000	0.00%
R17	725-659	Performance Cash Bond Refunds	$ 140,149	$ 175,238	$86,157	$ 226,500	162.89%	$ 226,500	0.00%
Holding Account Redistribution Fund Group Total			**$ 1,649,807**	**$ 1,623,399**	**$ 1,108,140**	**$ 1,026,500**	**-7.37%**	**$ 1,026,500**	**0.00%**
061	725-405	Clean Ohio Operating	----	----	$84,363	$ 155,000	83.73%	$ 155,000	0.00%
Clean Ohio Fund Total			**----**	**----**	**$ 84,363**	**$ 155,000**	**83.73%**	**$ 155,000**	**0.00%**
Natural Resources, Department of Total			***$ 253,495,582***	***$ 277,867,214***	***$ 279,606,147***	***$ 317,560,457***	***13.57%***	***$ 325,894,689***	***2.62%***

- The Board of Nursing now certifies community health workers.
- New fees for IV therapy cards, out-of-state surveys, and continuing education activities

Nursing, Board of

Chris Murray, Economist

ROLE

The mission of the Board of Nursing is to promote and protect the health of Ohioans through the safe and effective practice of nursing. Comprised of a 13-member board appointed by the Governor and a staff of 55 employees, the Board regulates more than 182,000 individuals in the field of nursing. Chapter 4723. of the Revised Code provides statutory authority for the Board's activities and requires the Board to protect the public against unqualified R.N.s and L.P.N.s. Additionally, the Board provides oversight for nursing education programs and continuing nurse education requirements.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
68	$5.2 million	$5.3 million	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Appropriations for the Board of Nursing total $5,237,776 in fiscal year (FY) 2004, a 14.21% increase over FY 2003 expenditures, and $5,262,576 in FY 2005, a 0.47% increase over FY 2004 appropriations. All but $5,000 of the funds appropriated to the Board of Nursing are located in the Occupational and Licensing Board Fund, Fund 4K9. This fund is the depository of licensing fee revenue and fines for 24 occupational licensing boards. These moneys are used for board operating costs, with around 71% of these funds for payroll and other related expenses, and approximately 23% for rent and other maintenance expenses. The remaining $5,000 in each fiscal year can be found in the Nursing Special Issues Fund, Fund 5P8. It is anticipated that these moneys will be used to support a Comprehensive Nursing Workforce Planning Center.

The Board will undertake some new mandates during the 2004-2005 biennium. Am. Sub. H.B. 327 of the 124th General Assembly modified the Nurse Practice Act to require applicants for licensure to undergo a criminal records check. Furthermore, Am. Sub. H.B. 95 of the 125th General Assembly requires the Board to certify community health workers. It also creates the Nurse Education Grant Program to aid in increasing enrollment capacity at nursing schools. The Board has also issued new fees and raised fees, which will help cover the expenses associated with the expansion of Board responsibilities and programs.

BUDGET ISSUES

NEW FEES AND FEE INCREASES

The Board of Nursing has raised several fees and also has the ability to levy new fees for new programs and initiatives. The majority of revenue collected from these fees will be deposited into Fund 4K9. Only the fees charged for continuing education credits are deposited into a different fund (Fund 5P8). The new fees and fee increases will generate about $5 million more in revenue for the Board over the biennium. Total revenue is expected to be $12.7 million.

The new fees include a $25 fee for the issuance of IV Therapy cards; however, those individuals receiving their card through a course of study in a pre-licensure education program will not be charged the fee. An out-of-state survey fee of $2,000 will be assessed to out of state schools that provide nursing education in Ohio. This fee covers the cost of visiting the main campus to ensure the school is in compliance with the Board's standards. Finally, a new fee will be levied for Board-sponsored continuing education activities. These funds will be used to maintain a program that addresses patient safety and health care issues related to the supply of, and demand for, nurses and other health care workers.

The table below lists the fee changes and estimated additional revenues.

Nursing Board Fee Changes				
Fund 4K9	**Current Fee**	**Proposed Fee**	**FY 2004 Additional Revenue**	**FY 2005 Additional Revenue**
Renewal Fee Increase	$45	$65	$2,758,060	$806,880
Examination and Licensure Endorsement	$50	$75	$172,325	$172,325
Paper License Verification	$5	$10	$750	$750
Duplicate License Issuance	$15	$25	$10,790	$10,790
Issuance of IV Therapy Card	N/A	$25	$15,825	$15,825
Out-of-state Survey Visits	N/A	$2,000	$2,000	$2,000
Fund 4K9 Subtotal			**$2,959,705**	**$1,008,525**
Fund 5P8				
Continuing Education Credits	N/A	$15/activity	$500,000	$500,000
Fund 5P8 Subtotal			**$500,000**	**$500,000**
Total			**$3,459,750**	**$1,508,570**

NURSE EDUCATION GRANT PROGRAM

Am. Sub. H.B. 95 of the 125th General Assembly created the Nurse Education Grant Program to be administered by the Ohio Nursing Board. The program is to award joint grants to nurse education programs, health care facilities, and community health agencies, to fund partnerships that increase the enrollment capacity of nurse education programs. Ten dollars of each biennial licensing fee is to be transferred to the Nurse Education Grant Program Fund to provide moneys for the program. It is estimated that $1.78 million will be transferred over the biennium.

CERTIFICATION OF COMMUNITY HEALTH WORKERS

The Ohio Nursing Board is responsible for the certification of community health workers. The Board estimates that there are between 200 and 300 community health workers in Ohio. Community health workers facilitate access to health care by helping direct people in need of health care to the proper professional. Registered nurses can delegate some responsibilities to community health workers, such as taking a person's blood pressure. Community health workers cannot administer medications. The Board will define their scope of practice via the rules process. A fee will be charged for the certification. At this time, the fee has not been determined, but it will help to cover the costs associated with certifying community health workers.

LICENSING SYSTEM

The occupational licensing boards, in partnership with the Department of Administrative Services (DAS), are working to implement a new licensing system. The system will be phased in over the next biennium and each board will pay its share of the costs out of Fund 4K9. The Nursing Board estimates spending $423,500 over the biennium for this system.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
NUR Nursing, Board of									
5P8	884-601	Nursing Special Issues	----	----	$5,000	$ 5,000	0.00%	$ 5,000	0.00%
4K9	884-609	Operating Expenses	$ 3,955,552	$ 4,516,159	$4,581,109	$ 5,232,776	14.23%	$ 5,257,576	0.47%
General Services Fund Group Total			**$ 3,955,552**	**$ 4,516,159**	**$ 4,586,109**	**$ 5,237,776**	**14.21%**	**$ 5,262,576**	**0.47%**
Nursing, Board of Total			***$ 3,955,552***	***$ 4,516,159***	***$ 4,586,109***	***$ 5,237,776***	***14.21%***	***$ 5,262,576***	***0.47%***

- Non-GRF agency solely funded through 4K9 Fund
- $1.6 million appropriated over the biennium

Occupational Therapy, Physical Therapy, and Athletic Trainers Board

Allison Thomas, Economist

ROLE

The Occupational Therapy, Physical Therapy, and Athletic Trainers Board (OTPTAT) provides licenses to occupational therapists, physical therapists, and athletic trainers in accordance with Chapter 4755. of the Revised Code. The Occupational Therapy, Physical Therapy, and Athletic Trainers Board is empowered to license each discipline through examination, hold hearings, subpoena witnesses, and take other actions to address complaints about licensees' performance of professional duties. The Board also inspects the practices of licensees and certifies continuing education requirements.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
29	$771,000	$801,000	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Board is solely funded through the General Services' Occupational Licensing Fund (Fund 4K9) and does not receive any moneys from the General Revenue Fund. Total appropriation authority of $1.6 million over the biennium is broken down into $771,391 in FY 2004 and $801,480 in FY 2005. The FY 2004 appropriation represents a decrease of 2.6% over FY 2003 spending levels of $792,367; the FY 2005 appropriation represents an increase of 3.9% over FY 2004 appropriation levels.

The Board oversees the licensing and regulation of over 17,000 professionals. The Board renews its licenses on a biennial basis. Revenues and expenditures for the Board for the FY 2001-2002 renewal cycle totaled $1,664,564 and $1,541,321, respectively. The Board's net gain for the last renewal cycle was $123,243.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
PYT Occupational Therapy, Physical Therapy, and Athletic Trainers Board									
4K9	890-609	Operating Expenses	$ 821,818	$ 730,883	$792,367	$ 771,391	-2.65%	$ 801,480	3.90%
General Services Fund Group Total			**$ 821,818**	**$ 730,883**	**$ 792,367**	**$ 771,391**	**-2.65%**	**$ 801,480**	**3.90%**
Occupational Therapy, Physical Therapy, and Athletic			***$ 821,818***	***$ 730,883***	***$ 792,367***	***$ 771,391***	***-2.65%***	***$ 801,480***	***3.90%***

- In FY 2002, Ohioana's collection increased by over 1,100 items through solicited and unsolicited donations

Ohioana Library Association

Sara D. Anderson, Budget Analyst

ROLE

The Ohioana Library Association was founded in 1929 to encourage and recognize the creative accomplishments of Ohioans. The collection boasts over 41,000 works by or about Ohioans. The collection also includes sheet music, photos, letters, original illustrations and artwork, and original manuscripts. The library recognizes the creative accomplishments through the nine annual Ohioana Awards. In addition, the library publishes the *Ohioana Quarterly*, which includes reviews of new books received by the library, and compiles lists of Ohioans who have received national, regional, or statewide awards for the arts or humanities.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
5	$215,000	$215,000	$215,000	$215,000	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Ohioana Library receives GRF funding from the state in the form of a subsidy. The library is housed in the same building as the State Library. The rent on Ohioana's space is paid through State Library Board GRF appropriation item 350-401, Ohioana Rental Payments. The cost of the rent is $124,816 in each year of the FY 2004 - FY 2005 biennium.

State funds make up approximately 80% of the library's total budget. Private funds from contributions, memberships, and *Ohioana Quarterly* subscriptions make up the remaining 20%. The bulk of the library's funds are used to cover staff salaries. The library collection is primarily received via donation by the author.

In FY 2004, the library's subsidy will be $215,036, a 2.5% decrease from FY 2003. Ohioana's subsidy is flat funded in FY 2005.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill Version: Enacted

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
OLA Ohioana Library Association									
GRF	355-501	Library Subsidy	$ 398,461	$ 225,333	$220,549	$ 215,036	-2.50%	$ 215,036	0.00%
General Revenue Fund Total			**$ 398,461**	**$ 225,333**	**$ 220,549**	**$ 215,036**	**-2.50%**	**$ 215,036**	**0.00%**
Ohioana Library Association Total			***$ 398,461***	***$ 225,333***	***$ 220,549***	***$ 215,036***	***-2.50%***	***$ 215,036***	***0.00%***

- Licensed 4,584 professionals in FY 2002
- Received Controlling Board approval to increase optician renewal fees by 50% in FY 2004

Optical Dispensers Board, Ohio

Clay Weidner, Budget Analyst

ROLE

The Ohio Optical Dispensers Board was established in 1979 to maintain standards in the industry through the issuance of spectacle, contact lens, and ocularist licenses. The Board seeks to maintain industry standards by establishing licensure requirements for people entering these fields. In addition to licensing opticians, ocularists, and apprentices, the Board is responsible for establishing continuing education requirements and investigating complaints, taking disciplinary action as necessary.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
12	$307,000	$313,000	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Ohio Optical Dispensers Board is appropriated $307,096 in FY 2004, which represents an increase of 7.4% over FY 2003 expenditures. For FY 2005, the Board is appropriated $312,656, which represents a 1.8% increase over FY 2004. The appropriations provide for current service levels to be maintained and cover increased administrative costs passed on to the Board. No new initiatives are planned with the funding except for the implementation of the new licensing system.

BUDGET ISSUES

FEE CHANGES

The Board instituted many cost control measures to balance expenditures and revenue during the previous biennium. For example, staff used desktop publishing software instead of contracting for the service. The Board Director changed the overtime status of the board director's position to overtime exempt. And travel expenses were scrutinized and only necessary trips were authorized. However, despite these efforts, the Board was unable to cover incurred costs with generated revenue. Consequently, the Board received Controlling Board approval to raise optician fees by 50% from $65.00 to $97.50. This fee increase will take effect in FY 2004. The fee change will generate approximately $109,000 in additional revenue in FY 2004 and annually thereafter.

NEW LICENSING SYSTEM

The occupational licensing boards, in partnership with the Department of Administrative Services (DAS), are working to implement a new licensing system. The system will be phased in over the current biennium and each board will pay its share of the costs out of Fund 4K9. The Board will pay DAS an annual fee of $1,296 in the current biennium and a monthly charge of $97 in FY 2004 and $101 in FY 2005 to maintain the system.

INCREASED ADMINISTRATIVE FEES

During the previous biennium, occupational licensing boards absorbed increased administrative costs charged by other state agencies. Many boards contracted for services that were once provided for free such as lock-box services and computer technical support. Increases in the DAS Central Service fees and postage have also significantly raised occupational boards' expenditures. The Optical Dispenser's Board's Central Service Agency assessment increased 68% from $5,694 in FY 2002 to $9,569 in FY 2003 and will increase another 5% in both FY 2004 and FY 2005. The Management Information Services fee increased by 150% between FY 2001 and FY 2002 and the Board projects a 21% increase for FYs 2003-2005. The Board was charged $2,524 in FY 2003 for computer technical support, which once was provided by DAS. This fee will increase by approximately 5% in both FYs 2004 and 2005. The Board also estimates a 4% rent increase in FY 2004.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
ODB	***Optical Dispensers Board, Ohio***								
4K9	894-609	Operating Expenses	$ 249,867	$ 284,642	$285,916	$ 307,096	7.41%	$ 312,656	1.81%
General Services Fund Group Total			**$ 249,867**	**$ 284,642**	**$ 285,916**	**$ 307,096**	**7.41%**	**$ 312,656**	**1.81%**
Optical Dispensers Board, Ohio Total			***$ 249,867***	***$ 284,642***	***$ 285,916***	***$ 307,096***	***7.41%***	***$ 312,656***	***1.81%***

- Board administered 4,011 licenses in FY 2002

Optometry, State Board of

Clay Weidner, Budget Analyst

ROLE

The State Board of Optometry was established to regulate the practice of optometry in the state of Ohio. The Board issues licenses to optometrists and conducts investigations for compliance with rules or regarding complaints received from the public. The Board is also responsible for the revision of policies and guidelines for license renewal and the issuance of new licenses.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
9	$306,000	$324,000	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The State Board of Optometry is appropriated $306,140 in FY 2004, which represents an increase of 10.7% over FY 2003 expenditures. For FY 2005, the Board is appropriated $324,391, an increase of 6% over FY 2004. The appropriations will enable the Board to maintain its current level of service and will cover the increased administrative fees passed on to the Board by other state agencies. The appropriations will also allow the Board to print updated law books and send them to licensees in FY 2005.

BUDGET ISSUES

NEW LICENSING SYSTEM

The occupational licensing boards, in partnership with the Department of Administrative Services (DAS), are working to implement a new licensing system. The system will be phased in over the current biennium and each board will pay its share of the costs out of Fund 4K9. The Board of Optometry will pay DAS an annual fee of $605 in the current biennium and a monthly fee of $20 to maintain the system.

INCREASED ADMINISTRATIVE FEES

During the previous biennium, occupational licensing boards absorbed increased administrative costs charged by other state agencies. Many boards contracted for services that were once provided for free such as lock-box services and computer technical support. The Board's appropriations in Am. Sub. H.B. 95 will cover these increased costs. The Board estimates that increased administrative fees will cost the Board approximately $15,000 in FY 2004 and $16,500 in FY 2005 for the DAS Central Service Agency fees, computer technical support, and license renewal banking and revenue processing fees.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
OPT Optometry, State Board of									
4K9	885-609	Operating Expenses	$ 199,279	$ 251,434	$276,576	$ 306,140	10.69%	$ 324,391	5.96%
General Services Fund Group Total			**$ 199,279**	**$ 251,434**	**$ 276,576**	**$ 306,140**	**10.69%**	**$ 324,391**	**5.96%**
Optometry, State Board of Total			***$ 199,279***	***$ 251,434***	***$ 276,576***	***$ 306,140***	***10.69%***	***$ 324,391***	***5.96%***

- 343 unique licensees in FY 2002

Orthotics, Prosthetics, and Pedorthics, State Board of

Clay Weidner, Budget Analyst

ROLE

The State Board of Orthotics, Prosthetics, and Pedorthics, created by S.B. 238 of the 123rd General Assembly, licenses and regulates orthotists, prosthetists, and pedorthists, ensuring those individuals meet minimum education and experience qualifications. The Board meets its responsibilities through management of the licensure process, overseeing regulation of the industry, and enforcement through surveillance of licensees and investigation of complaints.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
1	$100,000	$102,000	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The State Board of Orthotics, Prosthetics, and Pedorthics is appropriated $100,206 for FY 2004, which represents an increase of 15.3% over FY 2003 expenditures. For FY 2005, the Board is appropriated $102,395 for FY 2005, which is an increase of 2.2%. The appropriations will provide for current service levels and will cover the increased administrative costs passed onto the Board by other state agencies. The appropriations also include funding for the Board to hire a part-time clerical employee to reduce the heavy workload of the only current FTE (i.e., the Board Director).

BUDGET ISSUES

NEW LICENSING SYSTEM

The occupational licensing boards, in partnership with the Department of Administrative Services (DAS), are working to implement a new licensing system. The system will be phased in over the current biennium and each board will pay its share of the costs out of Fund 4K9. The Board will pay to DAS an annual fee during the current biennium of about $400 and a monthly fee of about $140 to maintain the system.

INCREASED ADMINISTRATIVE FEES

During the previous biennium, occupational licensing boards had to absorb increased administrative costs charged by other state agencies. Many boards contracted for services that were once provided for free such as lock-box services and computer technical support. The Board's appropriations in Am. Sub. H.B. 95 will cover these increased costs. The State Board of Orthotics, Prosthetics, and Pedorthics will be able to manage renewal in-house and will not have to contract for these services.

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
Report For: Main Operating Appropriations Bill				**Version:** Enacted					
OPP Orthotics, Prosthetics and Pedorthics									
4K9	973-609	Operating Expenses	----	$ 84,889	$86,877	$ 100,206	15.34%	$ 102,395	2.18%
General Services Fund Group Total			**----**	**$ 84,889**	**$ 86,877**	**$ 100,206**	**15.34%**	**$ 102,395**	**2.18%**
Orthotics, Prosthetics and Pedorthics Total			***----***	***$ 84,889***	***$ 86,877***	***$ 100,206***	***15.34%***	***$ 102,395***	***2.18%***

- Funding in FY 2004 and FY 2005 is equal to funding for FY 2003

Petroleum Underground Storage Tank Release Compensation Board

Kerry Sullivan, Budget Analyst

ROLE

The Petroleum Underground Storage Tank Release Compensation Board serves Ohio's underground storage tank (UST) owners and operators through administration of the Financial Assurance Fund. In accordance with federal law, the fund assures UST owners reimbursement of up to $1 million, minus a deductible, for corrective actions and for compensating third parties for injury or property damage caused by accidental releases of petroleum from underground tanks. The Board requires all UST owners to make annual payments to the fund. Coverage under the standard deductible of $55,000 is currently provided at an annual fee of $450 per tank. Owners of six or fewer tanks may opt to pay $600 per tank and reduce their deductible to $11,000 per release.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
16	$1.1 million	$1.1 million	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Appropriations for FY 2004 and FY 2005 total $1,075,158 each year. This amount is equivalent to the total appropriated in FY 2003 and is $174,131 more than actual expenditures for FY 2003. Funding levels over the 2003-2005 biennium match those requested by the Board and recommended by the Executive.

The Petroleum Underground Storage Tank Release Compensation Board uses no General Revenue Fund moneys and maintains one State Special Revenue account. Moneys in this account are used solely for personnel costs. The Board consists of nine members appointed by the Governor and three ex-officio members: the Treasurer of State, the Director of the Department of Commerce, and the Director of the Environmental Protection Agency. The Board has a current staff of 16 employees who perform the daily operations of the Board.

BUDGET ISSUES

FINANCIAL ASSURANCE FUND

The United States Environmental Protection Agency issued mandates to upgrade, remove, or replace aging USTs by December 1998, which resulted in a substantial decrease in the number of assured USTs for which fees are collected and credited to the Financial Assurance Fund. In the first year of the Board's existence, fees were collected for approximately 50,000 USTs. Today the number of assured USTs has decreased to approximately 23,000. In order to minimize the effects on the solvency of the Financial Assurance Fund, the Board has increased per tank fees incrementally over the years, and has succeeded in maintaining a relatively stable amount of fee revenue.

Although a fee increase is not anticipated for FY 2004, the Board annually reviews its fee structure and operating budget based on the unobligated balance of the Financial Assurance Fund, the claims paying experience of its members, and the claims expenses projected to be certified for payment in the coming fiscal year. Based upon these claims projections and the expected tank population, the Board establishes the annual tank fee for the upcoming fiscal year.

As of December 31, 2002, there were a total of 2,278 sites for which the Board has received requests for claims reimbursement since its establishment in 1990. Of these, 903 are closed sites, meaning no additional claims for reimbursement can be submitted. With respect to these closed sites, 2,222 claims were submitted (for an average of 2.5 claims per site) at an average corrective action cost of $64,205 per site.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
UST	**Petroleum Underground Storage Tank Release Compensation Board**								
691	810-632	PUSTRCB Staff	$ 735,510	$ 862,295	$901,027	$ 1,075,158	19.33%	$ 1,075,158	0.00%
State Special Revenue Fund Group Total			**$ 735,510**	**$ 862,295**	**$ 901,027**	**$ 1,075,158**	**19.33%**	**$ 1,075,158**	**0.00%**
Petroleum Underground Storage Tank Release Compe			***$ 735,510***	***$ 862,295***	***$ 901,027***	***$ 1,075,158***	***19.33%***	***$ 1,075,158***	***0.00%***

- Enacted budget allows Board to maintain current staffing and service levels

Pharmacy, State Board of

Holly Wilson, Budget Analyst

ROLE

The State Board of Pharmacy is responsible for administering and enforcing the Pharmacy Practice Act and Dangerous Drug Distribution Act (Chapter 4729. of the Revised Code), the Controlled Substances Act (Chapter 3719. of the Revised Code), the Pure Food and Drug Act (Chapter 3715. of the Revised Code), and the Criminal Drug Law (Chapter 2925. of the Revised Code).

The Board is a nine-member panel composed of eight pharmacists and one person representing the public who is at least 60 years old. Each member may be re-appointed one time at the Governor's discretion. In addition to the nine-member panel, the Board carries enough annual funding to employ a staff of 48 full-time equivalents (FTEs) to perform licensure and enforcement activities. Of the 48 FTEs, 23 (10 pharmacists and 15 former law enforcement officers) are investigative field agents.

The Board's activities can be divided into the following two functions:

1. ***Licensure.*** The licensure activities of the Board include the testing and certification of pharmacists and pharmacy interns entering the profession in Ohio, as well as renewing the licenses of practicing pharmacists annually. In addition, the Board licenses sites where dangerous drugs (primarily those requiring a prescription) are purchased and stored prior to the delivery to a patient. The site licenses are issued by the Board as either a terminal distributor of dangerous drugs (mainly retail type settings) or a wholesale distributor of dangerous drugs. Terminal distributor sites include, but are not limited to, retail pharmacies, hospitals, nursing homes, prisons and jails, emergency medical squads, clinics, medical gas distributors, and so forth.
2. ***Drug law enforcement.*** The Board is the only state agency that has statewide jurisdiction to enforce the criminal drug laws, and as a result is sometimes responsible for criminal investigations of doctors, nurses, dentists, veterinarians, or other individuals. By enforcing the laws and rules regulating drugs and pharmacists, the Board may deny, suspend, or revoke a license and place a practitioner on probation. Such action may be taken for reasons that include: conviction of a misdemeanor committed in the practice of pharmacy, or any felony; dishonesty or unprofessional conduct in the practice of pharmacy; drug or alcohol addiction that causes a practitioner to be unfit for practice; and any violation of provisions under Chapters 2925., 3719., or 4729. of the Revised Code.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
57	$4.8 million	$5.0 million	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003. Of the 57 employees, nine are board members.

OVERVIEW

The Board's annual operating expenses are supported almost entirely by moneys appropriated from Fund 4K9, the occupational licensing and regulatory board fund that receives fees and other assessments collected by 24 of the state's independent professional and occupational licensing boards and in turn finances the annual operating expenses of those 24 boards.

The amount of funding that the Board requested in each of FYs 2004 and 2005 reflected its calculation of the future cost of maintaining current service and staffing levels. The enacted budget provided a level of funding that is slightly less than the amounts that the Board requested in each of FYs 2004 and 2005. According to the Board, the reduced funding levels should not generate any negative effects on its mission and responsibilities as a licensing, regulatory, and drug law enforcement agency, and it will operate within those funding constraints by cutting travel and maintenance expenses.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill — **Version:** Enacted

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
PRX	**Pharmacy, State Board of**								
4A5	887-605	Drug Law Enforcement	$ 61,422	$ 23,151	$72,709	$ 72,900	0.26%	$ 75,550	3.64%
4K9	887-609	Operating Expenses	$ 3,928,323	$ 4,183,947	$4,472,980	$ 4,733,987	5.84%	$ 4,914,594	3.82%
General Services Fund Group Total			**$ 3,989,744**	**$ 4,207,099**	**$ 4,545,689**	**$ 4,806,887**	**5.75%**	**$ 4,990,144**	**3.81%**
Pharmacy, State Board of Total			***$ 3,989,744***	***$ 4,207,099***	***$ 4,545,689***	***$ 4,806,887***	***5.75%***	***$ 4,990,144***	***3.81%***

- Board received $48,000 appropriation increase to support implementation of legislation

Psychology, State Board of

Holly Wilson, Budget Analyst

ROLE

The State Board of Psychology was established in 1972 to provide regulatory oversight of psychologists and nonschool-based school psychologists. The State Department of Education regulates school-based school psychologists. The primary mission of the Board is to provide protection to the public through examinations, licensing, monitoring of continuing education, monitoring of unlicensed practice (both supervised practice of extenders and illegal practice), and to investigate complaints and discipline licensees pursuant to Chapter 4732. of the Revised Code. Generally, the Board acts as the enforcement and compliance body for ensuring maintenance of accountability among licensees. Licensees must renew their licenses biannually during the summer of even-numbered years. In FY 2002, the Board licensed approximately 3,550 psychologists and approximately 400 school psychologists. In addition, the Board is charged with monitoring the registration and practice of approximately 2,500 unlicensed supervisees working under the licensed authority of psychologists. The Board has a staff of six FTEs.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
15	$564,544	$561,525	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003. Of the 15 employees, 9 are Board members.

OVERVIEW

The Board collects license fees, which are deposited in the Occupational Licensing and Regulatory Fund (Fund 4K9). License renewal fees plus other revenues generate average annual receipts of approximately $700,000, allowing the Board to be self-supporting. The enacted budget will allow the Board to maintain FY 2003 service levels in the FY 2004-2005 biennium.

BUDGET ISSUES

SUB. S.B. 9 OF THE 124TH GENERAL ASSEMBLY CREATES CHANGE FOR BOARD

Sub. S.B. 9 of the 124th General Assembly changed the Board's composition and requirements relative to continuing education, Internet access to disciplinary actions, and the Board's responses to sex-related misconduct. Specifically, the bill did the following: (1) increased the number of board members from seven to nine, (2) increased continuing education requirements from 20 to 23 hours, including not less than three hours in "professional conduct and ethics," (3) enacted license summary suspension authority, and possible revocation authority if there is an "immediate threat to the public," (4) mandated the Board suspend or permanently revoke the license of a licensee determined to have engaged in sexual misconduct, and (5) required Internet access to the names of all current licensees, and the names of all current and former licensees that have been reprimanded, and/or suspended or revoked and the reason.

These changes produced some costs for the Board. For example, the bill mandated that the two new public members on the Board be nonpsychologist-mental health consumer advocates. As a result, the Board lost a public member who was an attorney. This attorney served as an examiner during hearings. Because of this loss, the Board was required to hire a hearing examiner to conduct hearings and be present with the Board to rule on motions and objections. Additionally, with an increase in the number and intensity of summary suspension hearings, and the addition of two board members, the Board has experienced increased costs for compensation, travel reimbursement expenses, and materials. According to the Board, the estimated annual costs associated with implementing S.B. 9 are $39,920. The Board received a $48,000 increase in Fund 4K9 in each fiscal year to handle these expenses. The Board will use the difference to turn an intern position into a full-time position.

With the passage of Sub. S.B. 9, and installation of new licensing software (CAVU) that all occupational boards will use in the next biennium, the Board received funding for replacement of five aging computers to run the new software and replacement of an aging photocopier.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
PSY	***Psychology, State Board of***								
4K9	882-609	Operating Expenses	$ 442,831	$ 408,910	$464,843	$ 564,544	21.45%	$ 561,525	-0.53%
General Services Fund Group Total			**$ 442,831**	**$ 408,910**	**$ 464,843**	**$ 564,544**	**21.45%**	**$ 561,525**	**-0.53%**
Psychology, State Board of Total			***$ 442,831***	***$ 408,910***	***$ 464,843***	***$ 564,544***	***21.45%***	***$ 561,525***	***-0.53%***

- County reimbursement rate registers around 33%
- Reductions in staff and services
- Information technology upgrade delayed indefinitely

Public Defender Commission, Ohio

Joseph Rogers, Budget Analyst

ROLE

Criminal defendants have a constitutional right to court appointed attorneys if the accused are financially unable to retain private counsel, a right guaranteed by the Sixth and Fourteenth Amendments to the U.S. Constitution. The right to counsel extends from the time that judicial proceedings have been initiated against the accused, whether by way of formal charge, preliminary hearing, indictment, information, or arraignment, through sentencing and appeal. There is no absolute right to appointed counsel in post-conviction proceedings.

The Ohio Public Defender Commission, which was created effective January 13, 1976, pursuant to Am. Sub. H.B. 164 of the 111th General Assembly, provides, supervises, and coordinates legal representation for persons who cannot afford to hire an attorney to represent them in criminal court. The Commission's largest activity in that regard is the administration of a subsidy program that partially reimburses counties for indigent defense expenditures related to the operation of local public defender offices or the use of appointed counsel.

The Commission also:

- Provides legal services to inmates at the state's correctional facilities, trial level representation in some capital cases, and appellate and post-conviction appeals in capital cases.
- Acts as a conduit through which flows funding for the Ohio Legal Assistance Foundation (OLAF) for the purpose of providing financial assistance to legal aid societies throughout the state.

The Commission itself consists of nine members. The Governor appoints five members, including the chair. The Supreme Court appoints the other four members. To foster a non-partisan structure, no more than five Commission members can be from one of the two major political parties. The Commission appoints a State Public Defender who maintains and administers the Office of the Ohio Public Defender. The Commission and the Office of the Public Defender share a common state budget.

In meeting the right to counsel obligations in criminal matters, each county has the option of: (1) establishing a county public defender system, (2) establishing a joint county public defender system, (3) adopting a schedule to pay private appointed counsel, (4) contracting with the State Public Defender, or (5) contracting with a non-profit corporation. A county may use one or any combination of these five options, and, in point of fact, most opt to utilize county public defender offices or appointed counsel systems.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
137	$57.7 million	$59.8 million	$39.9 million	$41.9 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

GRF DEPENDENCE

The statutory responsibilities performed by the Commission continue to be financed primarily through the state's GRF, although its percentage of the Commission's total annual budget has shrunk in recent years. Whereas GRF spending comprised almost 80% of total Commission expenditures in FYs 1992 and 1993, it has since dropped to around 70%. Over that time period, around 75% of the Commission's total GRF budget has been committed to the state's County Reimbursement program. Also of note is that approximately 25% of the Commission's total annual budget has been used to provide non-GRF support to legal aid societies around the state through the Ohio Legal Assistance Foundation.

FY 2002-2003 BIENNIUM GRF EXPENDITURE REDUCTIONS

The Commission's original total GRF appropriations for FYs 2002 and 2003, as enacted by Am. Sub. H.B. 94 of the 124th General Assembly, were $45.1 million and $46.1 million, respectively. The original FY 2002 GRF appropriated total was subsequently reduced by $3.3 million, or 7.4%. And the original FY 2003 GRF appropriated total was subsequently reduced by $7.5 million, or 16.3%. Those GRF appropriation reductions are summarized in Table 1 below.

Table 1: FY 2002-2003 Biennium GRF Appropriation Reductions		
Total GRF Appropriations	FY 2002	FY 2003
Original Appropriation	$ 45,108,157	$ 46,061,664
Adjusted Appropriation	$ 41,765,642	$ 38,565,127
Difference	($ 3,342,515)	($ 7,496,537)
Percentage Change	(7.4%)	(16.3%)

In order to reduce its GRF expenditures, the Commission took numerous actions that cut payroll and maintenance costs and delayed equipment purchases. Perhaps most notably, the Commission reduced the size of its payroll, largely through attrition and a hiring freeze. Around 20 of what the Commission refers to as "line attorneys" have left in the last two years or so, and just five of those full-time staff attorneys have been replaced. Other specific actions taken included screening and limiting collect telephone calls from prison inmates, consolidating rented office space, limiting travel, and reducing its fleet of vehicles by two.

FY 2004-2005 BIENNIUM ENACTED GRF BUDGET

The total amount of annual GRF funding appropriated to the Commission for the FY 2004-2005 biennium represents what can, perhaps at best, be termed a "no growth" budget, despite the apparent increase in annual GRF funding appropriated in each of FYs 2004 and 2005 relative to the Commission's actual total FY 2003 GRF expenditures. To make the comparison more explicit, the Commission's total FY 2004 GRF appropriation of $39.9 million is $2.4 million, or 6.3%, higher than the Commission's total actual FY 2003 GRF expenditures. The Commission's total FY 2005 GRF appropriation of $41.9 million is in turn $2.0 million, or 5.0%, higher than its total FY 2004 GRF appropriation.

While the above-noted appropriation levels for FYs 2004 and 2005 do appear to indicate growth over the Commission's actual total FY 2003 expenditures, perhaps a clearer understanding of the Commission's budget can be gleaned by taking a closer look at all seven of its GRF line items. Nearly all of the Commission's GRF line items were funded in each of FYs 2004 and 2005 at levels below their actual FY 2003 GRF expenditures, thus providing no growth in the moneys that the Commission is using for internal management and the delivery of various legal services. The Commission has indicated that, as a result of these levels of GRF funding, it will have to further reduce annual operating expenditures by cutting more services and personnel.

The notable lone exception to this funding pattern occurred in the case of GRF line item 019-501, County Reimbursement – Non-Capital, which is used in its entirety to partially reimburse counties for indigent defense services and is not utilized to run the Commission or pay Commission staff. The line item's FY 2004 GRF appropriation of $30.6 million is $2.6 million, or 9.3%, higher than its actual FY 2003 GRF expenditures. The line item's FY 2005 GRF appropriation of $32.6 million is in turn $2.1 million, or 6.7%, higher than its total FY 2004 GRF appropriation. Thus, what appears to be growth in the Commission's total GRF budget for FYs 2004 and 2005 is almost entirely a function of this one relatively large subsidy program. The remainder of the Commission's GRF-funded services and programs were for all practical purposes appropriated less money than was disbursed for those services and programs in FY 2003.

VETOED PROVISION

A temporary law provision associated with the Commission's FY 2004-2005 biennial budget froze, for the period from July 1, 2003, through June 30, 2005, the maximum amounts for which the state would reimburse counties for legal services for indigent criminal defendants at the level in effect on March 1, 2003. It appears that the practical fiscal effect of this provision would potentially have been to decrease the amount of state reimbursement that certain counties might otherwise have received for their annual indigent defense costs over the course of FYs 2004 and 2005 had all other conditions remained the same, while simultaneously increasing the portion of their annual indigent defense costs those certain counties might have been responsible to pay for had all other conditions remained the same. The Governor vetoed the provision.

BUDGET ISSUES

COUNTY-LEVEL INDIGENT DEFENSE SERVICES

The County Reimbursement program is responsible, under existing law, for providing up to 50% reimbursement to counties for the cost of providing attorneys to represent indigent persons who are charged with a crime or are appealing their conviction(s). The program also establishes standards (including indigence), guidelines, and maximum fees for state reimbursement of county-level indigent defense services, and monitors county compliance with those standards.

In its original budget submission to the Office of Budget and Management (OBM), the Commission requested a core funding level that would have reimbursed counties at the rates of 27% in FY 2004 and 25% in FY 2005. The total amounts requested for county reimbursement were below the level needed to reach the full 50% reimbursement rate target in permanent law because these amounts would have exceeded the maximum funding allowable within the Commission's budget cap as set by OBM. The Commission also requested supplemental GRF funding that was projected to get the county reimbursement rate up to 50%.

The level of GRF funding contained in the FY 2004-2005 biennial budget is expected to allow the Commission to realize an annual county reimbursement rate in the range of 33%. The Commission has calculated that it would need additional funding in the amount of approximately $16.7 million in FY 2004 and $17.8 million in FY 2005 to approach the 50% annual reimbursement rate target.

That said, it is difficult to predict an exact reimbursement rate since the cost to counties for providing indigent defense services is not a stable variable. In fact, over recent years the cost of indigent defense services has been increasing. The rising legal costs are primarily the result of legislation enacted over the past few years, which create new sentencing procedures and other due process of law requirements that increase the amount of time spent on each case. While the Commission has raised the maximum rates for attorney reimbursement, this remains a less proximate cause of increased costs, as counties are not required to pay the maximum rates to local attorneys providing indigent defense services. The Commission only sets the maximum rate; counties only have to pay what they can afford.

STATE LEGAL DEFENSE SERVICES

The Commission's State Legal Defense Services program series provides legal representation to indigent adults, juveniles, and incarcerated individuals in all courts when the United States Constitution requires representation, or when it is requested by the court, the county or joint county public defender, or an inmate. Most legal matters in which the state provides direct representation involve appeals or death penalty cases. Indigent defense for most other cases is provided by local public defenders.

The State Legal Defense Services program series is financed primarily by the Commission's GRF line item 019-401, State Legal Defense Services. The amounts appropriated for line item 019-401 pursuant to the FY 2004-2005 enacted biennial budget are less than what the Commission calculated the future cost of providing its FY 2003 level of state legal defense services by roughly $650,000 in FY 2004 and $1.25 million in FY 2005. Approximately 80% of the line item's annual appropriation is allocated for employee salaries and fringe benefits. Presumably, the Commission will have to cutback or constrain the amount of spending that it had planned to allocate from this line item for personal services, purchased personal service contracts, maintenance, and equipment. This could be accomplished by delaying purchases, holding vacant staff positions open, shifting necessary expenditures to other line items, or some mix of these fiscal strategies.

As a result of staff reductions, including "line" attorneys, and an apparent ongoing hiring freeze, the remaining legal staff will have to carry heavy caseloads. From the Commission's perspective, this raises at least two troubling prospects: (1) where appropriate, raising the bar of admissibility, that is, the criteria used to decide whether the Commission will take a case, and by doing so, serving fewer clients, and (2) the possibility that the availability and quality of the legal services provided will decline.

For example, it appears that the Commission will eliminate its Parole Revocation Program. Under the program, the Office of the Ohio Public Defender provides legal representation to persons charged with violating parole or provisions of post release control. In FY 2002, the Commission provided representation at parole revocation hearings in approximately 4,300 cases. If the program were eliminated, the annual savings to the Commission is estimated at about $300,000.

It also appeared at the outset of legislative deliberations on the FY 2004-2005 biennial budget that the Commission's Juvenile Legal Assistance program was in jeopardy due to the limited amount of funding expected to be appropriated for the State Legal Defense Services program series. A temporary law provision contained in the enacted version of the FY 2004-2005 biennial budget, however, ensures that the Juvenile Legal Assistance program will continue in some form. The provision earmarked at least $250,000 of the amount appropriated to the Commission's GRF line item 019-401 in each of FYs 2004 and 2005 for the purpose of providing legal services and assistance to juveniles.

The Commission is currently negotiating with the Department of Youth Services (DYS) to reestablish a juvenile legal services agreement that would be funded by using the $250,000 earmarked annually for the purpose of providing legal services and assistance to juveniles. Under a prior interdepartmental agreement that ended in July 2001, the Commission provided legal assistance to juveniles placed in DYS institutions so that juveniles could gain access to the courts for appeals. The Department provided the funding for the delivery of those juvenile legal assistance services. The prior interdepartmental agreement was established by the state in FY 1994 in response to a decision by the U.S. Court of Appeals for the Sixth Circuit in the case of *John L. v. Adams* holding that juveniles have a constitutional right of access to the courts through attorneys provided by the state.

PUBLIC DEFENDER ADMINISTRATION

The Commission's Public Defender Administration program series provides services necessary for continued operations that are common to most state agencies, including fiscal and accounting, personnel and training, computer information systems, and general office services, such as purchasing, inventory, records management, fleet, and delivery. In addition, the administrative component handles matters specifically mandated in Chapter 120. of the Revised Code, which also includes collecting reimbursements from counties, processing reimbursements paid to counties, producing educational seminars and conferences, and maintaining a library.

For its Public Defender Administration program series, the Commission requested GRF and non-GRF funding sufficient to continue providing its FY 2003 level of services in each of FYs 2004 and 2005. The Commission received less funding than it calculated would be necessary to continue FY 2003 service levels by around $300,000 in FY 2004 and by around $400,000 in FY 2005. According to the Commission, the enacted FY 2004-2005 biennial budget will not support the current number of staff and related maintenance and equipment costs associated with the Public Defender Administration program. In response, the Commission has already started to eliminate full-time staff positions. Additionally, a planned upgrade of the Commission's desktop computers, servers, and software will be delayed indefinitely.

CIVIL LEGAL SERVICES

The Ohio Legal Assistance Foundation (OLAF) is a non-profit entity, created by statute, and charged with administering state funds for Ohio's legal aid societies. The Foundation, established by Am. Sub. H.B. 152 of the 120th General Assembly, effective July 1993, develops financial support and solicits financial contributions for use in providing assistance to Ohio's legal aid societies. Moneys deposited in Fund 574 are passed through the Commission to the Foundation. The Foundation then administers payments to non-profit legal aid societies that provide legal representation to indigent persons in civil cases. These payments are distributed to legal aid societies throughout the state pursuant to a statutory formula based on poverty population. Every county is served by one or more legal aid societies.

The enacted FY 2004-2005 biennial budget fully funded the Commission's requested annual appropriation levels for the Civil Legal Services program series (Fund 574). This essentially means that $13.6 million in both FY 2004 and FY 2005 will be allocated for distribution to the state's legal aid societies. The remaining portion of each fiscal year's appropriation will be allocated to cover administrative costs. Pursuant to permanent law, 4.5% of the moneys in the fund will be reserved for the Foundation for actual and reasonable costs in administering the program. This amounts to $643,756 in FY 2004 and $643,761 in FY 2005. In addition, another $15,000 in each fiscal year will be charged as administrative costs borne by the Commission.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

PUB Public Defender Commission, Ohio

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	019-321	Public Defender Administration	$ 1,706,534	$ 1,647,604	$1,470,944	$ 1,430,057	-2.78%	$ 1,351,494	-5.49%
GRF	019-401	State Legal Defense Services	$ 6,612,220	$ 6,389,591	$6,042,344	$ 5,974,780	-1.12%	$ 5,943,572	-0.52%
GRF	019-403	Multi-County: State Share	$ 1,168,604	$ 1,071,734	$924,261	$ 917,668	-0.71%	$ 930,894	1.44%
GRF	019-404	Trumbull County - State Share	$ 396,577	$ 352,951	$309,523	$ 299,546	-3.22%	$ 308,450	2.97%
GRF	019-405	Training Account	$ 44,200	$ 37,075	$34,250	$ 33,323	-2.71%	$ 33,323	0.00%
GRF	019-501	County Reimbursement - Non-Capital	$ 33,975,744	$ 31,320,936	$27,961,935	$ 30,567,240	9.32%	$ 32,630,070	6.75%
GRF	019-503	County Reimbursement - Capital Case	$ 874,837	$ 866,520	$809,901	$ 693,000	-14.43%	$ 726,000	4.76%
General Revenue Fund Total			**$ 44,778,716**	**$ 41,686,412**	**$ 37,553,158**	**$ 39,915,614**	**6.29%**	**$ 41,923,803**	**5.03%**
101	019-602	Inmate Legal Assistance	$ 59,119	$ 55,895	$27,706	$ 52,698	90.20%	$ 53,086	0.74%
406	019-603	Training and Publications	----	----	$0	$ 16,000	N/A	$ 16,000	0.00%
407	019-604	County Representation	$ 130,061	$ 202,594	$184,716	$ 255,789	38.48%	$ 259,139	1.31%
408	019-605	Client Payment	$ 133,620	$ 316,612	$589,370	$ 285,533	-51.55%	$ 285,533	0.00%
101	019-607	Juvenile Legal Assistance	$ 395,368	$ 49,231	$0	$ 0	N/A	$ 0	N/A
General Services Fund Group Total			**$ 718,168**	**$ 624,332**	**$ 801,792**	**$ 610,020**	**-23.92%**	**$ 613,758**	**0.61%**
3S8	019-608	Federal Representation	$ 489,584	$ 681,617	$422,392	$ 351,428	-16.80%	$ 355,950	1.29%
3U7	019-614	Juvenile JAIBG Grant	$ 68,171	$ 31,667	$0	$ 0	N/A	$ 0	N/A
3U8	019-615	Juvenile Challenge Grant	$ 45,422	$ 50,623	$17,117	$ 0	-100.00%	$ 0	N/A
Federal Special Revenue Fund Group Total			**$ 603,177**	**$ 763,907**	**$ 439,509**	**$ 351,428**	**-20.04%**	**$ 355,950**	**1.29%**
4C7	019-601	Multi-County: County Share	$ 1,324,707	$ 1,455,745	$1,651,822	$ 1,923,780	16.46%	$ 1,991,506	3.52%
574	019-606	Legal Services Corporation	$ 13,884,221	$ 14,815,127	$13,539,334	$ 14,305,700	5.66%	$ 14,305,800	0.00%
4X7	019-610	Trumbull County - County Share	$ 449,339	$ 501,157	$549,787	$ 624,841	13.65%	$ 658,764	5.43%
State Special Revenue Fund Group Total			**$ 15,658,268**	**$ 16,772,029**	**$ 15,740,943**	**$ 16,854,321**	**7.07%**	**$ 16,956,070**	**0.60%**
Public Defender Commission, Ohio Total			***$ 61,758,329***	***$ 59,846,679***	***$ 54,535,402***	***$ 57,731,383***	***5.86%***	***$ 59,849,581***	***3.67%***

- Motor vehicle fee increases to generate $181 million annually
- Various homeland security initiatives funded

Public Safety, Department of

Sean Fouts, Budget Analyst

ROLE

The Department of Public Safety is charged with various responsibilities of which the intended impact is to save lives and reduce injuries. The agency is organized into six divisions in order to accomplish this mission. These divisions are the State Highway Patrol, the Bureau of Motor Vehicles, the Emergency Management Agency, the Investigative Unit, Emergency Medical Services, and Administration.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
4,003	$596.4 million	$610.7 million	$4.9 million	$4.9 million	Am. Sub. H.B. 87 Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Total FY 2004 appropriations amount to $596,397,270, a 36.8% increase over FY 2003 spending of $435,923,999. Fiscal Year 2005 appropriations increase by 2.4% to $610,696,116. A large portion of the FY 2004 increase, $118 million, is attributable to an increase in appropriation authority for Federal funds related to counter-terrorism. That amount has not been granted to Ohio, and only represents authority to spend, not the actual amount that is likely to be spent.

BUDGET ISSUES

MOTOR VEHICLE FEES

Am. Sub. H.B. 87 incrementally removes the State Highway Patrol from motor fuel tax funding over the next few fiscal years, ending with FY 2007. Replacement funding will be generated by motor vehicle fee increases included in the bill. Driver's license fees are increased by $12, from $6 to $18,[10] vehicle

[10] Persons under 21 years of age are charged a different fee, between $2.25 and $7.25, depending on the person's age. Therefore, the new fee for these persons will be between $14.25 and $19.25.

registration fees are increased by $11, from $23.25 to $34.25,[11] and temporary license placard fees are increased by $5, from $4 to $9, effective October 1, 2003. These increases are expected to generate $181 million annually for the purposes of supporting the operations of the Patrol.

Motor Vehicle Fee Increases					
Driver's License		**Vehicle Registration**		**Temporary License Placard**	
Prior Fee	*10/01/03*	*Prior Fee*	*10/01/03*	*Prior Fee*	*10/01/03*
$6.00	$18.00	$23.25	$34.25	$4.00	$9.00

HOMELAND SECURITY AND ANTI-TERRORISM

Am. Sub. H.B. 95 creates the Division of Homeland Security within the Department of Public Safety. It is charged with the responsibility of coordinating state agencies and local governments in their efforts to prevent and respond to terrorism. Am. Sub. H.B. 87 includes $129 million in appropriation authority for homeland security funding from the Federal government. The amount of actual federal grants is uncertain, and officials from the Department of Public Safety have indicated that Ohio is unlikely to receive such sizable grants from the Federal government. The budget contains other funding related to homeland security, such as additional funding for Troopers to provide security at state buildings.

NEW TECHNOLOGY FOR BMV

Am. Sub. H.B. 87 includes $13.9 million in funding to replace both the mainframe in FY 2004 and the Automated Title Processing System (ATPS) in FY 2005. The ATPS is the system used by the 88 county clerks of courts to administer vehicle titles to Ohio's citizens. The BMV mainframe stores records on license suspensions, reinstatements, etc. It is accessed daily by law enforcement officials in the course of their duties.

MARCS (MULTI-AGENCY RADIO COMMUNICATIONS SYSTEM)

The Department of Public Safety will be one of the heaviest users of the Multi-Agency Radio Communications System, or MARCS. Fourteen state agencies will eventually use MARCS. Within the Department of Public Safety, the Highway Patrol, Emergency Management Agency, and the Investigative Unit will be users.

[11] This figure is for passenger vehicles and includes state fees and state taxes. Other vehicles, such as motorcycles and commercial trucks, have different registration fees and taxes, ranging from $13.25 for mopeds to $1,630 for buses with a gross vehicle weight over 78,000 pounds. Political subdivisions may add further taxes, up to $20, on motor vehicle registrations.

The first phase of MARCS is complete and is functioning in 13 counties in central Ohio. Another 30 counties should be added to the system by October 2003. The State Highway Patrol will be responsible for the system's maintenance and will need to hire additional dispatchers who are trained in the capabilities provided by MARCS, such as computer-aided dispatching. The Emergency Management Agency operates the MARCS transportable communications system. The Department of Administrative Services operates the system.

CROSS-COUNTY TITLING REIMBURSEMENT

Sub. S. B. 59 of the 124th General Assembly allows Ohioans to title their motor vehicles in any of Ohio's 88 counties; they are no longer restricted to their county of residence. Because auto dealerships process the titling of the car for the purchaser, dealerships are titling in the county most convenient for them. This has caused a shift in titling revenue from counties of residence to counties of convenience for the dealerships. Under Sub. S.B. 59, the Department of Public Safety is to reimburse counties losing revenue due to cross-county titling at a 100% rate in the first year, a 75% rate in the second year, and a 50% rate in the third. Reimbursements began in April 2002, and for the year, DPS spent $1,281,361 reimbursing counties for cross-county titling losses. This money comes from the Automated Title Processing Board Fund. The budget includes $990,000 in FY 2004 and $540,000 in FY 2005 for Sub. S.B. 59 reimbursement.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

DHS Public Safety, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	763-403	Operating Expenses - EMA	$ 3,973,523	$ 4,041,668	$4,047,579	$ 4,058,188	0.26%	$ 4,058,188	0.00%
GRF	763-409	MARCS Operations & Maintenance	$ 418,550	----	$0	$ 0	N/A	$ 0	N/A
GRF	763-507	Individual and Households Grants	$ 621,218	$ 663	$212,977	$ 48,750	-77.11%	$ 48,750	0.00%
GRF	764-404	Transportation Enforcement Operation	$ 1,926,092	$ 2,965,763	$8,880	$ 0	-100.00%	$ 0	N/A
GRF	769-321	Food Stamp Trafficking Enforcement O	$ 858,185	$ 835,784	$784,054	$ 800,000	2.03%	$ 800,000	0.00%
General Revenue Fund Total			**$ 7,797,568**	**$ 7,843,877**	**$ 5,053,490**	**$ 4,906,938**	**-2.90%**	**$ 4,906,938**	**0.00%**
5E2	763-634	County Emergency Preparedness	$ 1,000,000	----	$0	----	N/A	----	N/A
State Special Revenue Fund Group Total			**$ 1,000,000**	**----**	**$ 0**	**----**	**N/A**	**----**	**N/A**
Public Safety, Department of Total			***$ 8,797,568***	***$ 7,843,877***	***$ 5,053,490***	***$ 4,906,938***	***-2.90%***	***$ 4,906,938***	***0.00%***

- No GRF funding
- Commercial Vehicle Information Systems and Networks (CVISN) program to be implemented during FY 2004-2005 biennium

Public Utilities Commission of Ohio

Ross Miller, Economist

ROLE

The Public Utilities Commission of Ohio (PUCO) regulates investor-owned public utilities and commercial carriers in Ohio. The public utilities regulated by PUCO today include electric, natural gas, and pipeline utilities, heating and cooling companies, local and long-distance telephone companies, and waterworks and wastewater companies.[12] The commercial carriers regulated by PUCO include railroad companies, commercial trucking companies, household moving companies, bus companies, and ferryboat operators. Despite significant changes in the PUCO's role in recent years, its mission continues to be "to assure all residential and business customers access to adequate, safe, and reliable utility and transportation services at fair prices, while facilitating an environment that provides competitive choices." It is governed by five commissioners, including the chairman, who are appointed by the Governor for five-year terms.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
413	$56.1 million	$54.9 million	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

As the table indicates, the PUCO performs its role while receiving no budgetary resources from the General Revenue Fund (GRF). The agency receives funding through assessments on utilities, as well as through fees generated by intrastate and interstate motor carriers' registrations, and federal assistance. The amount of the total assessment on utilities must equal the appropriation for utility regulation; any unused funds are returned to the utilities according to statute. The total FY 2004 appropriation was increased by $6.99 million, or 14.2%, as compared with actual spending in FY 2003. The FY 2005 appropriation was decreased by $1.15 million, or 2.1%, compared with the FY 2004 appropriation.

[12] The PUCO regulates the quality of long-distance services, but does not regulate long-distance rates. Also, although the PUCO certifies cellular companies to operate in Ohio, it does not regulate cellular rates. The PUCO does not regulate utilities owned and operated by municipalities, cooperatives, or non-profit entities.

BUDGET ISSUES

The General Assembly made no changes to the Governor's proposed budget for PUCO. The agency spent just over $4.5 million less than its appropriation in FY 2003. Therefore the total FY 2004 appropriations, which were 14.2% greater than FY 2003 spending, were just 4.6% greater than the total FY 2003 appropriations. The Commission's operations are funded primarily through just three line items, which taken together account for over 77% of its total biennial appropriations. The biggest single line item in the PUCO budget, number 870-622, Utility & Railroad Regulation, accounts for over 55% of the Commission's biennial budget all by itself. In this line item the appropriations for both FY 2004 and FY 2005 were kept at the same level as the FY 2003 appropriation. Similarly, the second-biggest line item in the budget, 870-608, Motor Carrier Safety, which is federally-funded, received appropriations in both FY 2004 and FY 2005 that were identical to the FY 2003 appropriation. In its third principle operating line, 870-625, Motor Transportation Regulation, the PUCO received an increase of $550,000 as compared with the FY 2003 appropriation in each year of the biennium, an increase of 11.4% from FY 2003 to FY 2004.

Am. Sub. H.B. 95 did not establish any new line items in the Commission's budget. Public Utilities Commission officials report that plans for hiring new staff are limited to filling existing vacant staff positions. Increases in appropriations for individual PUCO budget lines are generally associated with homeland security. The bill increased funding to line item 870-601, Gas Pipeline Safety, by $248,662 over the biennium, an increase of 26.3%, which was entirely paid for by an increase in a federal grant. It increased funding to line item 870-618, Hazardous Material Registration, by $599,398 (an increase of nearly two-thirds) over the biennium, of which $585,000 is to provide matching funds for a federal grant to fund the Commercial Vehicle Information Systems and Networks (CVISN) program (see below). And it increased funding for emergency response training (provided through line item 870-612, Hazardous Materials Transportation) in how to handle hazardous materials by $200,000 (an increase of 12.5%) over the biennium.

The Public Utilities Commission's most recent new program is the CVISN program, a federally-mandated program. The Commercial Vehicle Information Systems and Networks program will allow Ohio trucking companies and those based elsewhere but traveling through Ohio to conduct many of their paperwork transactions (obtaining permits, proving insurance, licensing vehicles, etc.) with Ohio state government agencies (PUCO and the Departments of Public Safety, Transportation, and Taxation) by electronic means. This will substantially reduce delays and administrative costs inherent in these paper processes.[13] States have until September 30, 2003 to achieve "Level I Compliance" or they may lose federal funding under the Motor Carrier Safety Assistance Program (MCSAP), from which Ohio receives approximately $7 million per year. As of this writing, the Commission expects to achieve sufficient compliance with the CVISN project to avoid losing any MCSAP funding. Financing for this program is shared by the federal and state governments. The federal share is provided by a nearly $1.6 million grant, which is distributed through line item 870-604, Commercial Vehicle Information Systems/Networks; the appropriations for that line item are $870,000 in FY 2004 and $300,000 in FY 2005. Am. Sub. H.B. 95 funds the state match for the grant equally from line items 870-618, Hazardous Material Registration, and 870-620, Civil Forfeitures.

[13] The CVISN will also help enable the use of "electronic pre-clearance" at truck weigh stations, i.e., it will allow participating truck companies which have good safety records to be electronically pre-screened and permitted to pass weigh stations without stopping. Also, CVISN will improve highway safety by arming authorized enforcement agencies with extensive, accurate data on all motor carriers, commercial vehicles, and commercial drivers.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

PUC Public Utilities Commission of Ohio

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
558	870-602	Salvage & Exchange	$ 29,005	$ 30,000	$9,251	$ 16,477	78.11%	$ 4,000	-75.72%
5F6	870-622	Utility & Railroad Regulation	$ 26,480,155	$ 27,211,647	$28,679,504	$ 30,622,222	6.77%	$ 30,622,222	0.00%
5F6	870-624	NARUC/NRRI Subsidy	$ 167,233	$ 167,233	$167,233	$ 167,233	0.00%	$ 167,233	0.00%
5F6	870-625	Motor Transportation Regulation	$ 4,161,380	$ 3,972,160	$4,179,324	$ 5,361,239	28.28%	$ 5,361,239	0.00%
General Services Fund Group Total			**$ 30,837,773**	**$ 31,381,040**	**$ 33,035,312**	**$ 36,167,171**	**9.48%**	**$ 36,154,694**	**-0.03%**
333	870-601	Gas Pipeline Safety	$ 391,377	$ 365,285	$403,461	$ 597,957	48.21%	$ 597,957	0.00%
3V3	870-604	Commercial Vehicle Information Syste	----	----	$0	$ 870,000	N/A	$ 300,000	-65.52%
350	870-608	Motor Carrier Safety	$ 3,977,680	$ 5,037,708	$6,790,583	$ 7,027,712	3.49%	$ 7,027,712	0.00%
Federal Special Revenue Fund Group Total			**$ 4,369,057**	**$ 5,402,993**	**$ 7,194,044**	**$ 8,495,669**	**18.09%**	**$ 7,925,669**	**-6.71%**
559	870-605	Public Utilities Territorial Administration	----	----	$0	$ 4,000	N/A	$ 4,000	0.00%
561	870-606	Power Siting Board	$ 262,573	$ 656,695	$373,867	$ 337,210	-9.80%	$ 337,210	0.00%
560	870-607	Special Assessment	$ 92,378	----	$0	$ 100,000	N/A	$ 100,000	0.00%
638	870-611	Biomass Energy Program	$ 18,707	$ 24,978	$24,515	$ 40,000	63.17%	$ 40,000	0.00%
661	870-612	Hazardous Materials Transportation	$ 1,007,136	$ 776,325	$794,252	$ 900,000	13.31%	$ 900,000	0.00%
4A3	870-614	Grade Crossing Protection Devices-Sta	$ 1,146,424	$ 2,325,859	$1,496,231	$ 1,349,757	-9.79%	$ 1,349,757	0.00%
4L8	870-617	Pipeline Safety-State	$ 143,321	$ 157,280	$171,439	$ 187,621	9.44%	$ 187,621	0.00%
4S6	870-618	Hazardous Material Registration	$ 319,363	$ 347,865	$402,399	$ 899,325	123.49%	$ 614,325	-31.69%
4U8	870-620	Civil Forfeitures	$ 219,554	$ 123,084	$138,896	$ 719,986	418.36%	$ 434,986	-39.58%
4S6	870-621	Hazardous Materials Base State Regist	$ 339,455	$ 308,085	$312,540	$ 373,346	19.46%	$ 373,346	0.00%
State Special Revenue Fund Group Total			**$ 3,548,911**	**$ 4,720,171**	**$ 3,714,139**	**$ 4,911,245**	**32.23%**	**$ 4,341,245**	**-11.61%**
4G4	870-616	Base State Registration Program	$ 5,884,925	$ 5,332,183	$5,136,757	$ 6,500,000	26.54%	$ 6,500,000	0.00%
Agency Fund Group Total			**$ 5,884,925**	**$ 5,332,183**	**$ 5,136,757**	**$ 6,500,000**	**26.54%**	**$ 6,500,000**	**0.00%**
Public Utilities Commission of Ohio Total			***$ 44,640,665***	***$ 46,836,387***	***$ 49,080,252***	***$ 56,074,085***	***14.25%***	***$ 54,921,608***	***-2.06%***

- Entering Program Year 2 and 3 of the Clean Ohio Conservation Program
- Two $120 million SCIP bonds will be issued over the biennium

Public Works Commission

Jonathan Lee, Budget Analyst

ROLE

The Public Works Commission (PWC) is responsible for the implementation of three infrastructure assistance programs for local governments: the State Capital Improvements Program (SCIP), the Local Transportation Improvement Program (LTIP), and the Clean Ohio Conservation Program (COCP). All three programs are designed to preserve and expand public infrastructure of local governments, ensure the public health, safety, and welfare, and create and preserve jobs.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds**		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
12	$235.7 million	$232.3 million	$166.7 million	$163.3 million	Am. Sub. H.B. 95 Am. Sub. H.B. 87

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.
**Total appropriations do not include capital appropriations in H.B. 524 of the 124th G.A. or H.B. 675 of the 124th G.A. See the table below for all current PWC appropriations.

OVERVIEW

The Public Works Commission's FY 2004-2005 biennial budget includes appropriations from both the main appropriations bill and the transportation bill. Combined total appropriations increased 7.6% above FY 2002-2003 total appropriations.

During the FY 2004-2005 biennium, the Clean Ohio Conservation Program will be entering into its second and third program years and will provide approximately 100 grants for open space acquisition projects. The Local Transportation Improvement Program will continue to provide grants and loans to pay for local road and bridge projects, and will receive $67.5 million each fiscal year of the biennium, the equivalent of one cent of the motor fuel tax. As for the SCIP, two bond issuances are scheduled in November 2003 and November 2004 to support program years 16 and 17, as well as the Small Government Program and the Emergency Assistance Program. These funds will provide low-interest loans, grants, and emergency moneys for infrastructure projects in local communities.

During the biennium, PWC will not only be supported by appropriations provided in the main operating bill and the transportation bill, but they will also continue to use appropriations from the FY 2003-2004 capital bill and capital re-appropriations bill. The table below displays the current appropriations that support the capital, operating, and debt service dollars for the SCIP, LTIP, and COCP programs.

Current Appropriations for the SCIP, LTIP & COCP			
	Capital dollars	**Debt Service dollars***	**Operating dollars**
SCIP	H.B. 524 of the 124th G.A. (Capital Re-appropriations Bill)† **$289.5 million**	Am. Sub. H.B. 95 **$309 million**	Am. Sub. H.B. 87 **$1.8 million**
LTIP	Am. Sub. H.B. 87 **$135 million**	N/A	Am. Sub. H.B. 87 **$590,000**
COCP	H.B. 675 of the 124th G.A. (Capital Bill)† **$37.5 million**	Am. Sub. H.B. 95 **$21 million**	Am. Sub. H.B. 95 **$600,000**

*Debt service dollars support bonds issued during the FY 2003-2004 capital biennium & prior biennia.
†Capital dollars are for the FY 2003-2004 capital biennium ending June 30, 2004.

BUDGET ISSUES

OPERATING EXPENSES

Am. Sub. H.B. 95 allows the PWC to use investment earnings accrued from bonds issued under the Clean Ohio Conservation Program toward the PWC's administrative expenses of the program. The bonds are estimated to generate approximately $600,000 in investment earnings each fiscal year. Without this change, the PWC's administrative expenses would have been paid from the GRF.

Overall, funding will allow the PWC to maintain current service levels, yet merit raises and a disability retirement position will be eliminated due to funding levels being $242,576 less than requested. Funding will allow for the replacement of a computer and a copier.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
PWC Public Works Commission									
GRF	150-904	Conservation General Obligation Debt	----	----	$3,436,202	$ 9,743,500	183.55%	$ 11,235,700	15.31%
GRF	150-907	State Capital Improvements G.O. Debt	----	$ 130,646,343	$126,574,561	$ 156,974,400	24.02%	$ 152,069,700	-3.12%
General Revenue Fund Total			**----**	**$ 130,646,343**	**$ 130,010,763**	**$ 166,717,900**	**28.23%**	**$ 163,305,400**	**-2.05%**
056	150-403	Clean Ohio Operating Expenses	----	$ 43,845	$214,343	$ 298,200	39.12%	$ 304,400	2.08%
Clean Ohio Revitalization Fund Total			**----**	**$ 43,845**	**$ 214,343**	**$ 298,200**	**39.12%**	**$ 304,400**	**2.08%**
Public Works Commission Total			***----***	***$ 130,690,187***	***$ 130,225,106***	***$ 167,016,100***	***28.25%***	***$ 163,609,800***	***-2.04%***

- The Commission regulates and promotes horse racing in Ohio.
- Decline in wagering puts stress on operating fund

Racing Commission, Ohio State

Phil Cummins, Economist

ROLE

The Ohio State Racing Commission (RAC) regulates and promotes horse racing in Ohio. Its five members are appointed to four-year terms by the Governor. The Racing Commission prescribes rules under which horse racing with pari-mutuel wagering may be conducted, licenses participants, and oversees such races at seven commercial tracks and most of Ohio's county fairs. To promote horse racing, RAC provides purse subsidies and supplements that encourage breeding and racing. It also provides funds to the OSU testing lab, a recognized pioneer in equine research and testing. The Racing Commission employs administrators at its Columbus headquarters, and officials, veterinarians, and investigators at tracks.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
35	$32.0 million	$32.3 million	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003, and does not include commission members.

OVERVIEW

The Ohio State Racing Commission's budget consists of five state special revenue funds and one holding account redistribution fund. Commissions on wagers on simulcast horse races account for nearly two-thirds of RAC's receipts. Simulcast wagering, on live races elsewhere, takes place at Ohio's commercial tracks when they are not concurrently running live races, and at two satellite wagering facilities in Ohio. Other receipts are mainly from taxes on betting at the tracks where live horse racing is taking place. The Racing Commission also receives funds from fees imposed on various racing industry participants, investment earnings on balances in two of its funds, and fines and penalties. The holding account redistribution fund receives performance bonds from commercial permit holders and county fairs as well as bonds from license holders appealing commission rulings.

The majority of RAC's expenditures are for subsidies, mostly additions to purses at live horse races. Part supports the Ohio horse racing industry in other ways, including awards to Ohio breeders of winning race horses, supplements to purses for Ohio horses that win races at Ohio tracks against horses from other states, and other promotional activities. Most outlays other than subsidies are for regulation, including oversight of horse races and enforcement of rules; drug testing, mainly of horses but also of licensees; laboratory research, primarily on equine disease; expenses related to licensing; and investigation. The

Racing Commission has 31 full-time and 4 part-time employees, and 12 contractors including 11 stewards, judges, and veterinarians.

Appropriations for RAC increase $2.6 million in FY 2004 and $274,000 in FY 2005. The Simulcast Horse Racing Purse Fund increases $1.7 million in FY 2004, to $19.7 million. Commissions paid into this fund from simulcast racing grew rapidly after simulcasting was introduced in 1996, but growth slowed and then receipts fell in the FY 2002-2003 biennium. Most of these commissions are paid at the state's seven commercial tracks. The Racing Commission distributes the balance monthly to supplement race purses at these tracks, earns interest on amounts in the fund, and pays the salary of one staff member from the fund. The FY 2004 appropriation is consistent with fund receipts and distributions recovering to FY 2002 levels. In FY 2005, the fund's appropriation is reduced $250,000, to help RAC meet its overall budget ceiling.

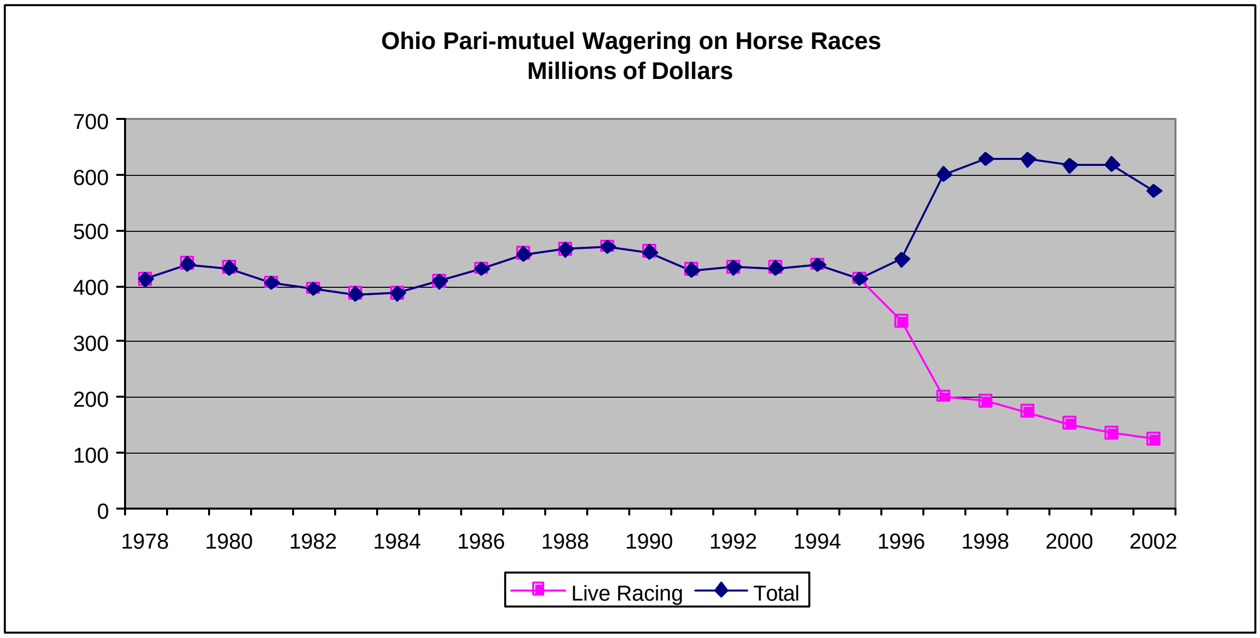
A $0.7 million increase, to $2.9 million, in the Standardbred Development Fund's appropriation also accounts for part of the FY 2004 increase in RAC's budget. This fund supports harness racing, by supplementing purses and supporting research. The fund receives earnings on balances, and pays one staff member. The appropriation increase in FY 2004 includes disbursement of entry fees collected for the Ohio Sires Stakes races, not previously included in RAC's appropriation. In FY 2005, appropriations to this fund increase $250,000 or 9%. Actual expenditures from this fund grew 11% a year on average from FY 1998 to FY 2001, declined in FY 2002, then jumped in FY 2003 with the addition of the Ohio Sires Stakes fees.

The Racing Commission Operating Fund appropriation grows $172,000 in FY 2004 and $274,000 in FY 2005, 4% and 6% per year respectively, to $4.8 million. Most of the officials who oversee the racing industry in the state are paid out of this fund, as is the laboratory which tests equine and human samples for proscribed substances. Actual expenditures from this fund grew 5% per year on average from FY 1998 to FY 2002, before declining in FY 2003. The Quarter Horse Development Fund – $1,000 in FY 2004 and $2,000 in FY 2005 – supports the very few quarter horse races run in Ohio each year. Other Racing Commission funds are unchanged during the biennium.

BUDGET ISSUES

DECLINES IN WAGERING

Pari-mutuel wagering on horse racing at Ohio tracks and satellite wagering facilities, the source of most of RAC's funding, has been declining. Such betting at live horse races in the state peaked in 1989 and declined gradually in the first half of the 1990s, before betting at simulcast race meets was introduced in the state in 1996 to compete with gambling programs in surrounding states. Total pari-mutuel betting in Ohio, including simulcast and satellite wagering as well as gambling at live racing meets, peaked in 1998, as shown in the accompanying chart. The decline appears to be partly a reflection of the recession and weak recovery in the economy and partly due to competition from out-of-state gambling venues. (Wagering also declined in the early 1980s and early 1990s corresponding to recessions.) The state's racing industry is having difficulty competing with tracks in other states that offer larger horse racing purses, which gives them an edge in attracting faster horses. Better horses in turn attract gambling dollars. A prospering racing program helps to support horse breeders.



HORSE RACING PURSES AND VLTS

The ability of tracks in other states to offer larger purses is a result in part of allowing video lottery terminals (VLTs) at tracks, with a portion of the gambling proceeds added to horse racing purses. West Virginia, for example, has VLTs at race tracks as well as other locations, and uses part of the proceeds to increase horse race purses. Horses and breeders are enticed out of Ohio by the larger purses available elsewhere.

OPERATING FUND SHORTFALLS

The Ohio State Racing Commission's operating fund ran a deficit in FY 2003, as it did in the previous four fiscal years. Expenditures exceeded receipts last year by $61,000 or 2%. This shortfall was covered by cash balances in the fund. A provision in Am. Sub. H.B. 95 allocates an additional one-quarter of one percent of wagers other than win, place, and show – referred to as exotic wagers – to RAC's operating fund in FY 2004 only. Eventually, if the fund continues to operate at a deficit, other adjustments will need to be made.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

RAC Racing Commission, Ohio State

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
562	875-601	Thoroughbred Race Fund	$ 4,042,341	$ 4,274,286	$4,036,874	$ 4,642,378	15.00%	$ 4,642,378	0.00%
563	875-602	Standardbred Development Fund	$ 2,106,207	$ 1,937,723	$2,528,653	$ 2,908,841	15.04%	$ 3,161,675	8.69%
564	875-603	Quarter Horse Development Fund	----	----	$2,000	$ 1,000	-50.00%	$ 2,000	100.00%
565	875-604	Racing Commission Operating	$ 3,907,925	$ 4,196,156	$4,019,632	$ 4,485,777	11.60%	$ 4,759,834	6.11%
5C4	875-607	Simulcast Horse Racing Purse	$ 18,756,307	$ 19,372,574	$18,019,650	$ 19,730,799	9.50%	$ 19,476,952	-1.29%
State Special Revenue Fund Group Total			**$ 28,812,780**	**$ 29,780,739**	**$ 28,606,809**	**$ 31,768,795**	**11.05%**	**$ 32,042,839**	**0.86%**
R21	875-605	Bond Reimbursements	$ 189,850	$ 183,000	$187,400	$ 212,900	13.61%	$ 212,900	0.00%
Holding Account Redistribution Fund Group Total			**$ 189,850**	**$ 183,000**	**$ 187,400**	**$ 212,900**	**13.61%**	**$ 212,900**	**0.00%**
Racing Commission, Ohio State Total			***$ 29,002,630***	***$ 29,963,739***	***$ 28,794,209***	***$ 31,981,695***	***11.07%***	***$ 32,255,739***	***0.86%***

- Tuition/fee caps reimposed: 6%, plus 3.9% for student aid/technology; additional 3% for Ohio State University
- State Share of Instruction: Increase of 0.03% for biennium; up 0.3% and 1.6% for FY 2004 and FY 2005; Challenges: a 12% biennial increase
- Miami University tuition restructuring plan: Charge all students the out-of-state tuition rate, then give scholarships to Ohio students; students enrolled before August 2004 incur no financial effect

Regents, Ohio Board of

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ROLE

The Ohio Board of Regents (BOR, or Regents) coordinates higher education in Ohio. Its primary missions are to distribute funds to state-assisted higher education institutions and to promote Ohioans' access to higher education for career preparation and advancement, economic and social mobility, and personal intellectual development. The Regents are ultimately responsible for ensuring that the state's higher education enterprise has the resources, direction, and incentives to efficiently and effectively create, disseminate, and apply knowledge.

Regents is governed by a nine-member board appointed to nine-year terms by the Governor with the advice and consent of the Senate. Two additional (non-voting) members of the board are the chairmen of the education committees of the Ohio Senate and the Ohio House of Representatives. Day-to-day administration is the responsibility of the Board of Regents agency; the chancellor of the Board of Regents is appointed by the board and is the agency's chief administrative officer.

Regents is responsible for 62 state-assisted colleges and universities throughout Ohio: 13 universities, 24 university regional campuses, two separate medical colleges, 15 community colleges, and eight technical colleges. For these institutions, the Regents have statutory authority to coordinate, recommend, advise, and direct state higher education policy.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
83	$2,457.0 million	$2,495.3 million	$2,443.5 million	$2,482.2 million	Am. Sub. H.B. 95

* Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

APPROPRIATIONS OVERALL

The Board of Regents' biennial budget in Am. Sub. H.B. 95 for the FYs 2004 and 2005 shows only small changes in total appropriations.

Regents is budgeted at $4,952.3 million for the FY 2004-2005 biennium, for a 1.38% ($67.2 million) increase over the $4,885.1 million disbursed during the previous biennium. As indicated by the table above, the agency's annual appropriations are $2,457.0 million and $2,495.3 million for FYs 2004 and 2005, respectively, for increases of just $37.5 million (1.55%) and $38.3 million (1.56%).

The General Revenue Fund (GRF) supports 99.5% of Regents' total biennial appropriation. The yearly GRF appropriations increase by 1.38% and 1.59% to $2,443.5 million and $2,482.2 million for FYs 2004 and 2005, respectively. The biennial GRF total of $4,925.7 million is an increase of $59.3 million (1.22%) over the previous biennium. This GRF increase provides 88% of Regents' total $67.2 million budget increase for the new biennium.

Regents' budget is currently appropriated across some 83 appropriation items, of which 68 are funded by the GRF. All the items are organized into 11 program series, which are groupings of similarly oriented appropriations. More than two-thirds of Regents' budget is taken up by just one of these program series, Core Institutional Support (Program Series 1), with appropriations of $1,683.1 million for FY 2004 and $1,714.4 million for FY 2005. The biennial budget of $3,397.6 million for Program Series 1 comprises 69% of Regents' total biennial budget of $4,952.3 million and 55% of its total budget increase. Further, it is this program series that contains the single largest appropriation item in Regents' budget, the State Share of Instruction subsidy.

SIGNIFICANT APPROPRIATION ITEMS

State Share of Instruction. Over 62% of Regents' budget is taken up by just one line item, the State Share of Instruction (SSI), which is the main source of direct aid to the state-assisted colleges and universities. The SSI total biennial appropriation of $3,093.3 million represents an increase of just 0.03%, or $1.02 million, over the previous biennium's $3,092.3 million. This $1.02 million increase comprises just 1.5% of Regents' total $67.2 million biennial budget increase. From the FY 2003 actual disbursement amount of $1,529.3 million, the SSI appropriation increases by just $4.9 million (0.3%) for FY 2004 and $24.9 million (1.6%) for FY 2005, to $1,534.2 million and $1,559.1 million, respectively.

The SSI doctoral reserve, which is a percentage of the State Share of Instruction appropriation that is set aside to specifically support university doctoral programs, is maintained at 10.34%.

Challenges. The Challenge appropriation items, including the Jobs, Access, Success and Research Challenges, Computer Science Graduate Education, and Eminent Scholars, comprise the remainder of Program Series 1. They have a combined biennial appropriation of some $304.3 million, for an increase of $35.8 million (13%) over the previous biennium, or 53% of Regents' total budget increase. Challenge appropriation items amount to 6.1% of the total BOR biennial budget. In particular, the Access and Success Challenge items enjoy significant increases in this budget, while the Jobs and Research Challenges and Computer Science Graduate Education suffer declines.

Student financial aid. Regents' student financial aid programs comprise the budget's Program Series 4. The 14 appropriation items in this series receive a combined $6.7 million (1.6%) increase to $434.1 million for the FY 2004-2005 biennium. The items in this series take up 8.8% of Regents' budget and 10% of its biennial increase.

Agricultural programs. Spending on each of the two major agricultural programs decreases only slightly for the new biennium. The Cooperative Extension Service declines by 0.29% to $51.3 million; and the Ohio Agricultural Research and Development Center declines by 0.34% to $71.7 million.

Medical support. The FY 2004-2005 biennial budget for Program Series 3, containing the 14 medical support appropriation items, declines by $12.1 million (8.8%) to $126.3 million. In particular, the six state-supported medical schools' clinical teaching subsidies decrease by 7.5% for FY 2004 and stay flat for FY 2005.

Central State and Shawnee State Universities. The Central State University and Shawnee State University supplemental appropriation items are the two largest of the three items contained in Program Series 2, whose biennial budget declines by 1.7% to $28.0 million. Each of Central State's and Shawnee State's subsidies for FY 2004 and FY 2005 is held at its FY 2003 level of $11.0 million and $2.1 million, respectively, for no annual increases.

Debt service. The two debt service appropriation items, comprising the whole of Program Series 11, receive a combined biennial appropriation of $692.0 million, for an increase of $25.9 million (3.9%). This amount is 39% of Regents' biennial budget increase of $67.2 million, although these two appropriation items comprise just 14% of the agency's budget.

New and eliminated appropriation items. No new appropriation items have been established or existing appropriation items eliminated by this budget.

NEW INITIATIVES

Am. Sub. H.B. 95 of the 125th General Assembly includes various new initiatives in both existing and new programs. Each of these initiatives is included in the bill as either an addition of or amendment to a section of the Ohio Revised Code (codified, or permanent, law), or as language in the biennial budget (uncodified, or temporary, law).

NEW INITIATIVES–OHIO REVISED CODE

The budget provides several new initiatives by additions and changes to the Ohio Revised Code (ORC).

Ohio Instructional Grants (OIG). In its tables of grant amounts for the OIG program, section 3333.12 of the Revised Code retains, for both FY 2004 and FY 2005 for all financially dependent and financially independent students, the FY 2003 maximum base amounts of gross income a student may have and still qualify for a grant. This section also retains, for both FY 2004 and FY 2005 for all financially dependent students and for financially independent students who have no dependents, the FY 2003 grant amounts.

For financially independent students who have one or more dependents, section 3333.12 retains, for both FY 2004 and FY 2005, the FY 2003 maximum grant amounts; however, it increases the grant amounts in both fiscal years for those students who qualify for less than the maximum grant amounts (because of income or number of dependents).

The tables in section 3333.12 provide the grant amounts for both fiscal years for the two categories of students (financially dependent and independent), three types of higher education institutions, the numbers of dependents, and the levels of family gross incomes. However, as in prior budgets, for the first fiscal year of the biennium these tables are superseded by alternate tables of grant amounts provided in section 89.06 in uncodified budget (temporary) law.

Ohio Instructional Grant (OIG) Reconciliation Fund. The new section 3333.121 of the Revised Code creates the Instructional Grant Reconciliation Fund (5Y5), to be funded from refunds of the Board of Regents' OIG payments. Revenues are to be used to pay for any outstanding obligations owed to higher education institutions from the prior fiscal year's OIG program. Any amounts exceeding the amount necessary to reconcile prior-year payments are to be transferred to the GRF.

Articulation and transfer. The new section 3333.16 of the Revised Code requires the Board of Regents, by April 15, 2005, to establish policies and procedures applicable to all state institutions of higher education to ensure that students may begin higher education at any state institution of higher education and transfer coursework and degrees to any other state institution of higher education without unnecessary duplication or institutional barriers. The policies will require the institutions to make changes as needed to strengthen course content so as to ensure equivalency for given courses at any state institution of higher education.

Regents is also required to develop and implement a universal course equivalency classification system to be implemented and used by all the state institutions of higher education; to develop a transfer system to ensure that a graduate with an associate degree that includes transferable modules will be admitted to a baccalaureate program at another state institution; to study the feasibility of developing a transfer marketing agenda to inform the citizens of Ohio about the availability of transfer options at state institutions of higher education; and to examine the feasibility of recognizing and transferring credits earned by Ohio career college graduates to state institutions of higher education.

Sanctions for rioting. The new section 3333.38 of the Revised Code renders a person who is convicted of committing certain riot-related offenses ineligible for any state student financial assistance supported by state funds at an institution of higher education for two calendar years after the person applies for assistance. The section also requires a state-supported institution of higher education to immediately dismiss an enrolled person who is convicted of committing certain riot-related offenses. Finally, the new language prohibits a state-supported institution of higher education from admitting such a person for one academic year after the person applies for admission.

University of Cincinnati board of trustees. Section 3361.01 of the Revised Code is amended to remove the requirement that at least five members of the board of trustees of the University of Cincinnati be residents of the city of Cincinnati.

NEW INITIATIVES–BIENNIAL BUDGET LAW

The budget contains uncodified (i.e., temporary) language affecting several appropriation items and other initiatives:

Tuitions and fees. The new FY 2004-2005 budget reimposes the tuition/fee increase limits, or caps, which had been eliminated for the FY 2002-2003 biennium. The caps, which limit the public-assisted institutions' abilities to increase in-state undergraduate student tuitions and fees, are now set at 6% for each academic year. However, they allow The Ohio State University to increase these fees by an additional 3% per year. Also included is a provision allowing an additional 3.9% increase at any university as long as this increase is used either to fund scholarships for low-income students or to improve technology services for students. In addition, a board of trustees is limited to a combined 6% increase in instructional and general fees in a single vote (9% for The Ohio State University).

State Share of Instruction guarantee. The appropriated SSI funds are allocated by formula among the 62 individual higher education institutions. However, in addition to the formula, the budget provides each campus with a guaranteed minimum SSI subsidy, based on the amount it received during the previous year. In the new biennium, a campus' guarantee for FY 2004 is 100% of the amount it received in FY 2003. In FY 2005 the guarantee is 99% of what the campus' SSI would have been in FY 2004 had the allocation in FY 2004 been no less than 99%, rather than 100% of the prior year's SSI amount. This minimum amount is, thus, 98.01% of the FY 2004 amount (99% of 99%).

Ohio Instructional Grants (OIG). Uncodified language provides six tables of grant amounts that supersede only for FY 2004 the six Ohio Instructional Grant tables of grant amounts listed in section 3333.12 of the Revised Code. Thus, the latter tables will apply only to the biennium's second fiscal year, FY 2005. In the uncodified tables, the awards for dependent students and independent students with no dependents remain at the FY 2003 levels for both fiscal years. The awards for independent students with dependents are increased over the FY 2003 levels but are below the new levels set in the section 3333.12 tables; thus, these award amounts are graduated in two yearly steps up to the amounts in the Revised Code tables.

Ohio Instructional Grant reconciliation. In line with the new section 3333.121 of the Revised Code, which creates the Instructional Grant Reconciliation Fund (5Y5), uncodified language requires the Board of Regents to certify to the Director of Budget and Management before August of each year the amount necessary to pay any outstanding prior-year obligations to higher education institutions under the Ohio Instructional Grant program. The budget appropriates the amount to appropriation item 235-618, OIG Reconciliation, from revenues received by the Instructional Grant Reconciliation Fund.

Commission on Higher Education and the Economy. The budget establishes the commission and requires it to recommend a strategy to improve the quality and efficiency of Ohio's higher education system to increase effectiveness, eliminate unnecessary duplication, broaden the use of technology, and determine how higher education can most effectively support the state's economy, best prepare Ohio students for Third Frontier jobs, and add to the quality of life for Ohio's citizens. The commission is also to apply similar criteria in a study of the ten-year plan for higher education.

DAGSI earmark for technology. The budget earmarks $0.5 million in FY 2004 and $0.4 million in FY 2005 under the appropriation item that supports the Dayton Area Graduate Studies Institute (DAGSI), an engineering consortium of three Dayton area universities. The earmarked funds will support collaborative research among academia, industry and the Air Force for the Wright Brothers Institute and related initiatives in nanomaterials and advanced data management and analysis.

Ohio Resource Center for Mathematics, Science, and Reading–prohibition. Current budget law prohibits the Ohio Resource Center for Mathematics, Science, and Reading from making available to colleges of education and school districts any resources that are inconsistent with the K-12 science standards and policies as adopted by the State Board of Education.

Science and Technology Collaboration. In an update, uncodified budget language changes the organizations that will collaborate with the Board of Regents and the Department of Development in this effort, established by the previous budget. The Biomedical Research and Technology Transfer Commission and Technology Action Board are deleted, and the Third Frontier Commission and the Air Quality Development Board are added. The budget also changes some of the technology-related appropriation items and programs to be monitored and annually reviewed by the collaboration, increasing the total number of items from 12 to 13. Continuing language requires the group to collaborate to ensure the implementation of a coherent state strategy concerning science and technology.

Colocated institutions. Uncodified language calls for the Board of Regents to review the operation and effectiveness of co-located university branch and technical college campuses, with particular attention to improved responsiveness to community needs and improved transfer of coursework.

Warren County – pilot partnership. Uncodified language requires the Board of Regents to approve the creation of a new joint vocational-community college-university partnership at the Warren County Career Center on a pilot basis in fiscal years 2004 and 2005. The partnership program will be implemented by the Career Center's joint vocational school district board, which may contract with higher education institutions to provide college-level courses and programs at the center. The pilot program will be ineligible for state higher-education financial assistance.

Warren County – new community college. The budget requires Regents to issue a charter for a new community college. The college will have Warren County as its community college district and will be operated jointly with the Warren County Career Center. After being organized, the college will begin in FY 2006 to offer career-technical courses to high-school students; and college-level arts-and-sciences and technical programs to postsecondary students and high-school students in postsecondary enrollment options programs. The Career Center and the local workforce policy board will develop the operational plan for the college, which will be administered by its own appointed board of trustees. The college will be eligible for classroom facilities assistance funds only for projects oriented to the career-technical courses for high-school students. However, it will not be eligible for capital-improvement financial assistance otherwise available to community colleges.

Miami University's pilot tuition-restructuring plan. Uncodified language "recognizes" the pilot tuition-restructuring plan at Miami University. The stated purposes of the plan are to provide financial assistance for moderate-income Ohio students and incentives for high-achieving Ohioans to attend Miami University, as well as to provide incentives for students to major in economically important curriculums.

The plan's tuition changes will have no direct financial impact on students who enroll prior to August 2004, since they will pay only the amount that was charged in the previous year, plus any increases approved by the board of trustees. The new tuitions will still be subject to the 9.9% (6% plus 3.9%) caps on instructional fee increases that apply to all campuses. However, it might be noted that the budget language concerning the Miami plan provides tuition amounts indicating FY 2005 increases of 9.0% (6% plus 3.0%).

The plan will establish the same nominal tuition charge for both Ohio and non-Ohio undergraduate students; this tuition will be at the out-of-state level, which is the sum of the Ohio undergraduate tuition and the out-of-state (non-Ohio undergraduate) surcharge. For FY 2004, budget language calls for this amount to be $18,103, which is 10.9% above the FY 2003 out-of-state tuition level of $16,324. Each Ohio undergraduate student will then be provided financial assistance in the form of two scholarships. The Resident Scholarship will provide a single university-determined amount to each Ohio undergraduate student; for FY 2004 this amount will be $5,000. The Leader Scholarship will provide, on average, an additional $4,750 for FY 2004; the actual amount for each student will depend on family income level, scholastic achievement, and choice of college curriculum. The effect of these two scholarships will be to reduce an Ohio student's effective tuition to an effective level below the nominal amount. For FY 2004 the average effective tuition level can be determined as the $18,103 nominal amount minus the $9,750 from the two scholarships, or $8,353, which is 9.9% above the FY 2003 in-state tuition level of $7,601.

For FY 2005, uncodified language calls for the nominal tuition charge to be $19,732, which is 9.0% above the FY 2004 nominal level of $18,103. The amount of financial assistance provided in total by the two scholarships for Ohio undergraduate students is stated to range from a minimum of $10,000 to a maximum of $11,256. The average of these two amounts is $10,628, which, when deducted from the nominal tuition charge of $19,732, yields an average effective tuition level of $9,104; this constitutes a 9.0% increase over the FY 2004 effective tuition level of $8,353 for Ohio undergraduate students.

In line with Miami University's pilot tuition-restructuring plan, additional uncodified language exempts the university from the requirement for a tuition surcharge to be paid by non-Ohio residents. Further, it clarifies that the prohibition of an institution's authorizing a waiver or nonpayment of instructional and general fees for any student unless the waiver or nonpayment is authorized by law or approved by the Chancellor does not constitute a prohibition on Miami University's providing financial assistance when implementing its plan. Finally, Miami University is exempted from the requirement that each institution specify separately the instructional fee, general fee, tuition charge, and tuition surcharge in its statement of charges.

Belmont Technical College. The budget directs the Board of Regents to consider within one year a proposal from Belmont Technical College to convert to a community college. Regents will consider the demonstrated need for such an institution, the most effective use of state resources to fund such a conversion, and the regional benefit of such a conversion.

BUDGET ISSUES

CORE INSTITUTIONAL SUPPORT (PROGRAM SERIES 1)

Description. The program series is the state's primary financial support to higher education in Ohio. It comprises seven line items that provide operating subsidies to Ohio's state-assisted higher education institutions, thereby giving basic state support for instruction and general activities on the campuses. The series' two largest programs are of the State Share of Instruction, which composes approximately 91.0% of the total appropriations for the program series; and the four main Challenges, which provide subsidies to the campuses through more performance-based criteria, and compose approximately 8.8% of the total appropriations for the program series.

Budget. This program series receives a $36.9 million (1.1%) biennial funding increase to $3,397.6 million. At these levels, this series represents 68.6% of Regents' total biennial budget and 55% of the biennial budget increase. The FY 2004 total appropriation is $1,683.1 million, for a 1.2% increase over the FY 2003 spending level. The total appropriation for FY 2005 is $1,714.4 million, for a 1.9% increase over the FY 2004 level. The program series represents 68.5% of the total appropriations made to the Board of Regents in FY 2004, and 68.7% in FY 2005.

State Share of Instruction

Description. The State Share of Instruction (SSI) supports all of Ohio's state-assisted institutions of higher education. The SSI is the largest, by far, of several subsidy items intended to partially offset the cost of a college education for Ohio residents attending Ohio's public institutions. The budget appropriates a lump sum to the Board of Regents for the SSI. Then, Regents distributes the appropriated amount among the campuses according to a distribution formula. These institutions give careful consideration to the state subsidy amounts allocated to them when determining the tuition levels they will charge.

Budget. The State Share of Instruction (SSI) appropriation for FY 2004 is $1,534.2 million, a 0.3% increase over the FY 2003 spending level. In FY 2005, the appropriation is $1,559.1 million, a 1.6% increase over the FY 2004 appropriation level. The total appropriation of $3,093.3 million for the FY 2004-2005 biennium represents an increase of only 0.03% over the FY 2002-2003 biennium.

The SSI Distribution Formula. The State Share of Instruction is distributed through a complex empirical formula maintained by the Board of Regents with the advice of the Higher Education Funding Commission, a consultative body of campus and government officials and representatives. The formula is also outlined in the uncodified, or temporary law section of the biennial operating budget bill, and therefore must also be approved by the General Assembly.

The main parameters of the formula are determined by a "resource analysis" conducted by Regents. That is, the Board of Regents obtains and analyzes the campuses' recent direct and indirect actual expenditures of their unrestricted funds for three main campus expense categories: instruction and support, student services, and the operations of the campuses' physical plants. The information obtained from these three expense categories is then used to calculate the subsidy amounts per full-time equivalent student (FTE) that will be provided in each of 14 non-doctoral curricular models.

The most recent year for which the Board of Regents has final financial data for the resource analysis is FY 2001. It has, therefore, been necessary to estimate the increases in each year from FY 2002 to FY 2005. The estimates are based on decomposing the expense categories into their major components: wages and salaries, benefits, institutional financed financial aid, and other instructional and general expenses. Then an appropriate rate of increase is provided to each component, and a weighted average is calculated in order to obtain an annual rate of change. These changes are included in the budget via the updates of the subsidy tables for three expense categories for FY 2004 and FY 2005.

For the instruction and support subsidy, the changes from FY 2003 to FY 2004 in the curricular models vary from a low of 0.4% for the MPD I model, up to 14.4% for the Masters and Professional I model. The changes from FY 2004 to FY 2005 vary from a low of 0.2% for the MPD I model, up to 13.4% for the Masters and Professional I model. The MPD I model is similar to the Masters and Professional I model, except that the MPD I model consists of Masters degree students in education and business, who were formally classified as Doctoral students because each of them exceeded the doctoral credit hour minimum threshold.

For the student services subsidy, each non-doctoral curricular model is provided the same amount of subsidy. In FY 2003, this was $747 per FTE. In FY 2004, the amount will be $822, a 10.0% increase over FY 2003. In FY 2005, the subsidy amount will be $903, a 9.9% increase over FY 2004. As in the previous biennium, each institution has its FTEs weighted to reflect differences among the institutions in the number of part-time students that are enrolled.

For the plant operation and maintenance (POM) subsidy, there are two separate calculations. The first involves calculating an activity- or enrollment-based subsidy, while the second involves calculating a square-foot-based subsidy based on the type of space. The POM subsidy is the larger of these two calculations. For the activity-based calculation, the changes from FY 2003 to FY 2004 vary from a decline of 9.2% for the Baccalaureate III model, to an increase of 7.1% in the Medical II model. The changes from FY 2004 to FY 2005 vary from a decline of 4.6% for the Masters and Professional II model, to an increase of 7.1% in the Medical II model. For the square-foot-based calculation, the subsidy amount is based on how the space is utilized by the campus (classroom, laboratory, office, storage, etc.). For each type of space, the subsidy amount per square foot in FY 2004 increases between 4.2% and 4.5% over the FY 2003 levels; and in FY 2005, the subsidy amounts increase between 4.1% and 4.3% over the FY 2004 levels.

The total subsidy amount for instruction and support, student services, and the enrollment-based POM at each campus is determined by using the greater of the subsidy amounts generated by using the institution's two-year and five-year average FTE enrollment figures. The enrollment in each non-doctoral curricular model is multiplied by the respective subsidy amount in each category; these products are then summed to arrive at the total subsidy amount for each campus.

In addition to the subsidies for instruction and support, student services, and the operations of the campuses' physical plants, the SSI formula also includes an allocation for doctoral programs in order to implement the recommendations of the Graduate Funding Commission. As in the previous biennium, 10.34% of the total SSI appropriation in each fiscal year is reserved by the budget for doctoral programs. Each campus share of the doctoral allocation is equal to its proportion of doctoral students, with the enrollment of doctoral students in the sciences (Doctoral II) weighted at 50% greater than those in the humanities and social sciences (Doctoral I). However, the two-year enrollment average uses the FTEs from FY 1997 and FY 1998, while the five-year enrollment average uses the FTEs from FY 1994 through FY 1998, with both adjusted to reflect the effects of doctoral review and subsequent changes in Doctoral I and Doctoral II enrollments.

Subtracted from the subsidy amounts is the local contribution that the Board of Regents calculates for each curricular model. The amounts of the local contributions are not included in the budget. Once the local contributions are subtracted from the subsidy amounts calculated above, the SSI is subject to three other adjustments: the annual SSI funding guarantee, the capital component deduction, and reductions in earnings. The reductions in earnings adjustment is made if, after all of the other adjustments, the total SSI earnings for all the campuses exceed the total appropriation, then the Board of Regents will proportionately reduce the SSI earnings for all campuses by a uniform percentage so that the formula amount equals the appropriation.

Annual State Share of Instruction Funding Guarantee. As a check on any adverse consequences to a campus that might arise from changes in enrollment or the SSI allocation formula, the budget again provides a funding guarantee. As in the previous biennium, a campus in FY 2004 will not receive less than 100% of its prior year's SSI amount. However in FY 2005, the guarantee is 99% of what the institution's SSI amount would have been in FY 2004 had the guarantee in FY 2004 been no less than 99%, rather than 100% of the prior year's SSI amount. Therefore the minimum amount in FY 2005 would be 98.01% (99% of 99%) of the SSI amount received by a campus in FY 2004.

Capital Component Deduction. After the funding guarantee is taken into account, the SSI amount for a campus is adjusted if the debt service amount in any of the capital appropriation bills of the 121st, 122nd, 123rd, or 124th General Assembly exceeds that institution's capital component earnings. This is part of a policy established by the Board of Regents that is intended to rationalize and decentralize capital funding decisions by establishing a "price" that campuses pay for capital facilities.

As indicated earlier, the reductions in earnings adjustment will be made, if after all of the other adjustments have been made, the amount of subsidy provided by the formula is greater than the total SSI appropriation. The following four tables show the estimated SSI amounts for universities, university branches, community colleges and state community colleges, and technical colleges for FY 2004 and FY 2005. These estimates are made by the Board of Regents.

Table 1: Projected SSI Amounts for Universities			
Institution	**FY 2003 Actual**	**FY 2004 Projected**	**FY 2005 Projected**
University of Akron	$83,943,488	$83,943,488	$82,273,013
Bowling Green	$76,244,540	$76,244,539	$74,727,273
Central State	$5,955,878	$5,955,878	$5,837,356
University of Cincinnati	$144,219,588	$144,219,588	$141,349,618
Cleveland State	$64,983,804	$64,983,804	$63,690,627
Kent State	$85,458,007	$85,458,007	$83,757,392
MCOT	$23,556,900	$23,556,901	$23,844,978
Miami University	$59,948,676	$59,948,676	$58,755,698
NEOUCOM	$11,150,788	$11,029,776	$11,145,439
Ohio State	$300,063,614	$300,063,614	$300,574,432
Ohio University	$105,150,254	$105,150,254	$103,057,764
Shawnee State	$9,832,630	$9,832,630	$10,480,806
University of Toledo	$79,938,463	$79,938,463	$78,347,688
Wright State	$72,233,189	$72,233,189	$70,795,749
Youngstown State	$41,539,147	$41,539,147	$40,712,517
Subtotal	$1,164,218,966	$1,164,097,954	$1,149,350,351

Table 2: Projected SSI Amounts for University Branches			
Institution	**FY 2003 Actual**	**FY 2004 Projected**	**FY 2005 Projected**
Akron-Wayne	$2,968,476	$2,968,476	$2,909,403
BGSU-Firelands	$3,147,518	$3,147,518	$3,365,799
Kent-Ashtabula	$2,613,225	$2,613,224	$2,669,933
Kent-East Liverpool	$1,886,785	$1,886,785	$1,849,238
Kent-Geauga	$1,251,009	$1,251,009	$1,256,100
Kent-Salem	$2,189,866	$2,189,866	$2,326,564
Kent-Stark	$6,584,029	$6,584,029	$6,497,404
Kent-Trumbull	$4,867,384	$4,847,641	$4,750,780
Kent-Tuscarawas	$3,900,723	$3,900,723	$3,921,916
Miami-Hamilton	$5,865,768	$5,865,768	$5,749,039
Miami-Middletown	$6,144,244	$6,144,244	$6,021,973
OSU-Lima	$3,978,655	$3,978,655	$3,899,480
OSU-Mansfield	$4,025,614	$4,025,614	$3,945,504
OSU-Marion	$3,496,669	$3,496,669	$3,486,857
OSU-Newark	$5,156,856	$5,156,856	$5,054,234
OU-Chillicothe	$3,926,424	$3,926,424	$4,338,054
OU-Eastern	$3,094,106	$3,094,106	$3,032,533
OU-Lancaster	$3,801,748	$3,801,748	$3,726,093
OU-Southern	$4,222,835	$4,222,835	$4,138,801
OU-Zanesville	$4,044,026	$4,044,026	$4,793,056
UC-Clermont	$4,160,720	$4,160,720	$4,251,625
UC-Walters	$7,412,146	$7,329,175	$8,460,888
Wright-Lake	$2,288,943	$2,288,943	$2,403,993
Subtotal	$91,027,768	$90,925,054	$92,849,268

Table 3: Projected SSI Amounts for Community Colleges and State Community Colleges			
Institution	**FY 2003 Actual**	**FY 2004 Projected**	**FY 2005 Projected**
Cincinnati State	$17,311,423	$18,102,041	$21,067,115
Clark State	$5,615,429	$5,615,429	$5,995,193
Columbus State	$37,254,127	$38,360,175	$45,633,334
Cuyahoga	$37,406,276	$37,920,061	$44,896,864
Edison State	$5,039,948	$5,039,948	$5,280,720
Jefferson	$3,053,821	$3,053,822	$3,110,911
Lakeland	$12,394,658	$12,394,658	$14,080,411
Lorain County	$14,122,113	$14,730,299	$18,037,563
Northwest State	$5,053,744	$5,651,267	$6,593,952
Owens State	$27,910,653	$27,910,653	$30,898,862
Rio Grande	$3,450,880	$3,450,880	$3,389,198
Sinclair	$35,732,575	$35,760,985	$40,621,802
Southern State	$3,741,959	$3,949,873	$4,592,500
Terra State	$5,333,685	$5,333,685	$5,227,545
Washington State	$3,931,169	$3,925,264	$4,363,947
Subtotal	$217,352,460	$221,199,040	$253,789,915

Table 4: Projected SSI Amounts for Technical Colleges			
Institution	**FY 2003 Actual**	**FY 2004 Projected**	**FY 2005 Projected**
Agricultural	$4,292,657	$4,292,657	$4,540,930
Belmont Tech	$4,001,827	$4,001,827	$4,206,649
Central Ohio	$3,686,933	$4,124,638	$5,064,934
Hocking	$14,868,781	$14,828,690	$14,532,801
Lima Tech	$6,375,998	$6,309,153	$7,043,855
Marion Tech	$3,058,729	$3,327,843	$3,862,784
Muskingum	$4,495,743	$4,495,743	$4,406,278
North Central	$6,215,672	$6,278,786	$7,385,856
Stark Tech	$9,686,981	$9,941,479	$11,695,999
Subtotal	$56,683,320	$57,600,816	$62,740,084

Tuition and Fees

Tuition Caps. The State Share of Instruction is intended to partially offset the cost of a college education for Ohio residents attending one of Ohio's state-assisted institutions. In addition, the budget imposes limitations on the increase in in-state undergraduate instructional and general fees (tuition caps). In each academic year, an institution may increase its tuition by 6% over the previous year, except for The Ohio State University, which is allowed to increase its tuition by up to 9%. In a separate vote, each institution may increase its tuition by an additional 3.9%. However, the proceeds from this additional increase can only be used to provide scholarships to low-income students, or for improved technology services for students.

Miami University Pilot Tuition Restructuring Plan. The budget also recognizes the Tuition Restructuring Plan at Miami University. Under this Plan, Miami will charge the same tuition for both Ohio and non-Ohio undergraduates, but will provide each Ohio resident a scholarship in the amount of or equal to the per capita funding received by Miami from the State Share of Instruction and the Success Challenge, and is estimated at approximately $5,000 in FY 2004. The Plan also establishes the Ohio Leaders Scholarship for students from Ohio, whose purpose is to make Miami more affordable to low- and middle-income students, encourage high achieving students to attend college in Ohio, and provide incentives for students to major in areas crucial to Ohio's economic development. It is expected that the average Ohio Leaders Scholarship award in FY 2004 will be $4,750. These changes will have no direct financial impact for students who enroll prior to August 2004, since they will only pay the amount that was charged in the previous year plus any increases approved by Miami's Board of Trustees. The nominal state tuition at Miami in FY 2004 will be $18,103, while the average effective tuition that an in-state student will pay will be $8,353, which is 9.9% greater than the in-state tuition of $7,601 in FY 2003. Miami's tuition under this new price structure is also subject to the same tuition caps imposed on other institutions.

For FY 2005, the nominal tuition charge will be $19,732, or 9.0% above the FY 2004 level of $18,103. The amount of financial assistance provided in total by the two scholarships for Ohio undergraduate students will be, on average, $10,628. When this is deducted from the nominal tuition charge, the result is an average effective tuition level of $9,104, which is a 9.0% increase over the FY 2004 effective tuition level of $8,353.

The Challenges

In addition to the State Share of Instruction, Ohio's colleges and universities are provided additional subsidies through the various challenges. The challenge concept began with the budgets of the late 1980's, with the creation of the Research Challenge (along with the now defunct Academic and Productivity Improvement Challenges) in Am. Sub. H.B. 238 of the 116th General Assembly. More appropriation items were added over time, a result of the Board of Regents' conclusion that such challenges as Jobs, Access, Success, and Research are key efforts serving the four important goals of employee training, affordable access, academic success, and research. Consequently, the colleges' and universities' attention should be focused on them, and financial rewards should be given for accomplishment in these key areas.

Jobs Challenge. The annual appropriation for the Jobs Challenge in FY 2004 and FY 2005 is $9.35 million, the same amount as in FY 2003. Because of the flat funding and the decline in funds from FY 2002 to FY 2003, the total appropriation of $18.7 million for the FY 2004-2005 biennium represents a decline of 0.8% from the FY 2002-2003 biennium.

The Jobs Challenge seeks to address the workforce training needs of Ohio's businesses and employees by providing funds to campuses in order to make these services affordable. The funds provided by the Jobs Challenge are divided into three components. Approximately $2.77 million in each fiscal year is set aside to provide performance grants to each of the 53 campuses of the EnterpriseOhio Network in order to provide basic support for their operations. Another $2.82 million in each fiscal year is set aside for the Targeted Industries Training Grant Program, which provides funds for the training of employees in manufacturing and information technology. These grants require campuses and businesses to collaborate together since the application for the grants must be jointly submitted. Finally, $3.76 million in each fiscal year is earmarked for the Higher Skills Incentives Program (formerly known as the Non-credit Incentives Grant Program), which rewards the 53 campuses by the proportion of each campus' share of total revenue that all of the campuses receive from third party entities for non-credit job-related training.

Access Challenge. The appropriation for the Access Challenge in FY 2004 is $67.6 million, an 18.5% increase over the FY 2003 spending level. The appropriation in FY 2005 is the same as in FY 2004. The total appropriation of $135.1 million for the FY 2004-2005 biennium represents an increase of 16.9% over the FY 2002-2003 biennium.

The Access Challenge seeks to make higher education affordable to all Ohioans by buying down or restraining tuition for in-state undergraduate students at designated Access campuses. Access campuses include all of the university branches, community colleges, and technical colleges, as well as Central State University, Shawnee State University, Cleveland State University, and the community-technical colleges located at the University of Akron, the University of Cincinnati, and Youngstown State University. The funds for the Access Challenge are allocated in proportion to the average of a campus' share of General Studies FTEs. For FY 2004, the campus' share will be based on the average of General Studies FTEs in FY 2001 and FY 2002; while for FY 2005, the campus' share will be based on the average of General Studies FTEs in FY 2002 and FY 2003.

Success Challenge. The appropriation for the Success Challenge in FY 2004 is $51.1 million, an 18.7% increase over the FY 2003 spending level. The appropriation in FY 2005 is $56.1 million, an increase of 9.8% over the FY 2004 appropriation level. The total appropriation of $107.2 million for the FY 2004-2005 biennium represents an increase of 22.8% over the FY 2002-2003 biennium.

The Success Challenge is designed to reward the main campuses of Ohio's public universities for their efforts in awarding baccalaureate degrees to in-state "at-risk" students and for the timely completion of all in-state undergraduate students. Under the budget, 71.77% of the funds for the Success Challenge in FY 2004 and 74.29% in FY 2005 are to be allocated to the campuses in proportion to the institution's share of the total statewide baccalaureate degrees awarded to "at-risk" students. An "at-risk" student is defined as a student who was eligible to receive an Ohio Instructional Grant during the past ten years. In the FY 2002-2003 biennium, two-thirds of the funds were set aside for "at-risk" students, and an "at-risk" student was one who had actually received an Ohio Instructional Grant during the past ten years. The remaining funds (28.23% in FY 2004 and 25.71% in FY 2005) are to be allocated to the campuses in proportion to the institution's share of the total statewide baccalaureate degree credits earned by all students in a timely manner. Timely manner is defined as completion of an undergraduate degree program within the normal timeframe for a particular program, which is typically four years, though some programs require a longer expected time of degree completion.

Research Challenge. The appropriation for the Research Challenge in FY 2004 is $18.3 million, a 0.5% increase over the FY 2003 spending level. The appropriation in FY 2005 is the same as in FY 2004. The total appropriation of $36.7 million for the FY 2004-2005 biennium represents a decline of 1.5% from the FY 2002-2003 biennium.

The Research Challenge seeks to improve the quality of basic research programs at Ohio's public universities and two medical colleges, as well as two private universities (Case Western Reserve University and the University of Dayton), by rewarding the institutions that are successful in competing for research dollars. It is estimated by the Board of Regents that universities are able to leverage an additional ten dollars in research grants from external sources for every Research Challenge dollar received from the state. The funds for the Research Challenge are primarily allocated to the institutions on the basis of each university's share of qualifying externally funded research projects from the previous year.

OTHER INSTITUTIONAL SUPPORT (PROGRAM SERIES 2)

Description. This program series contains three line items that supplement the core institutional support provided to various institutions, in order to increase student access to higher education. Two of the line items provide supplemental funds to Ohio's two smallest universities, Central State and Shawnee State. The third subsidy, Student Support Services, helps institutions provide services to disabled students.

Budget. The series' total appropriations for FY 2004 are $13.99 million, for a 0.33% decrease from the FY 2003 spending level. The total appropriations for FY 2005 are $13.97 million, for a 0.16% decrease from the FY 2004 appropriation level. For the FY 2004-2005 biennium, the total appropriation of $28.0 million is 1.7% less than the spending level for the previous biennium.

Central State Supplement. This item is essentially flat-funded for the new biennium with an appropriation of $22.1 million, for a $0.3 million (1.3%) decline. Both the FY 2004 and FY 2005 yearly amounts are maintained at the FY 2003 level of $11.0 million.

Central State fiscal watch. The fiscal watch that had been in effect for several years was ended during the previous biennium; therefore, the uncodified language that had described the criteria and requirements for the fiscal watch does not appear in the budget for the FY 2004-2005 biennium.

Shawnee State Supplement. This supplemental appropriation is also flat-funded for the biennium at $4.2 million, for a $0.05 million (1.3%) decline. Both FY 2004 and FY 2005 are funded at $2.1 million, the same level as for FY 2003.

MEDICAL SUPPORT (PROGRAM SERIES 3)

Description. The Medical Support program series consists of 14 state subsidies that support several universities' medical education functions taking place outside the classroom and laboratory. Subsidies are provided for clinical teaching and other activities in health care settings in order (a) to support internships and residencies in specific fields of practice that are of importance to Ohioans; and (b) to improve access both for medical students and for residents in need of health care.

Budget. The 14 medical support items' combined biennial appropriation of $126.3 million is an 8.8% decline for the new biennium, as every program except one federal item incurs a decrease for FY 2004, followed by further decreases or flat funding for FY 2005. The combined yearly amounts are $63.4 million for FY 2004 and $63.0 million for FY 2005, for declines of $5.1 million (7.4%) and $0.40 million (0.63%), respectively.

The six medical schools' subsidies. The state provides clinical teaching subsidies to the six public-assisted medical schools, at The Ohio State University, the University of Cincinnati, the Medical College of Ohio at Toledo, Wright State University, Ohio University, and the Northeastern Ohio Universities

College of Medicine. The clinical subsidy for each of these schools declines by 7.5% for FY 2004 and remains flat-funded for FY 2005.

Other appropriation items. The subsidy for the Case Western Reserve University School of Medicine declines by 15.8% and 2.8% to $3.3 million and $3.2 million in FYs 2004 and 2005, respectively. The subsidy for The Ohio State University's dental and veterinary clinics declines by 26% and 2.7% to $1.40 million and $1.36 million, respectively.

STUDENT FINANCIAL AID (PROGRAM SERIES 4)

Description. This program series provides financial assistance to college students. The series consists of 14 programs providing assistance based on various criteria ranging from economic need to academic achievement. The two major programs of financial aid are the Ohio Instructional Grants (OIG), for all full-time Ohio students with limited incomes, and the Student Choice Grants (SCG), for full-time Ohio undergraduates at Ohio independent institutions; together these two items alone usually take up some three-fourths of this series' budget. The financial aid programs are administered by the State Grants and Scholarships Division of the Board of Regents.

In general, changes in student financial aid appropriations can arise from several factors, including changes in the anticipated numbers of participating students, changes in the grant amounts, and/or improved forecasting methods.

Budget. The combined student financial aid appropriations gain a biennial increase of $6.7 million (1.6%), to $434.1 million for FY 2004-FY 2005. With these amounts, the series takes up 8.8% of Regents' budget and 10.0% of its $67.2 million total biennial increase. The combined FY 2004 appropriations decline by 2.3% to $214.6 million although for FY 2005 the amount increases by a similar 2.3% to $219.6 million.

Ohio Instructional Grants and Student Choice Grants programs. This biennium the Ohio Instructional Grants (OIG) and Student Choice Grants (SCG) programs comprise 76% of the student financial aid series' budget and, with a combined biennial increase of $15.9 million to $331.6 million, account for 24% of Regents' $67.2 million total budget increase for the biennium. Individually, OIG and SCG receive biennial increases of 6.9% and 1.3% to $227.3 million and $104.3 million, respectively.

The Ohio Instructional Grants program, enacted in 1969, provides a financial grant for higher education to any full-time Ohio student who is an Ohio resident and whose family income does not exceed a specified maximum level. The maximum family gross income levels specified for FY 2004 and FY 2005 are $39,000 for dependent students and $35,300 for independent students. In addition to family income and dependency status, the grant amounts also vary depending on the number of dependent children in the family and the type of institution the student is attending (private, proprietary, and public).

The Student Choice Grants program provides uniform tuition grant awards to full-time undergraduate students enrolled for baccalaureate study at eligible Ohio independent (private) non-profit institutions of higher education. Recipients must be Ohio residents.

Ohio Instructional Grant reconciliation. In line with the new section 3333.121 of the Revised Code, which creates the Instructional Grant Reconciliation Fund (5Y5), uncodified language requires the Board of Regents to certify to the Director of Budget and Management before August of each year the amount necessary to pay any outstanding prior-year obligations to higher education institutions under the OIG program. The budget appropriates the amount to appropriation item 235-618, OIG Reconciliation, from revenues received by the Instructional Grant Reconciliation Fund.

Ohio National Guard Scholarship Program. The Ohio National Guard Scholarship Program receives a $4.7 million (20%) increase to $27.8 million for the FY 2004-2005 biennium. This appropriation item supports a program that grants higher education scholarships to all authorized personnel of the Ohio National Guard. The program serves as both a recruitment and a retention tool for the Ohio Guard. The appropriation provides funds for both the scholarship grants and the program's marketing efforts.

Part-time Student Instructional Grants. The Part-time Student Instructional Grants appropriation gains $1.6 million (5.8%) to $28.5 million for the FY 2004-2005 biennium. This program provides need-based financial assistance to Ohio residents who are enrolled as part-time undergraduate students in degree-granting programs at eligible Ohio public, private, and degree-granting proprietary institutions of higher education. In FY 1994, only students enrolled at state-assisted colleges and universities were eligible to receive these grants. Since FY 1995, the grants have been made available to students attending both state-assisted (public) and private institutions, as well as degree-granting career colleges and schools. The funds are provided to the institutions, which, in turn, provide the aid grants to eligible students on the basis of need. The grants are not intended to supplant educational assistance from students' employers.

Capitol Scholarship Program. The Capitol Scholarship Program, which had received no appropriation for the previous biennium, receives $245,000 in each fiscal year of the FY 2004-2005 biennium. This appropriation item provides scholarships for undergraduates enrolled in public or private four-year colleges and universities in Ohio to attend internships in Washington, D.C. These internships are sponsored by the Washington Center for Internships and Academic Seminars. Eligible students must be enrolled full-time at one of Ohio's public or private institutions of higher education, and recipients are selected by their respective institutions.

Dayton Area Graduate Studies Institute. The appropriation for the Dayton Area Graduate Studies Institute (DAGSI) declines by $0.95 million (14%) to $6.1 million for the FY 2004-2005 biennium. DAGSI is an engineering graduate consortium of three universities in the Dayton area: the University of Dayton, Wright State University, and the Air Force Institute of Technology, with the participation of The Ohio State University and the University of Cincinnati. The program is intended to increase and improve the quality and quantity of graduate educational and research opportunities of the member institutions and to create an environment conducive to economic development in Ohio.

DAGSI earmark for technology. The budget earmarks $0.5 million in FY 2004 and $0.4 million in FY 2005 under the DAGSI appropriation item for the Miami Valley Economic Development Research Corporation to support collaborative research among academia, industry and the Air Force for the Wright Brothers Institute and related initiatives in nanomaterials and advanced data management and analysis.

Twelfth-grade Proficiency Stipend eliminated. This discontinued program's last appropriation was $17.2 million for FY 2002, although a remaining $2.1 million was disbursed during FY 2003. The elimination of this item effectively reduces the total biennial appropriation for Program Series 4 by $19.2 million, although the reduction from FY 2003 to FY 2004 is just $2.1 million. This appropriation item provided one-time $500 scholarships to Ohio high school seniors who passed all five sections of the Ohio 12th-grade proficiency examination and who enrolled in Ohio public colleges or universities. Under S.B. 1 and Am. Sub. H.B. 94 of the 124th General Assembly, this stipend and its appropriation item were eliminated. Thus, students passing the proficiency test in the spring of 2001 were the last group to receive the stipend.

PUBLIC SERVICE - STATEWIDE (PROGRAM SERIES 5)

Description. This program series consists of five state subsidies that support public service activities performed at the state's higher education institutions. These services address a variety of agricultural, rural, and urban issues and are offered either statewide or regionally.

Ninety percent of the series' biennial appropriation is provided to two items: the Cooperative Extension Service, which funds educational programs for homemakers, farmers, community leaders and young people; and the Ohio Agricultural Research and Development Center (OARDC), which conducts basic and applied research through The Ohio State University's colleges of Food, Agricultural, and Environmental Sciences; Human Ecology; Biological Sciences; and Veterinary Medicine. Both programs are operated and administered by The Ohio State University.

Two other significant appropriation items in this series are Urban University Programs, which provides funds for research and outreach activities on urban issues at the eight urban universities in Ohio; and Rural University Projects, which provides funds for research and outreach activities to help local and state elected and appointed officials improve rural program performance, undertake research projects, increase human resource capacity, and form cooperative partnerships to support private and public sector development. Both of these items' appropriations are fully allocated to various individual programs by means of earmarks described in uncodified language in the biennial budget.

Budget. This program series takes up 2.8% of Regents' $4,952.3 million biennial budget for FY 2004-FY 2005. The five items' combined biennial appropriation of $137.1 million is a 1.0% decline for the new biennium. The appropriation rises by 0.1% to $68.6 million for FY 2004 but then decreases by 0.2% to $68.5 million for FY 2005.

Cooperative Extension Service. For the biennium the appropriation declines by $0.15 million (0.29%) to $51.3 million. The FY 2004 appropriation increases by $0.25 million (1.0%) to $25.6 million, then stays flat-funded for FY 2005.

OARDC. The biennial appropriation declines by $0.24 million (0.34%) to $71.7 million. The FY 2004 appropriation increases by $0.33 million (0.9%) to $35.8 million, then stays flat-funded for FY 2005.

The university programs. The Urban University Programs biennial appropriation declines by $828,000 (6.9%) to $11.2 million. The yearly decreases are $268,000 (4.5%) and $139,000 (2.4%) to $5.7 million and $5.6 million for FYs 2004 and 2005, respectively. The Rural University Projects biennial appropriation declines by $104,000 (4.1%) to $2.4 million. Yearly, the amount decreases by $36,000 (2.9%) to $1.2 million for FY 2004, then stays flat-funded for FY 2005.

PUBLIC SERVICE - INSTITUTIONAL (PROGRAM SERIES 6)

Description. This program series is made up of 11 appropriation items that provide support, in whole or in part, to a wide variety of specific public research and service projects operated at or by Ohio's state-assisted colleges and universities. These projects have focuses and impacts somewhat narrower than those of the programs in Program Series 5 (Public Service-Statewide). Their goals vary widely, but the Board of Regents indicates that all of these projects serve important purposes that contribute to public policy development, public service, and the state and regional economies. Program activities are monitored primarily from periodic reports submitted by the program managers.

Major appropriation items in this series are the School of International Business at the University of Akron; the Highway/Transportation Research program at The Ohio State University; the Hazardous Materials Program at Cleveland State University; the Glenn Institute at The Ohio State University and the Voinovich Center at Ohio University; and the Long-term Care Research program at Miami University.

Budget. For the FY 2004-2005 biennium, the series' total appropriation of $7.93 million represents a decline of $1.14 million (13%) from the previous biennium. The appropriation is only 0.16% of Regents' total budget and its reduction is a negative 1.7% of Regents' $67.2 million total biennial increase. Yearly, the series' appropriation for FY 2004 is $4.0 million, a decrease of $406,000 (9.2%) from the FY 2003 spending level. The appropriation for FY 2005 is smaller still, with the $3.9 million being approximately $72,000 (1.8%) below the FY 2004 amount.

School of International Business. The largest appropriation item in this series goes to the School of International Business at the University of Akron. With a biennial budget of $2.50 million, this GRF item takes up 32% of the program series' total appropriation. Compared to the previous biennium, the $2.50 million represents a decline of $0.67 million (21%); so this item accounts for almost 60% of the series' total biennial reduction.

The appropriations are allocated entirely among three continuing earmarked programs. The bulk of the funds supports the School of International Business of the state universities of northeast Ohio, with the funds going to the University of Akron. The other two earmarks provide support for program expansion at the University of Toledo College of Business and for The Ohio State University's BioMEMS program.

Highway/Transportation Research program. The next-largest item in the series' budget is The Ohio State University's Highway/Transportation Research program. Its $1.52 million biennial appropriation takes up 19% of the series' total appropriation and gains the series' only biennial increase, approximately $37,000 (2.5%).

The appropriation item is supported by a State Special Revenue Fund rotary fund (Fund 649), which, in turn, is supported by an external endowment. The appropriation levels are intended to reflect the amount of proceeds expected from the endowment in each fiscal year. The program supports transportation research within The Ohio State University's College of Engineering, where the sole user of the funds is the Center for Automotive Research (CAR). Its mission is to foster interdisciplinary research and education directed toward automotive applications.

Hazardous Materials Program. The series' third-largest item, at a biennial appropriation of $671,000, is Cleveland State University's Hazardous Materials Program. Its appropriation is approximately $53,000 (7%) below that for the FY 2002-2003 biennium.

This GRF line item partially supports training programs developed by Cleveland State University's Center for Hazardous Materials Education. It provides training programs for firemen, other emergency personnel, and relevant personnel in business and industry, regarding the treatment, storage, disposal, and clean-up of hazardous materials.

STATEWIDE INITIATIVES (PROGRAM SERIES 7)

Description. This program series is comprised of eleven appropriation items that support, in whole or in part, specific statewide projects, programs, and entities throughout the higher education community. The series has a statewide impact primarily in instructional, research, and operational areas.

Major appropriation items in this series are the Ohio Supercomputer Center, the Federal Grants appropriation, the Air Force Institute of Technology, the EnterpriseOhio Network (formerly called the Productivity Improvement Challenge), and Gear Up Grant.

Budget. The series' total appropriation of $32.8 million for the FY 2004-2005 biennium represents an increase of $0.69 million (2.1%) from the previous biennium. The appropriation is just 0.66% of Regents' total budget and takes up 1.0% of the total $67.2 million biennial budget increase. Yearly, the series' appropriation for FY 2004 is $16.7 million, up $0.91 million (5.8%) from the FY 2003 disbursement; for FY 2005, however, the total appropriation declines by $0.61 million (3.6%) to $16.1 million.

Ohio Supercomputer Center. With a biennial budget of $8.3 million, this item takes up one-fourth of the program series' total appropriation. Compared to the previous biennium, the $8.3 million represents a decline of $0.66 million (7.4%).

Located at The Ohio State University, the Center is a statewide high-performance computing resource available to both faculty and students at Ohio's public and private colleges and universities. The resource is also made available to private industry on a cost-recovery basis.

Federal Grants program. The biennial appropriation for this item is $6.6 million, or one-fifth of the series' budget. The appropriation is an increase of $1.6 million (32%) from the previous biennium. This item alone makes up for declines in most of the other items in this series to provide the net $0.69 million biennial increase.

This item currently supports the Teacher Quality Enhancement Grants program, which is designed to improve the recruitment, preparation and professional development of teachers, particularly in mathematics and science, through a range of activities including the development of courses, the creation of expert faculty in mathematics, science and education to assist colleges of education, and other strategies to better prepare teachers. This appropriation item also includes federal carryover funds for the previous Eisenhower Program.

Air Force Institute of Technology. The biennial appropriation for this item is $4.15 million, or one-eighth of the series' budget. The appropriation is an increase of $0.44 million (12%) from the previous biennium.

This item supports Ohio-based institutions' participation in collaborative research projects at the Air Force Research Laboratories at Wright-Patterson Air Force Base. These laboratories also operate the Air Force Institute of Technology (AFIT), which provides graduate-level educations in logistics and engineering for Air Force personnel. AFIT is the first-ever joint research program between the state of Ohio and the United States Air Force.

EnterpriseOhio Network. The biennial appropriation for this item is $2.97 million, or 9% of the series' budget. The appropriation is a decline of $0.17 million (5.5%) from the previous biennium.

The EnterpriseOhio Network appropriation item was formerly known as the Productivity Improvement Challenge. The funds help enable Ohio's public two-year campuses that are members of the EnterpriseOhio Network (essentially all of them) to work collaboratively to meet the workforce development needs of Ohio business and industry. The funds are used to support Network coordination, resource sharing, and statewide outreach to private- and public-sector organizations to improve their performance through training and assessment services.

Gear Up Grant. For the FY 2004-2005 biennium the appropriation for the Gear Up program gains $0.1 million (4%) to $2.8 million. This appropriation item supports a federal program that promotes college awareness in order to attract more low-income students to college, to help them prepare for college, and to enhance their transitions to higher education. Ohio's Gear Up program seeks to increase college participation among rural Appalachian and inner-city Ohioans by providing advanced curriculum, after-school and summer enrichment services, as well as advanced advising, tutoring, and mentoring services, to middle school and high school students in Ironton and inner-city Cleveland. These sites will, in turn, serve as models to identify best practices, which will be replicated and expanded throughout the state using the Ohio College Access Network (OCAN).

Ohio Resource Center for Mathematics, Science, and Reading. This program incurs a $0.1 million (6%) reduction in its biennial appropriation to $1.7 million. Since FY 2000, this line item has supported a resource center located at a state-assisted university that prepares teachers. The Center, now located at The Ohio State University, was established through the efforts of the Board of Regents in collaboration with the Ohio Department of Education. The Center identifies the best educational practices in primary and secondary schools and establishes methods for communicating them to colleges of education and school districts. Thus, the Center's mission extends beyond K-12 education to higher education.

Ohio Resource Center for Mathematics, Science, and Reading – prohibition. Current budget law prohibits the Ohio Resource Center for Mathematics, Science, and Reading from making available to colleges of education and school districts any resources that are inconsistent with the K-12 science standards and policies as adopted by the State Board of Education.

Elimination of Job Preparation Initiative. This appropriation item was reestablished for FY 2001 to support Regents' administration of some remaining funds in the Job Preparation Initiative, a federally funded program for Ohio's two-year campuses to offer education attainment, career counseling, and skill-building workforce training for welfare recipients. In a 1998 program change, the U.S. Department of Human Services began providing funds directly to the counties. Although Regents' stopped requesting administrative funds, it turned out that this appropriation item was needed again for FY 2001 through FY 2003 in order to administer the disbursement of some $1.5 million still in the federal-state pipeline. With the completion of that disbursement, this item is again being discontinued.

STATEWIDE COORDINATION (PROGRAM SERIES 8)

Description. This program series is made up of 11 appropriation items that support several programs administered centrally by the Board of Regents. The items also support the coordinating activities of the Regents and organize the activities of the state's higher education enterprise.

Budget. The total appropriation for FY 2004 is $12.7 million, a 13.3% increase from the FY 2003 spending level. The total appropriation for FY 2005 is $12.35 million, a 2.8% decrease from the FY 2004 appropriation level. For the FY 2004-2005 biennium, the total appropriation of $25.1 million is a $4.0 million (18.8%) increase from the previous biennium. Although the appropriation is just 0.51% of Regents' total budget, it provides 5.9% of the total $67.2 million biennial budget increase.

Federal line items. One of the reasons for the large increase from FY 2003 to FY 2004 is the increases in spending authority in two federal line items. In line item 235-615, Professional Development, the appropriation in FY 2004 is approximately $523,000, while the amount spent in FY 2003 was about $95,000. In line item 235-616, Workforce Investment Act Administration, the appropriation in FY 2004 was $850,000, while the amount spent in FY 2003 was just below $40,000.

Operating Expenses. Another reason for the large increase from FY 2003 to FY 2004 is the 18.4% increase in line item 235-321, Operating Expenses. This increase from $2.82 million in FY 2003 to $3.34 million in FY 2004 is principally because of the $500,000 provided to the Board of Regents to fund the Governor's Commission on Higher Education and the Economy. In FY 2005, the appropriation for this line item is $2.77 million, a decline of 17.1% from the FY 2004 appropriation level. Most of the decline is a result of the Commission's being funded during only one year, FY 2004.

INFRASTRUCTURE INVESTMENTS (PROGRAM SERIES 9)

Description. This program series contains five line items that provide technology infrastructure for the higher education system, with an emphasis on information and information technology. Some of the programs are campus-specific, while others support statewide assets.

The five appropriation items in the series are the Capital Component, OhioLINK, Ohio Academic Resources Network (OARNet), Ohio Learning Network, and Library Depositories. Of these, Capital Component is, by far, the largest, taking well over half of the series' total appropriation.

Budget. For the FY 2004-2005 biennium the total appropriation of $69.2 million represents a 13.4% increase over the previous biennium. This relatively large increase arises primarily from a biennial increase of $8.3 million (29%) in the Capital Component appropriation item. Although this appropriation constitutes just 1.4% of Regents' total budget, the biennial increase of $8.2 million is 12% of Regents' $67.2 million total budget increase. The series' total appropriation for FY 2004 is $34.6 million, for a 14.1% increase over the FY 2003 spending level. The series is essentially flat-funded for the biennium's second year, with a FY 2005 total appropriation of a similar $34.6 million, for a 0.05% increase from FY 2004.

Capital Component. The biennial appropriation for this item is $37.4 million, or 54% of the series' budget. The appropriation is an increase of $8.3 million (29%) from the previous biennium.

First budgeted by Am. Sub. H.B. 215 of the 122nd General Assembly for the FY 1998-1999 biennium, this appropriation item implements an element of the Board of Regents' new capital funding policy, which was established in 1997. The policy is intended to rationalize and decentralize capital funding decisions by establishing a "price" that campuses pay for capital facilities. The appropriation item provides each campus with any positive difference between its formula-determined debt-service earnings and its actual debt-service charge-off for qualifying capital projects; the additional funds, paid out of this appropriation item, may be used by the campus for any capital project. The debt-service earnings are based on a formula that determines half of the capital component money on the basis of a calculated measure of educational activity (credit instruction weighted by sponsored research and noncredit job training) and the other half on the basis of the ages of the facilities needing repair or replacement. The campus is awarded a positive difference (formula-determined debt-service earnings minus actual debt-service charge-off) out of the Capital Component appropriation. However, if the difference is negative, that is, if the campus's actual debt-service charge-off is greater than its earnings under the formula, the difference is deducted from its allocation under the State Share of Instruction subsidy (see Program Series 1 under Budget Issues).

The currently projected effects of the Capital Component for the FY 2004-2005 biennium are provided by the following four tables, which provide the calculation of the allocations of the Capital Component to the four types of individual campuses for the biennium based on the expected projects to be undertaken or continued. Tables 5, 6, 7, and 8 give the allocations to universities, university branches, community colleges, and technical colleges, respectively. The total amounts for all four types of campuses are given at the bottom of each table. The notes following Table 5 apply to all four tables.

Table 5: Capital Component Allocations for each Fiscal Year, 2004 and 2005 – Universities
(Same distribution each year)

	A	B	C (=A-B)	D	E (=C+D) [+]	F (=C+D) [–]
University	Formulated debt service based on available capital	Expected actual debt service on H.B. 675 appropriations	Difference	Prior years' difference (cumulative net) carried forward	Total current different (net positives only)	Total current difference (net negatives only)
Notes:	(1)	(2)	(3)	(4)	(5)	(6)
Akron	$1,669,399	$1,173,481	$495,918	$2,032,843	$2,528,761	
Bowling Green	$1,402,968	$1,409,996	($7,028)	$341,374	$334,346	
Central State	$236,117	$261,435	($25,318)	$61,974	$36,657	
Cincinnati	$3,120,076	$3,137,469	($17,393)	$432,764	$415,371	
Cleveland State	$1,433,831	$1,435,676	($1,845)	$362,396	$360,551	
Kent State	$1,696,802	$1,705,912	($9,110)	$327,177	$318,067	
MCOT	$449,019	$436,644	$12,375	$20,522	$32,897	
Miami	$1,486,681	$1,495,108	($8,427)	$305,207	$296,780	
NEOUCOM	$145,237	$134,185	$11,052	($132,064)	$0	($121,012)
Ohio State	$7,054,871	$6,977,367	$77,504	$1,159,584	$1,237,088	
Ohio University	$1,999,688	$0	$1,999,688	$407,180	$2,406,868	
Shawnee State	$205,294	$178,034	$27,260	$79,292	$106,552	
Toledo	$1,669,833	$1,678,987	($9,154)	$350,368	$341,214	
Wright State	$1,023,930	$1,027,933	($4,003)	$476,638	$472,635	
Youngstown State	$885,406	$695,901	$189,505	$200,809	$390,314	
Subtotal, universities	$24,479,152	$21,748,128	$2,731,025	$6,426,064	$9,278,100	($121,012)
Total, all campuses	**$32,143,200**	**$27,375,791**	**$4,767,409**	**$14,031,750**	**$19,078,348**	**($366,413)**

Notes:

(1) Column A is the formulated debt service amount; it is 10% of the state-provided capital available to the campuses, as determined by OBM. This debt service amount is assumed to be required each year for 15 years, to cover both interest and principal repayment. It is allocated among the campuses by a Regents formula, based on aged space (50%) and enrollment activity (50%).

(2) Column B is the expected debt service on the CAP line item appropriations provided to the campuses in the most recent capital bill, in this case Am. Sub. H.B. 675 of the 124th General Assembly.

(3) Column C is the difference (positive or negative) between columns A and B. It is the amount by which a campus's formulated debt service (column A) exceeds or lags its anticipated debt service (column B). A positive amount indicates that a campus will incur less debt service than formulated; a negative amount indicates that a campus's debt service will exceed the formulated amount.

(4) Column D is the cumulative amount of column C differences carried forward from prior years' capital budgets. It is the net of those years' individual positive and negative differences.

(5) Column E contains all the net positive totals of columns C and D, giving the total differences between the column A amounts and the column B amounts for the current- and prior-years' capital budgets. Since these differences are positive, each campus will receive an award of its indicated amount from funds in appropriation item 235-552, Capital Component, in Am. Sub. H.B. 95 of the 125th General Assembly. These funds may be used for capital projects of the campus's choice.

(6) Column F contains all the net negative totals of columns C and D, giving the total differences between the column A amounts and the column B amounts for the current- and prior-years' capital budgets. Since these differences are negative, each campus will be penalized by having its indicated amount deducted from its State Share of Instruction (operating subsidy) allocation.

Table 6: Capital Component Allocations for each Fiscal Year, 2004 and 2005 – University branches (Same distribution each year)						
	A	B	C (=A-B)	D	E (=C+D) [+]	F (=C+D) [–]
University branch	Formulated debt service based on available capital	Expected actual debt service on H.B. 675 appropriations	Difference	Prior years' difference (cumulative net) carried forward	Total current different (net positives only)	Total current difference (net negatives only)
Notes:	(1)	(2)	(3)	(4)	(5)	(6)
Ashtabula	$82,746	$83,259	($513)	$128,690	$128,177	
Belmont	$75,149	$75,521	($372)	$37,361	$36,989	
Chillicothe	$107,042	$107,623	($581)	$58,157	$57,576	
Clermont	$74,122	$0	$74,122	$117,087	$191,209	
East Liverpool	$79,915	$80,459	($544)	$59,329	$58,785	
Firelands	$90,345	$86,268	$4,077	$4,525	$8,602	
Geauga	$28,743	$28,894	($151)	$50,793	$50,642	
Hamilton	$119,115	$119,642	($527)	$15,639	$15,112	
Ironton	$58,834	$58,942	($108)	$115,496	$115,388	
Lake	$53,145	$58,720	($5,575)	$127,081	$121,506	
Lancaster	$110,695	$111,308	($613)	$53,280	$52,667	
Lima	$103,635	$0	$103,635	($16,411)	$0	
Mansfield	$126,440	$0	$126,440	$264,936	$391,376	
Marion	$72,736	$73,074	($338)	$6,530	$6,192	
Middletown	$165,714	$143,851	$21,863	$158,852	$180,715	
Newark	$113,926	$335,892	($221,966)	$344,505	$122,539	
Salem	$57,881	$58,192	($311)	$94,318	$94,007	
Stark	$168,705	$169,655	($950)	$49,424	$48,474	
Trumbull	$115,004	$115,608	($604)	($19,139)	$0	($19,743)
Tuscarawas	$101,036	$101,575	($539)	$12,922	$12,383	
Walters	$145,309	$145,951	($642)	($82,329)	$0	($82,971)
Wayne	$77,482	$36,387	$41,095	($12,592)	$28,503	
Zanesville	$106,947	$107,573	($626)	$40,268	$39,642	
Subtotal, branches	$2,234,666	$2,098,394	$136,272	$1,608,722	$1,760,483	($102,713)
Total, all campuses	**$32,143,200**	**$27,375,791**	**$4,767,409**	**$14,031,750**	**$19,078,348**	**($366,413)**

Table 7: Capital Component Allocations for each Fiscal Year, 2004 and 2005 – Community colleges (Same distribution each year)						
	A	B	C (=A-B)	D	E (=C+D) [+]	F (=C+D) [–]
Community college	Formulated debt service based on available capital	Expected actual debt service on H.B. 675 appropriations	Difference	Prior years' difference (cumulative net) carried forward	Total current different (net positives only)	Total current difference (net negatives only)
Notes:	(1)	(2)	(3)	(4)	(5)	(6)
Cincinnati State	$441,897	$106,347	$335,550	$627,574	$963,124	
Clark State	$148,928	$0	$148,928	$442,926	$591,854	
Columbus State	$575,803	$410,839	$164,964	$473,992	$638,956	
Cuyahoga	$984,056	$989,624	($5,568)	$45,120	$39,552	
Edison State	$100,116	$0	$100,116	$307,954	$408,070	
Jefferson	$83,759	$18,944	$64,815	$203,412	$268,227	
Lakeland	$286,762	$288,276	($1,514)	$39,732	$38,218	
Lorain	$211,719	$0	$211,719	$643,307	$855,026	
Northwest State	$83,298	$0	$83,298	$185,746	$269,044	
Owens State	$471,556	$471,556	$0		$0	
Rio Grande	$80,437	$0	$80,437	$54,196	$134,633	
Sinclair	$722,664	$0	$722,664	$1,553,102	$2,275,766	
Southern State	$51,027	$0	$51,027	$12,363	$63,390	
Terra State	$99,279	$0	$99,279	$256,262	$355,541	
Washington St	$59,394	$0	$59,394	($65,299)	$0	($5,905)
Subtotal, comm. coll's	$4,400,695	$2,285,586	$2,115,110	$4,780,387	$6,901,402	($5,905)
Total, all campuses	**$32,143,200**	**$27,375,791**	**$4,767,409**	**$14,031,750**	**$19,078,348**	**($366,413)**

Table 8: Capital Component Allocations for each Fiscal Year, 2004 and 2005 – Technical colleges (Same distribution each year)						
	A	B	C (=A-B)	D	E (=C+D) [+]	F (=C+D) [–]
Technical college	Formulated debt service based on available capital	Expected actual debt service on H.B. 675 appropriations	Difference	Prior years' difference (cumulative net) carried forward	Total current different (net positives only)	Total current difference (net negatives only)
Notes:	(1)	(2)	(3)	(4)	(5)	(6)
Agricultural	$103,744	$0	$103,744	$149,783	$253,527	
Belmont	$82,476	$0	$82,476	$262,870	$345,346	
Central Ohio	$77,631	$220,987	($143,356)	$226,653	$83,297	
Hocking	$220,114	$363,870	($143,756)	$103,665	$0	($40,091)
Lima	$111,090	$376,761	($265,671)	$168,979	$0	($96,692)
Marion	$59,951	$25,750	$34,201	$140,789	$174,990	
Muskingum Area	$84,003	$84,361	($358)	$4,018	$3,660	
North Central	$122,697	$0	$122,697	$92,057	$214,754	
Stark	$166,981	$171,955	($4,974)	$67,763	$62,789	
Subtotal, tech. Coll's	$1,028,687	$1,243,684	($214,997)	$1,216,577	$1,138,363	($136,783)
Total, all campuses	**$32,143,200**	**$27,375,791**	**$4,767,409**	**$14,031,750**	**$19,078,348**	**($366,413)**

BREAKTHROUGH INVESTMENTS (PROGRAM SERIES 10)

Description. This program series, originating with the Regents' FY 2002-2003 budget, is intended to support a strategy of targeted spending, called breakthrough investments, to help the state move forward in several areas considered crucial to its near- and long-term economic prosperity. The only appropriation item currently in this program series, the Appalachian New Economy Partnership, funds the Appalachian New Economy program at Ohio University.

Budget. The total appropriation for FY 2004 is $1.18 million, a 14.2% decrease from the FY 2003 spending level. The total appropriation for FY 2005 is $1.15 million, a 2.7% decrease from the FY 2004 appropriation level. Even though the appropriation declines in both years of the biennium, the total appropriation of $2.33 million for the FY 2004-2005 biennium constitutes a 0.6% increase over the previous biennium because of a relatively small spending level ($940,000) in FY 2002.

DEBT SERVICE PAYMENTS (PROGRAM SERIES 11)

Description. This program series contains the two appropriation items that provide funds for the repayment of principal and interest on debt obligations incurred by the state on behalf of higher education. The two items are Lease Rental Payments and Higher Education General Obligation Debt Service.

Budget. These two debt service items receive a combined biennial appropriation of $692.0 million, for an increase of $25.9 million (3.9%). This amount takes up 39% of Regents' total biennial budget increase of $67.2 million, although these two appropriation items comprise just 14% of the agency's budget. On a yearly basis, the two items' appropriations for FY 2004 and FY 2005 are $344.2 million and $347.8 million, respectively, for annual increases of $21.6 million (6.7%) and $3.6 million (1.1%).

The switch to general obligation debt. As a result of the passage of State Issue 1 (November 1999) and the enactment of Am. S.B. 206 of the 123rd General Assembly (December 1999), general obligation (GO) debt instruments were approved, under Article VIII, Section 2n of the Ohio Constitution, for funding all education-related facilities, including higher education institutions' capital construction projects. The GO instruments are expected to achieve lower interest rates than did the special obligation (revenue) bonds that had been issued up to that time; this is because the GO bonds are backed by the full faith and credit of the state of Ohio. Thus, during the FY 2002-2003 biennium the state's contributions to such projects began to be financed by GO bonds instead of by revenue bonds. Accordingly, the issuance of special obligation bonds was discontinued.

To fund the debt service payments for this new type of debt, a new appropriation item, 235-909, Higher Education General Obligation Debt Service, was created for the FY 2002-2003 biennium in Am. Sub. H.B. 94 of the 124th General Assembly to complement the existing special obligation debt service appropriation item, 235-401, Lease Rental Payments. Because no more special obligation debt is expected to be issued, the latter item's appropriations will decline over time, reaching zero in FY 2014, when the last of the revenue bonds will be retired. Meanwhile, the appropriation for the Higher Education General Obligation Debt Service item will increase as general obligation debt assumes a larger and larger portion of the state's higher education debt structure.

Lease Rental Payments (formerly called Rental Payments to the OPFC). This item's biennial appropriation declines by $95.2 million (17%) to $463.3 million, reflecting the continued amortization of previously issued special obligation debt and the non-issuance of further debt of this type. The yearly declines are $18.1 million (6.8%) and $29.7 million (12.0%) to $246.5 million in FY 2004 and $216.8 million in FY 2005, respectively.

This item provides funds to service and retire the debt on special obligation (revenue) bonds that, until recently, were sold to finance capital improvements for higher education. Although the capital bills include appropriation line items for specific projects by institution, the bonds were issued for higher education projects as a group. The bonds for capital construction projects were generally issued for terms of from 15 to 20 years. Short-term bonds (five to seven years) were usually issued for equipment purchases.

Given that no more special obligation debt is expected to be issued on Regents' behalf, estimates of debt service are no longer necessary. Therefore, since the amount required for the appropriation can be determined by the terms of the existing contracted bonds, that amount is known certain for each fiscal year even before the budget is prepared. To make its payments on special obligation bonds, Regents transfers debt service funds to the Treasurer of State as agent for the Ohio Public Facilities Commission under section 3333.13 of the Revised Code, which governs the payment of rentals under lease agreements for higher education facilities. The payments may include principal and/or interest.

The budget allows only the Board of Regents to obtain appropriations to support lease payments to the Ohio Public Facilities Commission. Under previous language, both Regents and the institutions of higher education were allowed to obtain such appropriations; however, all the debt service payments are now made by Regents.

Higher Education General Obligation Debt Service. This item's biennial appropriation increases by $121.1 million (113%) to $228.6 million, reflecting the continued replacement of the special obligation revenue debt with these general obligation (GO) bonds. The yearly increases are $39.7 million (68%) and $33.3 million (34%) to $97.7 million and $131.0 million in FY 2004 and FY 2005, respectively.

This item provides funds to service and retire the debt on GO bonds issued by the state on behalf of higher education institutions to finance their capital projects. Since the GO bonds are backed by the full faith and credit of the state, they are expected to command somewhat lower interest rates than the revenue bonds that had heretofore been issued, thereby reducing the state's debt service burden for a given amount of bonded debt. The first capital projects affected by this change to GO bonds for higher education were those included in Am. Sub. H.B. 640, the capital budget bill of the 123rd General Assembly. The subsequent (and current) capital budget bill, Am. Sub. H.B. 675 of the 124th General Assembly, continues this trend.

The appropriation amount for this debt service line item is determined by the Office of Budget and Management. Some of the required amount (i.e., the debt service on those borrowings that have already been contracted) is certain by the time the budget is prepared. For the anticipated capital projects that will need bond issues during the biennium, the Office of Budget and Management determines the expected debt service amounts using estimates of relevant interest rates and estimates of the remaining capital debt to be undertaken during the two fiscal years.

To make its payments on general obligation bonds, Regents provides an intra-state transfer voucher (ISTV) to the Commissioners of the Sinking Fund. The payments may include principal and/or interest.

GOVERNOR'S VETOES

Ohio Revised Code

The Governor did not veto any of the additions, repeals and amendments of the Ohio Revised Code relating to higher education and the Board of Regents in the budget bill, Am. Sub. H.B. 95 of the 125th General Assembly.

Budget Uncodified Law

However, the Governor did veto three items in the bill's uncodified (temporary) law. These vetoes are described below.

Section 89.10 [Appropriation item 235-583, Urban University Programs]

The bill contained two $100,000 earmarks for Medina County under appropriation item 235-583, Urban University Programs. The first earmark was for a project called the Medina County University Center; the second was for a project called the Medina Learning Center. The Governor's veto message called the second earmark "an inadvertent duplication" of the first. He vetoed the second earmark "to correct this drafting error."

Section 89.12 [Appropriation item 235-603, Sales and Services]

Relating to GSF appropriation item 235-603, Sales and Services, language in the bill authorized the Board of Regents "to charge and accept payment for the provision of goods and services generated by the Higher Education Information System." The Governor vetoed the phrase "generated by the Higher Education Information System" because it "would limit the authority of the Board of Regents to charge and accept payment for the provision of certain goods and services requested by the public at large. The result…would be to eliminate revenue that the Board has long used to help offset the costs of providing these services."

Sections 89.15 and 89.20 [Belmont Technical College]

The bill contained two sections concerning the proposed conversion of Belmont Technical College to a community college. The first, section 89.15, called for the Board of Regents to recognize the conversion of Belmont Technical College to a community college, to be called Belmont Community College.

The second section, 89.20, called for the Board of Regents to consider a proposal from Belmont Technical College to convert to a community college. It further required Regents to consider the demonstrated need for such an institution, the most effective use of state resources to fund such a conversion, and the regional benefit of such a conversion.

The Governor vetoed section 89.15 as an apparent "drafting error." This section would "require the Board of Regents to recognize Belmont Technical College as a municipal community college without following statutory procedures." In addition, this section would contradict section 89.20, which is "consistent with current law."

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

BOR Regents, Ohio Board of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	235-321	Operating Expenses	$ 3,170,589	$ 2,826,972	$2,816,939	$ 3,336,284	18.44%	$ 2,767,219	-17.06%
GRF	235-401	Lease Rental Payments	$ 324,547,665	$ 293,946,612	$264,574,646	$ 246,500,700	-6.83%	$ 216,836,400	-12.03%
GRF	235-402	Sea Grants	$ 296,941	$ 281,944	$274,895	$ 274,895	0.00%	$ 274,895	0.00%
GRF	235-403	Mathematics and Science Teaching Im	$ 1,698,543	$ 1,849,815	$1,826,827	$ 1,757,614	-3.79%	$ 1,757,614	0.00%
GRF	235-404	College Readiness Initiatives	$ 2,990,196	$ 2,277,642	$3,982,894	$ 3,152,603	-20.85%	$ 3,401,759	7.90%
GRF	235-406	Articulation and Transfer	$ 1,028,856	$ 859,420	$722,464	$ 733,200	1.49%	$ 733,200	0.00%
GRF	235-408	Midwest Higher Education Compact	$ 75,000	$ 82,500	$82,500	$ 82,500	0.00%	$ 82,500	0.00%
GRF	235-409	Information System	$ 1,316,090	$ 1,311,484	$1,217,122	$ 1,185,879	-2.57%	$ 1,154,671	-2.63%
GRF	235-414	State Grants and Scholarship Administr	$ 1,198,533	$ 1,329,248	$1,260,653	$ 1,219,719	-3.25%	$ 1,211,373	-0.68%
GRF	235-415	Jobs Challenge	$ 10,979,694	$ 9,494,000	$9,348,300	$ 9,348,300	0.00%	$ 9,348,300	0.00%
GRF	235-417	Ohio Learning Network	$ 5,199,516	$ 3,726,101	$3,592,680	$ 3,413,046	-5.00%	$ 3,327,720	-2.50%
GRF	235-418	Access Challenge	$ 65,424,012	$ 58,557,256	$57,013,287	$ 67,568,622	18.51%	$ 67,568,622	0.00%
GRF	235-420	Success Challenge	$ 48,715,054	$ 44,272,526	$43,046,399	$ 51,113,077	18.74%	$ 56,113,077	9.78%
GRF	235-428	Appalachian New Economy Partnershi	----	$ 940,000	$1,374,750	$ 1,179,893	-14.17%	$ 1,147,895	-2.71%
GRF	235-451	Eminent Scholars	$ 5,200,000	----	$3,000,000	$ 0	-100.00%	$ 1,462,500	N/A
GRF	235-454	Research Challenge	$ 21,424,652	$ 18,994,997	$18,235,006	$ 18,330,000	0.52%	$ 18,330,000	0.00%
GRF	235-455	EnterpriseOhio Network	$ 1,654,466	$ 1,612,248	$1,530,511	$ 1,505,262	-1.65%	$ 1,465,650	-2.63%
GRF	235-474	Area Health Education Centers Progra	$ 2,073,619	$ 1,968,103	$1,957,278	$ 1,722,226	-12.01%	$ 1,676,670	-2.65%
GRF	235-477	Access Improvement Projects	$ 1,130,314	$ 1,059,153	$986,791	$ 1,048,664	6.27%	$ 1,080,124	3.00%
GRF	235-501	State Share of Instruction	$ 1,628,848,899	$ 1,562,980,594	$1,529,282,514	$ 1,534,189,277	0.32%	$ 1,559,096,031	1.62%
GRF	235-502	Student Support Services	$ 1,047,274	$ 940,000	$916,500	$ 870,675	-5.00%	$ 848,908	-2.50%
GRF	235-503	Ohio Instructional Grants	$ 85,084,973	$ 96,042,326	$116,679,362	$ 111,966,343	-4.04%	$ 115,325,333	3.00%
GRF	235-504	War Orphans Scholarships	$ 3,724,626	$ 3,813,822	$3,845,112	$ 4,672,321	21.51%	$ 4,672,321	0.00%
GRF	235-507	OhioLINK	$ 7,592,044	$ 7,208,607	$7,028,392	$ 7,028,392	0.00%	$ 7,028,392	0.00%
GRF	235-508	Air Force Institute of Technology	$ 3,500,000	$ 1,880,000	$1,833,000	$ 2,096,523	14.38%	$ 2,053,860	-2.03%
GRF	235-509	Displaced Homemakers	$ 242,544	$ 225,690	$220,048	$ 204,865	-6.90%	$ 199,743	-2.50%
GRF	235-510	Ohio Supercomputer Center	$ 4,882,896	$ 4,543,560	$4,429,971	$ 4,208,472	-5.00%	$ 4,103,260	-2.50%
GRF	235-511	Cooperative Extension Service	$ 27,431,440	$ 26,046,013	$25,394,863	$ 25,644,863	0.98%	$ 25,644,863	0.00%
GRF	235-513	Ohio University Voinovich Center	$ 371,250	$ 345,450	$336,814	$ 311,977	-7.37%	$ 305,178	-2.18%

Line Item Detail by Agency

BOR Regents, Ohio Board of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	235-514	Central State Supplement	$ 11,928,683	$ 11,322,259	$11,039,203	$ 11,039,203	0.00%	$ 11,039,203	0.00%
GRF	235-515	Case Western Reserve University Sch	$ 4,239,117	$ 4,023,411	$3,924,395	$ 3,303,612	-15.82%	$ 3,212,271	-2.76%
GRF	235-518	Capitol Scholarship Programs	$ 220,000	$ 26,000	$0	$ 245,000	N/A	$ 245,000	0.00%
GRF	235-519	Family Practice	$ 6,475,676	$ 6,146,163	$5,994,906	$ 5,529,432	-7.76%	$ 5,391,196	-2.50%
GRF	235-520	Shawnee State Supplement	$ 2,795,760	$ 2,135,680	$2,082,288	$ 2,082,289	0.00%	$ 2,082,289	0.00%
GRF	235-521	The Ohio State University Glenn Institu	$ 371,250	$ 345,450	$336,814	$ 311,977	-7.37%	$ 305,178	-2.18%
GRF	235-523	Center for Labor Research	$ 94,050	----	$0	$ 0	N/A	$ 0	N/A
GRF	235-524	Police and Fire Protection	$ 242,546	----	$445,737	$ 209,046	-53.10%	$ 203,819	-2.50%
GRF	235-525	Geriatric Medicine	$ 1,076,754	$ 1,021,963	$1,016,343	$ 820,696	-19.25%	$ 800,179	-2.50%
GRF	235-526	Primary Care Residencies	$ 3,135,761	$ 2,976,198	$2,959,829	$ 2,730,013	-7.76%	$ 2,661,762	-2.50%
GRF	235-527	Ohio Aerospace Institute	$ 2,407,653	$ 2,240,334	$2,184,326	$ 1,933,607	-11.48%	$ 1,882,767	-2.63%
GRF	235-530	Academic Scholarships	$ 8,000,000	$ 8,000,000	$7,000,000	$ 7,800,000	11.43%	$ 7,800,000	0.00%
GRF	235-531	Student Choice Grants	$ 51,771,049	$ 50,688,168	$52,234,153	$ 52,139,646	-0.18%	$ 52,139,646	0.00%
GRF	235-534	Student Workforce Development Grant	$ 1,139,073	$ 1,025,709	$2,380,820	$ 2,437,500	2.38%	$ 2,437,500	0.00%
GRF	235-535	Ohio Agricultural Research and Develo	$ 38,343,575	$ 36,407,031	$35,496,855	$ 35,830,188	0.94%	$ 35,830,188	0.00%
GRF	235-536	OSU Clinical Teaching	$ 15,836,318	$ 15,030,490	$14,660,591	$ 13,565,885	-7.47%	$ 13,565,885	0.00%
GRF	235-537	UCN Clinical Teaching	$ 13,025,157	$ 12,362,373	$12,058,138	$ 11,157,756	-7.47%	$ 11,157,756	0.00%
GRF	235-538	MCO Clinical Teaching	$ 10,152,403	$ 9,635,800	$9,398,665	$ 8,696,866	-7.47%	$ 8,696,866	0.00%
GRF	235-539	WSU Clinical Teaching	$ 4,932,236	$ 4,681,260	$4,566,056	$ 4,225,107	-7.47%	$ 4,225,107	0.00%
GRF	235-540	OHU Clinical Teaching	$ 4,768,142	$ 4,525,515	$4,414,144	$ 4,084,540	-7.47%	$ 4,084,540	0.00%
GRF	235-541	NEM Clinical Teaching	$ 4,904,029	$ 4,654,488	$4,539,942	$ 4,200,945	-7.47%	$ 4,200,945	0.00%
GRF	235-543	OCPM Clinical Subsidy	$ 495,000	$ 469,812	$458,250	$ 424,033	-7.47%	$ 424,033	0.00%
GRF	235-547	School of International Business	$ 1,726,201	$ 1,606,238	$1,566,082	$ 1,264,611	-19.25%	$ 1,232,996	-2.50%
GRF	235-549	Part-time Student Instructional Grants	$ 12,677,739	$ 13,311,638	$13,627,789	$ 14,036,622	3.00%	$ 14,457,721	3.00%
GRF	235-552	Capital Component	$ 10,848,076	$ 14,537,639	$14,537,639	$ 18,711,936	28.71%	$ 18,711,936	0.00%
GRF	235-553	Dayton Area Graduate Studies Institute	$ 3,856,212	$ 3,552,343	$3,463,534	$ 3,074,550	-11.23%	$ 2,993,937	-2.62%
GRF	235-554	Computer Science Graduate Education	$ 3,517,903	$ 3,273,426	$3,191,590	$ 2,577,209	-19.25%	$ 2,512,779	-2.50%
GRF	235-555	Library Depositories	$ 1,918,477	$ 1,940,768	$1,868,912	$ 1,775,467	-5.00%	$ 1,731,080	-2.50%
GRF	235-556	Ohio Academic Resources Network	$ 3,477,060	$ 3,300,130	$3,281,980	$ 3,657,009	11.43%	$ 3,803,289	4.00%
GRF	235-558	Long-term Care Research	$ 315,187	$ 293,284	$285,952	$ 230,906	-19.25%	$ 225,134	-2.50%
GRF	235-561	Bowling Green State University Canadi	$ 165,966	$ 154,432	$150,571	$ 121,586	-19.25%	$ 118,546	-2.50%

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
BOR	**Regents, Ohio Board of**								
GRF	235-572	The Ohio State University Clinic Suppo	$ 2,040,527	$ 1,937,470	$1,889,033	$ 1,400,394	-25.87%	$ 1,362,259	-2.72%
GRF	235-583	Urban University Programs	$ 6,569,922	$ 6,113,345	$5,960,511	$ 5,692,236	-4.50%	$ 5,553,506	-2.44%
GRF	235-585	Ohio University Innovation Center	$ 49,248	$ 45,825	$44,679	$ 41,596	-6.90%	$ 40,556	-2.50%
GRF	235-587	Rural University Projects	$ 1,389,588	$ 1,293,019	$1,260,693	$ 1,224,510	-2.87%	$ 1,224,510	0.00%
GRF	235-588	Ohio Resource Center for Mathematics	$ 1,000,000	$ 921,200	$898,170	$ 853,262	-5.00%	$ 853,262	0.00%
GRF	235-590	12th Grade Proficiency Stipend	$ 13,152,500	$ 17,173,000	$2,051,000	$ 0	-100.00%	$ 0	N/A
GRF	235-595	International Center for Water Resourc	$ 187,487	$ 174,457	$170,096	$ 137,352	-19.25%	$ 133,918	-2.50%
GRF	235-596	Hazardous Materials Program	$ 242,546	$ 366,690	$357,523	$ 339,647	-5.00%	$ 331,156	-2.50%
GRF	235-599	Ohio National Guard Scholarship Progr	$ 8,044,878	$ 9,407,512	$13,720,992	$ 13,252,916	-3.41%	$ 14,578,208	10.00%
GRF	235-909	Higher Education General Obligation D	----	$ 49,550,030	$57,978,003	$ 97,668,000	68.46%	$ 130,967,600	34.09%
General Revenue Fund Total			**$ 2,518,383,435**	**$ 2,456,086,635**	**$ 2,410,306,722**	**$ 2,443,493,342**	**1.38%**	**$ 2,482,236,601**	**1.59%**
456	235-603	Sales and Services	$ 23,157	$ 2,717	$134,156	$ 500,002	272.70%	$ 500,003	0.00%
456	235-613	Job Preparation Initiative	$ 73,870	$ 64,245	$0	$ 0	N/A	$ 0	N/A
220	235-614	Program Approval and Reauthorization	----	$ 139,903	$99,453	$ 400,000	302.20%	$ 400,000	0.00%
General Services Fund Group Total			**$ 97,027**	**$ 206,865**	**$ 233,609**	**$ 900,002**	**285.26%**	**$ 900,003**	**0.00%**
3N6	235-605	State Student Incentive Grants	$ 1,616,785	$ 2,200,606	$2,196,681	$ 2,196,680	0.00%	$ 2,196,680	0.00%
3H2	235-608	Human Services Project	$ 752,578	$ 612,786	$553,519	$ 1,500,000	170.99%	$ 1,500,000	0.00%
312	235-609	Tech Prep	$ 196,008	$ 205,628	$194,858	$ 183,850	-5.65%	$ 183,850	0.00%
3T0	235-610	National Health Service Corps – Ohio L	$ 50,000	$ 70,000	$265,156	$ 150,001	-43.43%	$ 150,001	0.00%
312	235-611	Gear Up Grant	$ 982,871	$ 1,339,724	$1,401,229	$ 1,478,245	5.50%	$ 1,370,691	-7.28%
312	235-612	Carl D. Perkins Grant/Plan Administrati	$ 34,350	$ 130,739	$104,537	$ 112,960	8.06%	$ 112,960	0.00%
312	235-615	Professional Development	----	$ 266,326	$94,984	$ 523,129	450.75%	$ 523,129	0.00%
312	235-616	Workforce Investment Act Administrati	----	----	$39,885	$ 850,000	2,031.13%	$ 850,000	0.00%
312	235-631	Federal Grants	$ 2,491,942	$ 2,580,601	$2,410,714	$ 3,444,949	42.90%	$ 3,150,590	-8.54%
Federal Special Revenue Fund Group Total			**$ 6,124,533**	**$ 7,406,410**	**$ 7,261,563**	**$ 10,439,814**	**43.77%**	**$ 10,037,901**	**-3.85%**
4E8	235-602	Higher Educational Facility Commissio	$ 2,712	$ 8,142	$11,000	$ 20,000	81.82%	$ 20,000	0.00%
4P4	235-604	Physician Loan Repayment	$ 419,630	$ 417,092	$335,522	$ 476,870	42.13%	$ 476,870	0.00%
682	235-606	Nursing Loan Program	$ 640,814	$ 683,030	$646,394	$ 893,000	38.15%	$ 893,000	0.00%
649	235-607	The Ohio State University Highway/Tra	$ 500,000	$ 820,464	$662,382	$ 760,000	14.74%	$ 760,000	0.00%
State Special Revenue Fund Group Total			**$ 1,563,157**	**$ 1,928,728**	**$ 1,655,298**	**$ 2,149,870**	**29.88%**	**$ 2,149,870**	**0.00%**

Line Item Detail by Agency

	FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
BOR Regents, Ohio Board of							
Regents, Ohio Board of Total	$ 2,526,168,152	$ 2,465,628,638	$ 2,419,457,192	$ 2,456,983,028	1.55%	$ 2,495,324,375	1.56%

- One in four state employees works for DRC
- Likely reductions in staff, services, and subsidies
- Orient mothballed; Lima closure in litigation

Rehabilitation and Correction, Department of

Joseph Rogers, Budget Analyst

ROLE

Conceptually and historically, the Department of Rehabilitation and Correction (DRC) can be viewed as the administrator of a three-stage felony sanctioning system: (1) an intake mechanism on the front end for the processing of offenders into the state's prison system, (2) a large physical plant for housing inmates located in the middle, and (3) an output mechanism on the back end for the release of offenders back into the community.

As its most basic mission, the Department is charged with the supervision of felony offenders committed to the custody of the state, which includes the provision of housing and inmate services and programming within a statewide network of prisons, and, following their release from incarceration, controlling and monitoring those offenders through a community supervision system administered by the Adult Parole Authority.

The Department also manages a package of community control sanctions (supervision and control services, halfway house beds, and subsidies) that provide judges with a range of sentencing options that reduce or eliminate the time that offenders spend in prison or jail.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
14,600	$1.63 billion	$1.66 billion	$1.43 billion	$1.45 billion	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Historically, the lion's share of DRC's operating and capital budgets have been devoted toward the building and management of correctional institutions and the inmates who inhabit them. Although this fiscal reality remains largely intact to this day, beginning in FY 1994, the Department started to direct a larger percentage of its annual GRF operating budget into parole and community services. This funding change signaled a transition in philosophy and spending away from its historical emphasis on administering a large geographically far flung network of prisons and toward a system of prison diversion and release programs that emphasize a continuum of graduated community control sanctions.

COMMUNITY CONTROL SANCTIONS

If one were to focus solely on the GRF side of the Department's operating budget for the period running from FY 1988 through FY 1993, the percentage of total GRF spending allocated for prison diversion and jail population reduction programs ran in the range of 8% to 9% annually. Since that time, the amount of GRF money that has been allocated to these community sanctions programs has moved up into the 13% range.

Keep in mind, however, this percentage actually somewhat overstates the financial resources spent explicitly on prison diversion and jail population reduction programs, as it also includes departmental expenses associated with operating the release component of the state's prison system (the Parole Board and the supervision and residential placement of parolees, those released under transitional control, and graduates of the boot camp phase of intensive program prisons, as well as offenders under post-release control). On the other hand, it should be noted that the parole component of the Department's Division of Parole and Community Services does provide full or supplemental community supervision and control services to a number of counties. More specifically, the Adult Parole Authority (APA) performs full, partial, or supplemental pre-sentence investigations and/or supervision services for 51 of Ohio's 88 counties.

FYS 2002-2003 EXPENDITURE REDUCTIONS

As a result of expenditure reductions instituted over the course of FYs 2002 and 2003, the Department was required to make various spending cuts and implement a number of cost saving measures. Based on information provided by the Department, it took the following notable cost-cutting actions over the course of the FY 2002-2003 biennium:

- A two-year early retirement incentive (ERI) buyout program was in effect from July 2001 through September 2002, producing a net effect of eliminating 291 staff positions. The ERI yielded approximately $17.4 million in annual savings.
- Layoffs and a hiring freeze in effect from January 2001 through July 2002 reduced the number of staff positions by about 1,849.
- In April 2002, the Department closed the Orient Correctional Institution (OCI). Of the more than 400 employees at OCI, 114 were ultimately laid off and the rest moved into other correctional institutions. Approximately 1,500 inmates were moved to other correctional institutions. The closure saved the Department about $3.4 million in FY 2002 and about $25.0 million in FY 2003.
- Numerous inmate dormitories or housing units were closed at various correctional institutions. Each inmate dormitory or housing unit closure resulted in a reduction of staff members, including correction officers and unit managers. These closures saved $882,783 in FY 2002 and generated an estimated savings of $6,001,629 in FY 2003.
- In the spring of 2001, the Department began to cluster medical contracts in an effort to reduce medical services costs. Previously, such contracts were negotiated for 28 correctional institutions individually. As a result of revising the contracting process, the Department reduced the number of institutional contracts from 28 to ten correctional institution clusters and six individual contracting correctional institutions (a total of 16). According to the Department, this revised contracting process has produced a more effective and efficient use of available resources, and is generating an estimated annual savings of $1.4 million.

FY 2004-2005 GRF BIENNIAL OPERATING BUDGET SUMMARY

Table 1, immediately below, captures the GRF components of the Department's FY 2004-2005 biennial operating budget that will fund the following four program areas: (1) institutional operations (Institutions), (2) debt service (Debt Service), (3) parole and community sanction programs (Parole/Community Sanctions), and (4) central administration (Administration). The columns of Table 2 summarize the following fiscal information for each of these four program areas: "continuation cost," which is the amount of GRF money that the Department calculated it would need in FYs 2004 and 2005 to continue the level services that were being delivered or initiated during FY 2003, "appropriated total," which is the amount of GRF money appropriated in each of FYs 2004 and 2005, and "amount below continuation," which is a function of the "appropriated total" minus the "continuation cost."

Table 1: GRF Annual Operating Budget by Program Areas ($ in millions)*

Program Series	FY 2004			FY 2005		
	Continuation Cost	Amount Below Continuation	Appropriated Total	Continuation Cost	Amount Below Continuation	Appropriated Total
Institutions	$1,150.75	$ 77.10	$1,073.65	$1,178.18	$ 87.76	$1,090.42
Debt Service	$ 142.00	----	$ 142.00	$ 146.31	----	$ 146.31
Parole/Community Sanctions	$ 231.46	$ 40.30	$ 191.16	$ 251.01	$ 60.32	$ 190.69
Administration	$ 27.23	$ 0.70	$ 26.53	$ 27.91	$ 0.49	$ 27.42
GRF Totals	**$1,551.44**	**$118.10**	**$1,433.34**	**$1,603.40**	**$148.57**	**$1,454.84**

*Detail may not add to totals due to rounding.

As the reader can see in Table 1 above, from the Department's perspective, all but one of its program areas – debt service – was appropriated a level of annual GRF funding less than its calculated future cost of paying for the level of services that were performed or initiated in FY 2003. Thus, Table 2 in effect highlights what are GRF funding shortfalls by program area.

The largest of these shortfalls in continuation funding was experienced by the Department's Institutions program area, which finances the day-to-day operations of the prison system. For the FY 2004-2005 biennium, the Institutions program area was appropriated a total of $164.86 million, or 7.1%, less than the Department's calculated future cost of day-to-day prison operations.

The Parole/Community Sanctions program area, which includes subsidies distributed to local criminal justice systems, as well as halfway house beds purchased by the state and shared with local sentencing courts, felt the second largest continuation-funding shortfall. For the FY 2004-2005 biennium, the Parole/Community Sanctions program area was appropriated a total of $100.62 million, or 20.9%, less than the Department's calculated future cost of supporting programs and services that are intended to reduce prison and jail populations.

LIMA CORRECTIONAL INSTITUTION CLOSURE

In order to reduce annual GRF expenditures, the Department is planning to close the Lima Correctional Institution. The closure was scheduled for July 1, 2003, so the savings effect will be first realized in FY 2004. The Department does not know precisely how many staff positions the closure will eliminate, as more senior personnel have the opportunity to "bump" into other correctional institutions. The estimated FY 2004 net savings, after the payment of $1.0 million in unemployment compensation, will be approximately $25.0 million. In FY 2005, the estimated annual savings is in the range of $25.0 million to $27.0 million.

As of this writing, the authority of the Governor to close a prison was undergoing a legal challenge and the Lima Correctional Institution had not been closed as scheduled.

ZERO-BASED BUDGETING

Temporary law requires the Department to prepare, with technical assistance to be provided by the Office of Budget and Management (OBM), a full zero-based budget for the FY 2006-2007 biennium. As of this writing, it appears that the one-time expense associated with the preparation of a zero-based budget for the Department and OBM would not exceed minimal. The state expense is probably best viewed as largely an "opportunity cost." In other words, those two state agencies will likely absorb this task within their existing mix of duties and responsibilities, and presumably have to delay as appropriate the performance of some of those other duties and responsibilities (Section 90).

ADMINISTRATIVE RESOLUTION OF SMALL CLAIMS OF INMATES

Under preexisting law, an inmate of a state correctional institution who wanted to pursue a claim against the state for property damage was required to bring a civil action in the Court of Claims, regardless of the size of the claim. The enacted biennial operating budget amended the preexisting law to require that an inmate who has a claim of $300 or less for the loss of or damage to property first attempt to settle the claim through an administrative procedure established by rule by the Director of Rehabilitation and Correction (section 2743.02).

The required administrative procedure creates a duty for the Department, while potentially relieving the Court of Claims of some inmate claims that it might otherwise have had to resolve. According to the Department, the administrative procedure may divert around 180 cases annually from the Court. Currently in cases where the inmate is not indigent, the inmate pays a $25 filing fee in order to file a claim in the Court. If the inmate wins the case, then the Department reimburses the $25 filing fee plus the amount of the claim. The fiscal effect of this administrative procedure on the Department's annual expenditures appears likely to be negligible.

PRISON SYSTEM GROWTH

The size of the Department's prison system has grown in the last fifteen years or so. As of the start of FY 1980, this system contained eight correctional institutions and housed around 14,000 inmates. At the close of FY 2003, the Department had 33 correctional institutions, including the Corrections Medical Center and two privately operated institutions, and was managing an inmate population totaling around 45,402. The FY 2004-2005 biennium will be the second consecutive two-year operating budget in a time frame dating back to the early 1980s in which no new correctional institutions were constructed and activated. This heretofore-uninterrupted pattern of institutional growth was part of a dynamic set in motion by the prison construction program that the state embarked on in 1982 with the enactment of Am. Sub. H.B. 530 of the 114th General Assembly.

Even without the addition of new correctional facilities, given the number of staff and inmates in the prison system, the Department may still experience the potential fiscal pressures that are a natural consequence of the effects on: (1) pay raises and collective bargaining agreements on payroll expenses, and (2) inflation on medical, utility, and food costs. A quick scan of the Department's current staffing mix suggests that a conservative guess would put the number of employees who are covered by collective bargaining at roughly 85%.

For at least the last ten years or so, the vast majority of the Department's capital and operating budgets have gone toward supporting this network of state correctional institutions. Since at least FY 1988, and continuing through the FY 2004-2005 biennium, the percentage of total spending consumed by institutional operations has been, and will continue to be, roughly three-quarters of the Department's total annual GRF operating budget.

STAFFING LEVEL

Table 2 immediately below summarizes, the Department's number of authorized GRF-funded staff positions and number of filled GRF-funded staff positions as of June 14, 2003. As one can see, according to DRC figures, the current number of authorized and current number of filled GRF staff positions is in excess of 14,800 and 13,300, respectively. Also of note is the fact that the Department eliminated more than 1,800 staff positions over the course of FYs 2002 and 2003 in response to the ordering of GRF expenditure reductions.

The enacted biennial operating budget provides a level of GRF funding that is below what the Department calculated its future cost of doing FY 2003 business would be in FYs 2004 and 2005. As a result, the Department is unlikely to be able to maintain its FY 2003 level of programs and services over the course of the FY 2004-2005 biennium, which means that it would have to reduce certain operating expenses (payroll, contracts, maintenance, and equipment).

Table 2: DRC's GRF Staffing Levels as of June 14, 2003

GRF-Funded Staff Positions	Correction Officers	Other Staff	Total Staff
Authorized Number of GRF Staff Positions	7,970	6,839	14,809
Filled Number of GRF Staff Positions	7,391	5,935	13,326
Number of Vacant Authorized Staff Positions	579	904	1,483

Although not pictured in Table 2, it should not be forgotten that the Department does carry a number of staff that are not supported by the GRF payroll. The number of filled non-GRF staff positions totaled 1,090 as of June 14, 2003, which means that over 90% of the Department's filled staff positions were supported by the GRF.

STATE EMPLOYEE

What is not clearly evident from the Department's staffing levels in the above table is the bigger picture into which these "numbers" fit. Relative to the number of people employed by the Department in comparison to the total number of state employees, it is probably safe to make the following two observations. First, roughly 25% of all state employees work for the Department, which is one-in-four state employees. Second, approximately 13% of all state employees are correction officers who work for the Department, which is approximately one-in-six state employees.

PRIVATIZED CORRECTIONAL FACILITIES

The Department's staffing levels do not include the Lake Erie Correctional Institution and the North Coast Correctional Treatment Facility, which are both state-owned prisons whose operations have been contracted out to private sector vendors. If these two correctional institutions were not privatized, the Department would need to hire approximately 500 additional staff for their activation and operation.

LOCAL GOVERNMENT IMPACT

The principal local fiscal impact generated by the Department's enacted biennial operating budget will be felt through activities and funds handled by the Division of Parole and Community Services. The Division provides a mix of direct supervision and control services, as well as subsidy and contract dollars, to local jurisdictions for the handling of felons and misdemeanants. This has the practical effect of saving such jurisdictions, in particular counties, money that might otherwise have to be allocated for their local criminal justice systems.

In the wake of the major restructuring of the state's felony sentencing framework enacted by Am. Sub. S.B. 2 of the 121st General Assembly, the purpose of the Division's community sanctions funding has, theoretically at least, been to reduce prison and jail populations by diverting felony and misdemeanant offenders into alternative community controls.

The Division does, however, more than just provide subsidies. The true range of local community control sanctions provided by the Division also includes: (1) parole officers assigned to the Adult Parole Authority who supervise and control felons for various sentencing courts around the state, and (2) state-contracted halfway house beds that are made available to common pleas judges for directly sentencing felons to community control sanctions as opposed to making them a state burden by sentencing them into the prison system.

Overall, with regard to its parole and community sanctions operation, arguably the enacted FY 2004-2005 biennial operating budget contains less GRF moneys than the Department calculated was necessary to fully fund the level of direct supervision and control services and community sanctions programming that was being delivered in FY 2003. This means some reduction in operating expenses and in the level of financial assistance available for certain community sanctions programs, e.g., community non-residential and misdemeanor programs. It also appears safe to say that certain other community sanctions programs, e.g., community-based correctional facilities (CBCFs) and halfway houses, likely has enough GRF funding in each of FYs 2004 and 2005 to expand the level of the number of available beds and treatment services.

CURBING CORRECTIONAL COSTS

There are at least two general strategies that can be followed during the FY 2004-2005 biennium in the continuing efforts of the Department to reduce the institutional operating costs associated with the day-to-day running of a prison system. Those two general strategies are: (1) revenue generation, and (2) expenditure reduction.

Cost Control Strategy 1: Revenue Generation

One general strategy to cut or constrain GRF spending would actually involve cost shifting through revenue generation – the movement of necessary expenses from GRF to non-GRF revenue generating accounts. In point of fact, the Department is already exploiting this cost shifting-revenue generating avenue as evidenced by the manufacture and sale of various goods and services by the Ohio Penal Industries (OPI), as well as commission revenue generated in Fund 4D4 from telephone systems established for the use of inmates.

Along a similar vein, the Department has implemented a services co-payment program requiring a prisoner to make a $3 co-payment when the prisoner initiates a request for medical treatment or other related services. Two potential fiscal effects of such a co-payment include: (1) creating a potential disincentive to use what was previously virtually free-and-unlimited medical care, thus cutting demand and saving GRF-supported medical resources, and (2) generating some amount of non-GRF revenue that can supplement existing medical resources. These co-pays currently generate about $400,000 annually.

In fact, the Department currently has access to a number of statutorily permissible cost mechanisms for recovering various costs from offenders, but their viability as ongoing generators of much in the way of revenue remain unclear and their associated administrative burden in some cases may exceed any benefit gained.

Cost Control Strategy 2: Expenditure Reduction

Regardless of the amount of revenues that can be generated through various institutional programs, the alternative mechanism of cost reduction will continue to be a reality for the Department.

The question is then, how does one constrain prison operation costs? Cost containment strategies can generally be seen as falling into one of three types: (1) front-end diversion devices, (2) back-end release devices, and (3) organizational or managerial controls. The first two types are efforts to restrain growth in prison populations. On the other hand, the third type more or less takes prison population as given and then makes optimal use of available resources.

Front-end diversion devices are basically sentencing alternatives that place an offender under some type of sanction in lieu of incarceration in a correctional facility. The effect is to reduce prison admissions and prison population levels from what they might otherwise have been, which theoretically translates into some form of cost savings. Examples of such programs or actions include community corrections that provide an array of residential and nonresidential sanctions and changing the technical violation criteria that trigger the recommitment of a released offender to prison.

Recidivism is a key variable for understanding cost reduction via the front-end diversion of inmates. The Department feels that, given cost reductions already taken, the greatest opportunity to decrease future institutional expenditures is to provide sufficient inmate programming that reduces the likelihood of recidivism. According to the Department, research indicates strong connections between recovery, education, and skills training programs and levels of recidivism.

The centerpiece of the Department's efforts to reduce recidivism has been the development of "The Ohio Plan for Productive Offender Reentry and Recidivism Reduction." The Ohio Plan is a strategy for providing offenders with necessary treatment, education, and counseling at every stage that the offender is under the custody and control of the Department, from intake through release into the community, in order to assist offenders in being better prepared and able to make the successful transition, or reentry, back into society.

Back-end release devices basically reduce the length of stay for those committed to prison. The effect is to restrain growth in prison population levels from what they might otherwise have been, which theoretically translates into some form of cost savings. Examples of such programs or actions include boot camps, earned credits, furloughs, and electronically monitored early release.

The issue of managerial and organizational controls basically asks the question: what actions can the Department take that will provide cost savings and increase effectiveness in operations? Examples of actions aimed at better management of criminal justice resources include state-of-the-art prison population projection models, offender classification systems, correctional staffing and personnel analysis, and privatization.

INFLATION

The nature and size of the Department's institutional operations – at the end of FY 2003 it was composed of 33 correctional institutions, roughly 45,000 inmates, and 12,000-plus institutional staff – make its payroll and maintenance costs especially sensitive to changes in the costs of doing business. And in the "prison business" the economic pressures are always pushing the costs associated with the delivery of essential goods and services upward (security, medical care, food, clothing, utilities, and so forth). Inflation is not a factor over which the Department has much control and it has the potential to wield a profound fiscal effect on institutional agency budgets.

Inflation has had a particularly notable impact on the range of medical/healthcare services delivered in correctional institutions. The FY 2001 inflation rate for medical/healthcare services, as measured by the Consumer Price Index, was about 4.6%. The Department has estimated that the annual medical/healthcare services inflation rate over FYs 2004 and 2005 will be at least 6% and quite possibly as high as 13%. This anticipated increase in the cost of medical/healthcare services stems from the following types of factors:

- The inmate population is aging and will require more medical/healthcare services.
- There will be an increase in the cost for diagnostic and treatment services for, at minimum, hundreds of inmates carrying the Hepatitis C virus as the result of changes in the recommended protocols by the Centers for Disease Control and Prevention.
- Labor shortages are also having an inflationary effect on the provision of dental and pharmacy services. In an effort to control costs as these contracts are re-bid for FYs 2004 and 2005, the Department has imposed a cap on the amount it is prepared to pay for the delivery of such services.
- The Department expects employee healthcare costs to increase by somewhere between 15% and 19%.

PAY RAISES

The Department's GRF staff, which totaled in excess of 13,300 paid positions as of June 14, 2003, will likely generate an annual payroll expense in excess of $850 million in each of FYs 2004 and 2005. Thus, any kind of pay raises, in particular those that automatically kick in as a result of collective bargaining agreements, have a noticeable fiscal effect on the Department's bottom line payroll costs, in particular those absorbed by the GRF.

VETOED PROVISIONS

Facilities Closure Commission

The Governor vetoed a provision that would have established a procedure for closing a state institutional facility for the purpose of expenditure reductions or budget cuts, including the creation of a Facilities Closure Commission charged with studying and reporting on the matter (sections 107.31 to 107.33 of the Revised Code). The occasional one-time state administrative costs for such a Commission to perform its duties under the procedure appeared unlikely to exceed minimal. The required procedure in and of itself would not have created any immediate and direct local fiscal effects.

Study of Pre-S.B. 2 Offenders

The Governor vetoed a provision that would have required the Parole Board to: (1) review the appropriateness of the length of sentences of current prisoners who were sentenced under the Felony Sentencing Law that was in effect prior to July 1, 1996, (2) determine whether the length of any of those sentences should be adjusted, and (3) submit a report of its findings and recommendations to the General Assembly (Section 154). The Department has been in the process of formally studying and evaluating the sentencing of pre-S.B. 2 inmates in accordance with the ruling made by the Supreme Court of Ohio in *Layne v. Ohio Adult Parole Authority*. Thus, the study requirement would not have created any direct and immediate fiscal effect for the Department.

BUDGET ISSUES

We have conceptually organized our following discussion of the Department's annual operating budget into four distinct program areas: (1) Institutional Operations, (2) Parole and Community Services, (3) Central Administration, and (4) Debt Service. Generally, the reader will encounter a narrative built around GRF funding, including expansion amounts, or what is frequently termed, "new money." Also addressed selectively will be certain departmental non-GRF accounts.

INSTITUTIONAL OPERATIONS

The Institutional Operations program series consists of programs that provide housing, security, maintenance, food, and support services for offenders who are sentenced to the custody of the Department. The analysis of the program area is organized around a mix of issues, programs, and selected non-GRF revenue streams.

Institutional Staffing Plan

Table 4 below shows the number of staff positions for which the Department requested funding (labeled "Continuation Staff"), including correction officers (labeled "COs"). The revenue source that would be financing these personnel is also captured. For GRF-funded institutional staff, the programmatic line item that would support these personnel is noted. For ease of presentation all other institutional staff supported by other revenue streams are grouped under the column labeled "Total non-GRF."

The staff levels in Table 3 below essentially reflect the number of personnel that the Department calculated it would need to employ in order to continue delivering its FY 2003 level of institutional services and programs over the course of the FY 2004-2005 biennium.

Table 3: DRC's Requested Institutional Staffing Levels for FYs 2004 and 2005

Staffing	501-321	502-321	505-321	506-321	507-321	Total GRF	Total non-GRF	Total All Funds
Continuation Staff	11,621	634	580	337	96	13,268	1,300	14,568
COs	7,924	---	---	---	---	7,924	---	7,924
Total Staff	**11,621**	**634**	**580**	**337**	**96**	**13,268**	**1,300**	**14,568**

The enacted FY 2004-2005 biennial operating budget does not provide sufficient funding to cover the future cost of delivering FY 2003 program and service levels. Thus, the Department will have to trim institutional operating costs over the course of the FY 2004-2005 biennium, which means reductions in payroll, maintenance, and equipment expenses. Since the lion's share of the Department's personnel are employed in its institutional program areas, it is likely that any potential Department wide reductions in force would be relatively larger than those that might occur in the Division of Parole and Community Services or Central Office. These reductions could occur though any number or mix of mechanisms, including: (1) an early retirement buyout, such as the one put into place March 1, 2003 for a period of one year, (2) a continued hiring freeze, (3) attrition, and (4) potentially more layoffs.

Glouster Substance Abuse Treatment Camp

During FY 2001, the Department was scheduled to activate the newly constructed 125-bed substance abuse treatment camp in Glouster (Athens County). The total number of camp staff was expected to be around 50 (24 correction officers, six operations, nine food service, three medical services, six recovery services, and two education services), with all but nine of those staff funded by the GRF. The total annual GRF cost for this camp, once fully operational, was estimated at $3.0 million.

Given the problematic fiscal picture that was developing for state finances in the latter part of FY 2001, the Department opted to put activation of the Glouster camp on indefinite hold. As of this writing, it appears highly unlikely that the Department will activate the Glouster camp anytime in the near future, if ever.

Mental Health Services

The Mental Health Services program provides care for inmates with a variety of mental health needs. The service delivery system concept in the program draws heavily from the notion of "clusters" used in community mental health care. All of the Department's correctional institutions have been assigned to a cluster, with each cluster, or grouping, responsible for providing a continuum of care ranging from outpatient to residential services to inmates residing within that cluster. Inmates in need of hospitalization are transferred to the department's Oakwood Correctional Facility (Allen County), which currently houses around 190 male and female offenders in need of intensive psychiatric treatment.

The enacted FY 2004-2005 biennial operating budget provides less than the requested amount of continuation funding to cover the annual operating costs associated with 634 staff positions (payroll, maintenance, and equipment). As a result, the Department will have to trim operational costs financed through GRF line item 502-321, Mental Health Services, especially in light of the inflationary pressure on medical/healthcare costs that are largely out of the Department's control.

Medical Services

The Medical Services program provides primary and screening health care at all correctional institutions, as well as more specialized and acute care under a contractual arrangement with The Ohio State University Hospitals (OSU). In FYs 2002 and 2003, the OSU contract cost approximately $26.0 million each year. For FYs 2004 and 2005, the OSU contract is expected to cost the Department between $27.0 million and $28.0 million annually.

The enacted FY 2004-2005 biennial operating budget provides less than the requested amount of continuation funding to cover the annual operating costs associated with 580 staff (payroll, maintenance, and equipment). As a result, the Department will have to trim operational costs financed through GRF line item 505-321, Institution Medical Services, especially in light of the inflationary pressure on medical/healthcare costs that are largely out of the Department's control.

Education Services

The Education Services program provides educational opportunities for inmates, including adult basic education, high school equivalency, adult high school, vocational education, special education and literacy training, and pre-release programming.

In the GRF component of the Department's original biennial budget submission, it requested funding to: (1) continue covering the annual operating costs associated with 337 staff (payroll, maintenance, and equipment), and (2) move the funding source for approximately 200 educational services staff from Fund 4D4, Prisoner Programs, to GRF line item 506-321, Institution Education Services. The enacted FY 2004-2005 biennial operating budget provides noticeably less than the requested level of GRF funding in each fiscal year. As a result, the Department is currently not planning to move any of the 200 educational services staff that it originally sought to transfer from Fund 4D4 to GRF line item 506-321. In addition, the Department may reduce its financial commitment to higher education services and programs, but such a decision has not been made as of this writing.

Recovery Services

The Recovery Services program provides care for inmates with a variety of alcohol and other drug (AOD) service needs.

The enacted FY 2004-2005 biennial operating budget provides less than the Department's requested amount to: (1) continue funding the annual operating costs associated with 96 staff positions (payroll, maintenance, and equipment), and (2) move the funding source for a relatively small number of recovery services staff from Fund 4D4, Prisoner Programs, to GRF line item 507-321. Institution Recovery Services. The Department estimates that the appropriated amount of annual GRF funding level will support approximately 90 staff positions.

Prisoner Compensation

Inmates who work at jobs other than those associated with the Ohio Penal Industries receive a monthly wage that runs from $16 to $18. This "hierarchy of pay" has been in effect since 1982. The funds to support these payments are drawn from GRF line item 501–403, and it is important to understand that the amount spent annually is a direct function of the number of inmates who are working. If the size of the inmate population grows, so do the number of offenders that work, thus total prisoner compensation rises. Similarly, if the size of the inmate population declines, so do the number of offenders that work, thus total prisoner compensation decreases.

The enacted FY 2004-2005 biennial operating budget provides less than the level of annual GRF funding that the Department requested for the purpose of paying inmates and issuing gate money. At this time, the Department believes that it can work with this level of funding, without resorting to cutting inmate pay or gate money. The inmate population as well as the number of offenders being released from prison has more or less stabilized, thus there is not an ever increasing number of working inmates who would have to be paid or collecting gate money on the way out the prison door.

According to the Department, the ability to work has to be viewed in light of its positive effects on prison life. Minimally, the ability to work cuts into an inmate's idle time and gives the inmate something to do, which is a valuable prison management tool. This tool is also a useful way to reward inmates by being able to assign them to better, more highly paid jobs. It also gives them money with which to buy cigarettes, snacks, and so forth at each correctional institution's commissary. The profit on these sales then flows back into each correctional institution for the purchase of goods and services that benefit inmates.

Prisoner Programs (Fund 4D4)

Moneys deposited to the credit of Fund 4D4 are used for the costs of construction, goods, and services that directly benefit inmates, as well as part of the cost of prisoner release payments.

The Department has in recent years utilized a three-pronged strategy to tap into the fund's revenue stream. First, back in FY 1996, the Department moved some existing fiscal burdens from the GRF to this non-GRF account. Second, the department has taken to tapping this revenue to undertake an expansion of programming services that are delivered to inmates. Third, the fund is used to assist in financing one-time construction projects, like buildings that will house various inmate programs.

The enacted FY 2004-2005 biennial operating budget will continue the heavy tapping of the fund's rather healthy revenue stream. That said, the spending level has become problematic, as expenditures are beginning to exceed the available revenue stream supporting the fund. The revenue stream consists of a commission paid by the equipment provider, MCI WorldCom, to the Department for collect telephone calls made by inmates. The commission paid by MCI WorldCom annually generates about $14.0 million for the Department. When MCI WorldCom recently filed for bankruptcy, the monthly commission payments were interrupted for a period of about two months. Following MCI WorldCom's corporate restructuring, the payments have resumed.

Negative turns in Fund 4D4's cash flow will likely place the Department in the position of having to make some difficult decisions regarding resource allocations, particularly in light of the fact that currently there are approximately 200 education services and 60 recovery services personnel paid from the fund. It also appears that, as a result of the enacted levels of GRF funding contained in the FY 2004 and 2005 biennial operating budget, the Department is unlikely to move many, if any, the 200-plus education and recovery services staff currently paid from Fund 4D4 to GRF line items 506-321 and 507-321. Part of the Department's original FY 2004-2005 biennial operating budget submission included a proposal for additional GRF funding in order to transfer a substantial amount of the payroll costs currently being charged against Fund 4D4, especially those associated with education services staff.

Federal Truth-In-Sentencing (Fund 3S1)

Fund 3S1 basically supports a federal "bricks-and-mortar" program intended generally to fund construction or renovation projects that create additional bed space for the housing of adult and juvenile violent offenders. A very small amount of these federal moneys are used to cover the Department's administrative expenses, with the very large remainder disbursed as follows: 80% to the Department for capital projects, 15% to local governments for full-service jail projects, and 5% to the Department of Youth Services.

The enacted FY 2004-2005 biennial operating budget provides a level of funding that reflects the amount of the federal money that Ohio will be eligible for and draw down annually. The state cannot simply collect its annual federal award and bank it until it is needed; it can only draw on an awarded amount as it incurs costs. In this sense, it works more like a reimbursement program.

There is also a notable difference between the fund's annual appropriation of around $25.0 million in each FYs 2004 and 2005 when compared to the fact that the annual federal grant award has been in the range of $12.0 million to $16.0 million. The FY 2004 and 2005 appropriations essentially represent grant moneys that the Department has accumulated over time, but not yet spent. Those familiar with the dynamics of state capital money know it can take anywhere from three-to-six years to spend it from the time at which it was appropriated. How much of these federal capital moneys will be disbursed in any particular fiscal year is highly uncertain, which means in many ways setting this fund's appropriation authority involves some educated guesswork.

Offender Financial Responsibility (Fund 5H8)

The Department is permitted under current law to collect "cost debts" from an offender, including, but not limited to, any user fee or co-payment for services, assessments for damage or destruction to institutional property, restitution to another offender or staff member, cost of housing and feeding, cost of supervision, and cost of any ancillary services. Any of these cost debts collected are directed into the Offender Financial Responsibility Fund (Fund 5H8) and may be expended for goods and services of the same type as those for which offenders were assessed costs. To date, the only cost debt being collected is a $3 co-payment for voluntary sick calls, which generates about $400,000 annually.

The enacted FY 2004-2005 biennial operating budget basically provides annual appropriations for Fund 5H8, which will, given the Department's current cost collection practice, cover some of the annual operating costs associated with the institutional medical services program.

Laboratory Services (Fund 593)

The existence of Fund 593 reflects the decision made in the fall of calendar year 1998 by the departments of Rehabilitation and Correction and Mental Health to merge their separate laboratory operations into one unified laboratory under the control of the Department of Rehabilitation and Correction. That arrangement was set further into motion by action of the Controlling Board that created the Laboratory Services Fund in October 1998, and then was codified by Am. Sub. H.B. 850, the capital appropriations act of the 122nd General Assembly.

The laboratory is required to provide services to the departments of Rehabilitation and Correction, Mental Health, Mental Retardation and Development Disabilities, and Youth Services, and may also provide such services to other state, local, and private entities upon request. The Department is required to determine the cost of operating the laboratory and charge for the cost of providing laboratory services. The moneys so collected are then deposited to the credit of Fund 593 and used to finance the laboratory's operation.

The enacted FY 2004-2005 biennial operating budget sets appropriation levels that reflect the amount of revenue that will be needed and available in each of FYs 2004 and 2005 to support the Department's laboratory.

Plan to Optimize Food Grown at DRC Correctional Institutions and DYS Facilities

The enacted FY 2004-2005 biennial operating budget contains a temporary law provision requiring the directors of Rehabilitation and Correction (DRC), Youth Services (DYS), and Agriculture to develop a plan to optimize the quantity and use of food grown and harvested in state correctional institutions or in secure facilities operated by the Department of Youth Services in the most cost-effective manner and to submit the plan to designated government officials (Section 161).

The Department of Rehabilitation and Correction has already completed a study in conjunction with The Ohio State University that is very similar to the plan required to be developed pursuant to the temporary law provision. Assuming that much of that work is transferable to development of the required plan, then it seems likely that the one-time fiscal burden for the involved state entities would be no more than minimal, if that.

PAROLE AND COMMUNITY SERVICES

The bulk of the funding for the Parole and Community Services program area supports state and local efforts for the control and supervision of offenders who have been released from prison or who have been sentenced to community supervision by a local judge. For the purposes of this analysis, the Parole and Community Services program area has been grouped into two sets of activities: (1) offender release and supervision, and (2) community sanctions.

The reader should keep in mind the basic distinction between "continuation funding" and "expansion funding." Continuation funding basically represents the amount of moneys it will take in FYs 2004 and 2005 to continue services that were being delivered during FY 2003, and to replace some of the treatment programming, eliminated over the course of FYs 2002 and 2003, that was being delivered to offenders as part of community-based correctional facility (CBCF), halfway house, and prison and jail diversion programs. Expansion funding is essentially new moneys explicitly provided to undertake new initiatives, expand existing services, or hire new staff.

Activity 1: Offender Release and Supervision

The activities grouped hereunder cover components of the Division of Parole and Community Services that provide offender release and community supervision services, jail inspection services, and victim services. The largest component of these offender release and supervision activities contains the Adult Parole Authority (APA). The APA is responsible for the release of offenders from prison (including operation of the Parole Board) and their supervision in the community thereafter (including offenders placed on parole, post-release control, and transitional control). The APA also provides: (1) full pre-sentence investigation and supervision services to the courts of common pleas in 46 counties,

(2) supplemental pre-sentence investigation and supervision services to the courts of common pleas in four counties, and (3) pre-sentence investigation services to the courts of common pleas in five counties.

The enacted FY 2004-2005 biennial operating budget provides less than the GRF continuation funding level that the Department calculated would be needed to cover the annual operating costs associated with an authorized staffing level of 1,242 positions, which includes around 600 parole officers, supported by line item 503-321, Parole and Community Operations. The Department estimates that level of funding appropriated to line item 503-321 will support approximately 1,101 staff in each of FYs 2004 and 2005. As a result, it would appear that the Division will need to reduce, constrain, or delay certain operating costs, in particular payroll expenses through a mix of strategies that could include an early retirement buyout, a hiring freeze, attrition, and potentially more layoffs.

Activity 2: Community Sanctions

The Community Sanctions activities grouped hereunder contain four sub-programs (discussed in more detail below) that provide contract and subsidy moneys intended to ensure that, for the purposes of sanctioning offenders and protecting public safety, the state and local judges have access to a range of appropriate community-based controls as alternatives to prison and jail.

The enacted FY 2004-2005 biennial operating budget contains a temporary law provision in Section 90 requiring the Department, with Controlling Board approval, to transfer in FY 2005 from the unexpended, unobligated GRF appropriations made to the Department for FYs 2004 and 2005 at least $3.25 million in appropriation authority to GRF appropriation item 501-405, Halfway House, and at least $3.25 million in appropriation authority to GRF appropriation item 501-501, Community Residential Programs – CBCF. The fiscal effect of the provision will be to increase the amount of FY 2005 GRF funding available for disbursement on certain community sanctions programs by at least $6.5 million.

Sub-Program 1: Halfway Houses

The Halfway House sub-program, financed through GRF line item 501-405, contracts with public and private agencies for the provision of residential placements for offenders who are: (1) released from prison under the supervision of the Adult Parole Authority, or (2) sentenced into community control by a common pleas court. Under the enacted FY 2004-2005 biennial operating budget, the Halfway House sub-program received less funding than was requested by the Department in both fiscal years. The Department's FY 2004-2005 biennial operating budget request sought funding to maintain an existing network of 1,611 halfway house beds, restore programming that was eliminated due to GRF expenditure reductions instituted over the course of FYs 2002 and 2003, and add 320 new halfway house beds.

As of this writing, in light of the temporary law provision that will increase the FY 2005 appropriation by at least $3.25 million, the Department plans to deploy the amounts appropriated to GRF line item 501-405 pursuant to the enacted FY 2004-2005 biennial operating budget as follows:

- Maintain an existing network of 1,611 halfway house beds
- Complete activation of the Turtle Creek facility in Warren County. When the Department completed construction of the Turtle Creek facility during the FY 2002-2003 biennium, there was only funding available to activate half of the facility's 70 beds. The Department plans to activate the remaining 35 beds sometime during FYs 2004 and 2005.
- Target new halfway house beds in most critical areas, that is locations where the demand for beds exceeds the contracted capacity

- Add 20 halfway house beds in FY 2004, located mostly in the Cleveland area
- Add about 15 halfway house beds in FY 2004 and around 50 more halfway house beds in FY 2005 in the Columbus, Cleveland, and Dayton areas, specifically designed for placement of sex offenders
- Launch what is being termed the "Supportive Living" initiative (discussed in more detail below)
- Expand electronic monitoring as a sanction for approximately 85 additional offenders who violate their rules of supervision

Beginning in FY 2004, the Department plans to launch what it terms the "Supportive Living" initiative, the purpose of which is to foster a more independent living option for non-violent felony offenders whose primary need is housing. Such offenders are not really in need of halfway house services and programming, yet these offenders do need to avoid homelessness and homeless shelters, which the Department feels will increase the likelihood that the offender will return to substance abuse and other destructive types of behavior.

Under the "Supportive Living" initiative, the Department will contract with a property owner to secure a living premises for an offender and then pay that offender's rent for a period of 90 days, after which the offender can remain in the premises provided the offender contracts with or rents the property independently from the owner. The premises will, however, be monitored by a parole officer to ensure that an offender is complying with the conditions of their release into the community.

The "Supportive Living" initiative is a less expensive form of community supervision since the offender does require the intensive level of services and programming typically associated with a stay in a halfway house.

Sub-Program 2: CBCFs

The Community-Based Correctional Facilities sub-program, financed through GRF line item 501-501, provides subsidy funds for the operation of community-based correctional facilities (CBCFs), which can be formed by counties or groups of counties with populations of 200,000 or more. These facilities exist for the diversion of nonviolent felony offenders from state prison and are operated by local judicial corrections boards formed by courts of common pleas. The state provides 100% of the financing for the construction, renovation, maintenance, and operation of these residential facilities, which house up to 200 felony offenders and offer services such as education, job training, and substance abuse treatment as an alternative to incarceration.

The Department's overall plan calls for 19 CBCFs operational statewide, with the net result being that all of the state's 88 counties will have access to CBCF beds. At the close of FY 2003, there were 18 operational CBCFs providing beds to 87 of 88 counties. The total number of available CBCF beds stood at 1,869, permitting the diversion of approximately 5,607 felony offenders annually with an average length of stay of around four months.

Under the enacted FY 2004-2005 biennial operating budget, the CBCF sub-program received less funding than was requested by the Department in both fiscal years to maintain an existing network of 1,869 CBCF beds, restore some staff and treatment programs that were eliminated due to GRF expenditure reductions instituted over the course of FYs 2002 and 2003, and activate 300 new CBCF beds. As of this writing, the Department is negotiating with the executive directors of CBCFs and their local judicial corrections boards to determine how the amounts appropriated to line item 501-501 will be distributed in each of

FYs 2004 and 2005, especially in light of the temporary law provision that will increase the line item's FY 2005 appropriation by at least $3.25 million.

The lone remaining CBCF is a 200-bed facility that has been planned for Cuyahoga County. The county has been scheduled to receive capital funding for construction. It is unclear when that CBCF planned for Cuyahoga County will be constructed and operational due to ongoing siting problems. The completion of the project is presently very uncertain. Getting this site on-line carries notable potential as felony commitments from Cuyahoga County alone typically make up around 25% of annual prison population intake. Regardless of the level of CBCF funding contained in the enacted FY 2004-2005 biennial operating budget, it now appears very unlikely that the Department will build this CBCF anytime in the near future.

Sub-Program 3: Community Nonresidential

The Community Nonresidential sub-program, financed by GRF line item 501-407, provides grants to counties to develop, implement, and operate intensive supervision and other community sanctions programs that divert felony offenders from prison or jail commitments. By the end of FY 2003, the line item was supporting a total of 50 community sanctions/diversion programs, with the capacity to serve a total of around 9,100 felony offenders annually in 45 counties.

The enacted FY 2004-2005 biennial operating budget provides less than the requested level of continuation funding, which means that the sub-program's cost will have to be cut. Despite the cut in requested funding, the Department does not plan to reduce the number of these diversion programs. This will mean that the level of annual funding for some of the programs that continue to receive state support will be reduced, which will further curtail the level of treatment services offered to offenders. Additionally, the average caseload for intensive supervision personnel will likely be increased from the current average of about 50 offenders per caseworker to an average of around 80 offenders.

The Department's biennial operating budget request for FYs 2004 and 2005 also included expansion funding for the sub-program to provide substance abuse treatment services for 300 additional offenders in each fiscal year. The expansion in substance abuse treatment services was planned for Ashtabula, Montgomery, and Tuscarawas counties. These moneys were slated to enhance existing program services for offenders. These initiatives will not move forward due to the lack of funding in the FY 2004-2005 biennial operating budget as enacted.

Sub-Program 4: Community Misdemeanor

The Community Misdemeanor sub-program, financed by GRF line item 501-408, is considered a jail population reduction effort, as it targets misdemeanant offenders and diverts them into alternative community control sanctions, most typically intensive supervision or pre-trial diversion, in lieu of confinement in a local jail. By the end of FY 2003, the line item was supporting a total of 114 community sanctions/diversion programs, with the capacity to serve a total of around 20,100 misdemeanants offenders annually in 79 counties.

The enacted FY 2004-2005 biennial operating budget provides less than the requested level of continuation funding, which means that the sub-program's cost will have to be cut. Despite the cut in requested funding, the Department does not plan to reduce the number of these jail diversion programs. This will mean that the level of annual funding for some of the programs that continue to receive state support will be reduced, which will further curtail the level of treatment services offered to offenders.

The Department's biennial operating budget request for FYs 2004 and 2005 also included expansion funding for the sub-program to start a mental health initiative designed to treat 250 additional misdemeanor offenders in each fiscal year. The counties that were targeted for this expansion in mental health services included Adams, Ashland, Clinton, Cuyahoga, Delaware, Lorain, Scioto, Trumbull, Vinton, and Williams. These initiatives will not move forward due to the lack of funding in the FY 2004-2005 biennial operating budget as enacted.

ADMINISTRATION

Program Description

The program essentially guides all of the correctional institutions and provides oversight and coordination for all departmental operations. It includes, but is not limited to, the director's office, human resources, training, legal services, management information systems, and fiscal monitoring and planning. Additionally, the Corrections Training Academy (CTA), located in Pickaway County's Orient Correctional Complex is part of the program area. The Corrections Training Academy provides pre-service and in-service training to all departmental personnel, as well as other state agency personnel. In a sense, this program is somewhat analogous to what many might refer to as "Central Office."

Appropriations

If one were to compare in each fiscal year what the Department requested for its Administration program area – $27.23 million in FY 2004 and $27.91 million in FY 2005 – and the enacted amount of annual GRF funding – $26.53 million in FY 2004 and $27.42 million in FY 2005 – that negative difference – approximately $700,000 and $500,000 in FYs 2004 and 2005, respectively – reflects the amount below what the Department calculated as being necessary to continue FY 2003 service levels in each of FYs 2004 and 2005. The level of annual GRF funding requested by the Department was intended to cover around 233 staff positions and related operating costs (maintenance and equipment) for the next biennium. As a result of receiving slightly less than that level of funding under the enacted biennial operating budget, in addition to the previously indicated staff reductions, the Department will presumably have to further eliminate, constrain, or delay certain operating costs (payroll, personal services contract, maintenance, and equipment expenses).

There is also around 70 Central Office staff not captured under the Administration program area. These are "programmatic" staff that oversee specific areas of the prison system (e.g., mental health, education, medical, and recovery services). The ongoing annual operating costs associated with those programmatic staff are charged to the appropriate GRF program line item within the Department's Institutional Operations program area, e.g., 502-321, Mental Health Services; 505-321, Institution Medical Services; 506-321, Institution Education Services; or 507-321, Institution Recovery Services

DEBT SERVICE

Program Description

The program picks up the state's debt service tab that must be paid to the Ohio Building Authority (OBA) for its obligations incurred as a result of issuing bonds that cover the Department's capital appropriations. The appropriation authority and actual spending level are set and controlled by the Office of Budget and Management (OBM), and not by the Department.

The moneys made available as a result of these bonds have financed the design, construction, renovation, and rehabilitation phases of various departmental capital projects, as well as the construction and renovation costs associated with local projects (community-based correctional facilities and jails).

Appropriations

Under the debt service funding level in the enacted biennial operating budget – $142.0 million in FY 2004 and $146.3 million in FY 2005 – the state is expected to be able to meet its legal and financial obligations to the OBA in each of FYs 2004 and 2005.

Since the start of FY 1991, the General Assembly has authorized departmental capital appropriations financed exclusively by OBA bonds totaling well in excess of $1.0 billion. The cumulative fiscal effect of servicing the obligations that have been issued is reflected in the Department's relatively large repayment stream.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

DRC Rehabilitation and Correction, Department of

		Line Item Detail by Agency	FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	501-321	Institutional Operations	$ 769,736,068	$ 807,517,857	$821,564,365	$ 848,631,155	3.29%	$ 861,557,899	1.52%
GRF	501-403	Prisoner Compensation	$ 9,557,832	$ 8,837,616	$8,705,052	$ 8,455,052	-2.87%	$ 8,705,052	2.96%
GRF	501-405	Halfway House	$ 32,284,782	$ 33,465,075	$34,486,762	$ 36,890,139	6.97%	$ 35,579,419	-3.55%
GRF	501-406	Lease Rental Payments	$ 127,664,186	$ 127,002,909	$137,037,256	$ 141,997,000	3.62%	$ 146,307,900	3.04%
GRF	501-407	Community Nonresidential Programs	$ 16,432,686	$ 15,185,040	$14,665,008	$ 15,161,353	3.38%	$ 15,352,814	1.26%
GRF	501-408	Community Misdemeanor Programs	$ 8,603,202	$ 7,940,310	$7,732,928	$ 7,942,211	2.71%	$ 8,041,489	1.25%
GRF	501-501	Community Residential Programs - CB	$ 51,086,493	$ 51,951,350	$51,006,796	$ 53,970,123	5.81%	$ 52,872,875	-2.03%
GRF	502-321	Mental Health Services	$ 74,520,460	$ 63,251,971	$61,867,585	$ 66,802,290	7.98%	$ 68,265,662	2.19%
GRF	503-321	Parole and Community Operations	$ 73,048,840	$ 72,204,086	$73,602,290	$ 77,195,938	4.88%	$ 78,845,845	2.14%
GRF	504-321	Administrative Operations	$ 26,570,072	$ 25,032,287	$25,333,363	$ 26,533,707	4.74%	$ 27,420,848	3.34%
GRF	505-321	Institution Medical Services	$ 125,746,524	$ 108,551,436	$117,336,516	$ 118,406,940	0.91%	$ 120,014,320	1.36%
GRF	506-321	Institution Education Services	$ 21,928,685	$ 22,758,086	$20,966,871	$ 24,335,287	16.07%	$ 24,747,574	1.69%
GRF	507-321	Institution Recovery Services	$ 6,778,178	$ 6,080,682	$6,409,651	$ 7,018,500	9.50%	$ 7,124,516	1.51%
General Revenue Fund Total			**$ 1,343,958,008**	**$ 1,349,778,705**	**$ 1,380,714,443**	**$ 1,433,339,695**	**3.81%**	**$ 1,454,836,213**	**1.50%**
4B0	501-601	Penitentiary Sewer Treatment Facility S	$ 1,431,149	$ 1,403,367	$1,291,877	$ 1,693,129	31.06%	$ 1,758,177	3.84%
4D4	501-603	Prisoner Programs	$ 19,456,358	$ 16,806,997	$15,832,413	$ 20,537,291	29.72%	$ 20,967,703	2.10%
4L4	501-604	Transitional Control	$ 418,814	$ 448,110	$846,381	$ 1,348,740	59.35%	$ 1,593,794	18.17%
483	501-605	Property Receipts	$ 191,892	$ 271,547	$169,013	$ 383,894	127.14%	$ 393,491	2.50%
571	501-606	Training Academy Receipts	$ 77,811	$ 20,411	$59,949	$ 73,356	22.36%	$ 75,190	2.50%
4S5	501-608	Education Services	$ 3,206,233	$ 2,204,249	$1,923,479	$ 4,452,754	131.49%	$ 4,564,072	2.50%
5L6	501-611	Information Technology Services	----	----	$0	$ 3,650,712	N/A	$ 3,741,980	2.50%
5H8	501-617	Offender Financial Responsibility	$ 91,720	$ 79,040	$129,666	$ 1,335,000	929.57%	$ 1,374,020	2.92%
593	501-618	Laboratory Services	$ 3,675,521	$ 4,208,945	$4,179,022	$ 4,707,730	12.65%	$ 4,825,423	2.50%
General Services Fund Group Total			**$ 28,549,498**	**$ 25,442,665**	**$ 24,431,800**	**$ 38,182,606**	**56.28%**	**$ 39,293,850**	**2.91%**
3S1	501-615	Truth-In-Sentencing Grants	$ 8,324,309	$ 2,309,298	$1,584,414	$ 24,604,435	1,452.90%	$ 25,517,173	3.71%
323	501-619	Federal Grants	$ 8,058,380	$ 6,827,082	$4,815,331	$ 10,759,329	123.44%	$ 11,300,335	5.03%
Federal Special Revenue Fund Group Total			**$ 16,382,689**	**$ 9,136,379**	**$ 6,399,745**	**$ 35,363,764**	**452.58%**	**$ 36,817,508**	**4.11%**
148	501-602	Services and Agricultural	$ 89,378,911	$ 86,257,677	$85,713,975	$ 95,207,653	11.08%	$ 95,207,653	0.00%
200	501-607	Ohio Penal Industries	$ 37,497,311	$ 29,678,916	$22,645,087	$ 29,748,175	31.37%	$ 31,491,879	5.86%

Line Item Detail by Agency

	FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
DRC Rehabilitation and Correction, Department of							
Intragovernmental Service Fund Group Total	$ 126,876,222	$ 115,936,592	$ 108,359,062	$ 124,955,828	15.32%	$ 126,699,532	1.40%
Rehabilitation and Correction, Department of Total	*$ 1,515,766,417*	*$ 1,500,294,342*	*$ 1,519,905,050*	*$ 1,631,841,893*	*7.36%*	*$ 1,657,647,103*	*1.58%*

- GRF funding for FY 2004 is essentially flat compared to FY 2003 expenditures and funding for FY 2005 is a 2.24% increase above FY 2004 appropriations
- RSC expects increases in the number of job placements as well as improvements in hourly wage for its consumers over the FY 2004-2005 biennium

Rehabilitation Services Commission

Maria Seaman, Senior Analyst

ROLE

The Rehabilitation Services Commission (RSC) provides vocational rehabilitation and other related services to eligible Ohioans with disabilities who seek employment. Since its inception in 1970, the Commission has rehabilitated more than 265,000 Ohioans with disabilities. The mission of RSC is to work in partnership with Ohioans with significant disabilities to assist them in achieving greater community participation through opportunities for employment and independence. Most of the partnerships are designed to maximize federal, state, and local resources to promote quality jobs, improve access to employment services, and improve consumer choice in selecting community-based rehabilitation services.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
1,336	$257.6 million	$270.2 million	$24.8 million	$24.3 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The total GRF funding for RSC is $23,764,478 for FY 2004 (0.01% above FY 2003 expenditures) and $24,296,832 for FY 2005 (2.24% above FY 2004 appropriations). For every state dollar appropriated for the Commission's vocational rehabilitation efforts, the federal government provides $3.69 in matching funds. Total appropriations for federal vocational rehabilitation dollars are $117,955,833 in FY 2004, a 9.03% increase over FY 2003 expenditures, and $125,520,457 in FY 2005, a 6.41% increase over FY 2004 appropriations. In addition, for every Social Security Disability recipient that RSC successfully rehabilitates into substantial gainful activity, the Commission receives Social Security reimbursement funds. Other federal moneys are available for Independent Living programs at a 9:1 match.

BUDGET ISSUES

VOCATIONAL REHABILITATION

Case Services

Vocational rehabilitation (VR) is one of the core services provided by RSC. The final funding level will enable RSC to draw down the total amount of federal vocational rehabilitation dollars available to Ohio. Available state and federal funding will enable RSC to increase the number of competitive job placements for consumers with severe disabilities. Specifically, RSC expects job placements to increase to 6,970 in federal fiscal year (FFY) 2004, which is a 1.0% increase over the projected number of job placements in FFY 2003. The Commission anticipates placements to increase to 7,235 in FFY 2005, which is a 3.8% increase over projected job placements in FFY 2004.

The Commission expects improvements in the hourly wage, which is a measure of program quality. See table Performance Outcomes for the VR Case Servic es program below.

Performance Outcomes for the VR Case Services Program

Performance Measure	FFY 2001	FFY 2002	FFY 2003 (estimated)	FFY 2004 (projected)	FFY 2005 (projected)
Number Placed	6,795	6,800	6,900	6,970	7,235
Avg. Hourly Wage	$9.35	$9.95	$10.00	$10.25	$10.50
Avg. Hours per Week	33.2	34.0	34.0	34.0	34.0
One-Year Retention Rate*	80%	81%	82%	83%	84%

*Retention rate data comes from the Department of Job and Family Services with a two-year lag.

Despite the improvements in program quality, RSC expects the number of consumers waiting to be assisted by a VR counselor to increase from a waiting list of 5,500 during the third quarter of FFY 2003 to approximately 7,250 by the end of FFY 2004 and to approximately 7,500 by the end of FFY 2005. The waiting list of 5,500 translates into a waiting period of approximately 1.2 months.

Cash Transfer Agreements (CTAs)

CTAs provide GRF dollars to match federal funds that are not directly appropriated in RSC's budget. In the past, RSC has joined other state agencies in partnerships to maximize federal funding in serving mutually-eligible Ohioans with disabilities. The Rehabilitation Services Commission has had CTAs with the Department of Youth Services (DYS), Bureau of Workers Compensation (BWC), Ohio Department of Alcohol and Drug Addiction Services (ODADAS), Department of Mental Retardation and Developmental Disabilities (DMR), Department of Mental Health (DMH), and Department of Human Services (DHS), which is now part of the Department of Job and Family Services (JFS).

Beginning in FY 1998, in lieu of CTAs, RSC received direct appropriations for the purpose of providing VR services to mutually-eligible consumers between RSC and DMR, DMH, and DHS (now JFS). CTAs continued between RSC and DYS, BWC, and ODADAS. Challenges in the administration of CTAs include assuring the missions of both agencies are fully served by the activities funded through the agreement. The Commission’s goal of helping its consumers find and retain employment can conflict, for example, with DYS' priority in taking youth offenders off the street or with ODADAS' priority of obtaining and maintaining treatment for drug and alcohol addiction.

The Rehabilitation Services Commission no longer pursues CTAs with DYS and ODADAS. However, a CTA between RSC and BWC was retained during FYs 2002 and 2003 and has again been maintained during FYs 2004 and 2005. During FYs 2004 and 2005, BWC will transfer a total of $1,158,428 to RSC pursuant to a cash transfer agreement to provide vocational rehabilitation services to mutually eligible clients. As a result, RSC will be able to draw down $4,280,200 in federal matching funds.

BUSINESS ENTERPRISE PROGRAM

The Business Enterprise (BE) program provides people who are legally blind with employment opportunities as managers and operators of food service and vending facilities. These facilities include cafeterias on federal and state property and vending machine businesses along the interstate highway system. The BE program also creates additional employment opportunities for people with disabilities by encouraging facility managers to give them first hiring priority.

Gross sales for all 149 BE facilities was approximately $22 million in FFY 2002, with 131 managers employed who, in turn, employed 400 Ohioans (169 of which were disabled workers). Average earnings per licensed manager in FY 2003 was $36,916 per year. Each year, operators pay approximately $1,000,000 in Ohio sales tax, over $1,000,000 in self-employment tax (federal, state, and local), and approximately $600,000 in employer taxes (state and federal).

General Revenue Fund dollars, which have been appropriated for this program in the past, are not being used to fund this program during FYs 2004 and 2005. Funding for the BE program has been generated through program revenues that are then used to draw down the federal match. The program is trying to maintain service levels by controlling program costs by using more refurbished equipment, negotiating deals for program vendors, and working to improve purchasing processes and reduce maintenance and repair expenses. The Rehabilitation Services Commission continues to seek additional sources of revenue for this program.

The Rehabilitation Services Commission expects the average earnings of licensed facility managers to increase from an estimated $36,916 in FY 2003 to $42,265 during FY 2004, and increase again to $45,223 during FY 2005.

The BE program's current staffing level is 21 full time equivalents (FTEs), a reduction of 7.5 positions over the last two years. The program is striving to reduce the program staff by an additional 3 FTEs. This reduction is due, in part to funding, but also the result of an increase in operator efficiencies, which means the program can be run with fewer staff.

PERSONAL CARE ASSISTANCE

The Personal Care Assistance (PCA) program provides financial resources to Ohioans who are severely disabled so that they can purchase personal assistance services. These services, which include help with personal needs such as dressing and eating and assistance with grocery shopping and meal preparation, enable many Ohioans with disabilities to be able to work and live independently.

Each year the PCA program no longer serves some consumers from the previous year due to the person dying, or exiting the program because the person moves or acquires other resources, or a change of circumstances that would cause the person to no longer be eligible for the program. Funds committed to these participants are then made available to other consumers. Additionally, some consumers may not use all of the funds allocated to them. The Rehabilitation Services Commission commits funds for this program taking into account the under-utilization of initially-committed funds.

The funding for the PCA program does not include any GRF dollars, which have been appropriated for this program in the past. For the FY 2004-2005 biennium, the Commission will use earned Social Security reimbursement dollars to fund this program. The funding level will enable people currently on the program to remain there and also allow for replacements to be made when individuals leave the program.

Consumers have requested that the maximum number of hours per week be increased from 35 to 40 hours and that the wage reimbursement rate be increased as well (current maximum is $8.00 per hour). However, given the available funding, RSC will be unable to consider increasing either the maximum hours per week or the wage reimbursement rate.

OTHER PROGRAMS

The Rehabilitation Services Commission provides funding for several other programs, such as the Community Centers for the Deaf, the Independent Living program, and the Office for People with Brain Injury. In general, the funding available for these programs will enable some of the programs to provide only the most basic services, while others may have to cut some services. All of these programs will most likely need to reduce staff hours and some may be forced to reduce staff positions as well.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill — **Version:** Enacted

RSC Rehabilitation Services Commission

Fund	Line Item	Description	FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	415-100	Personal Services	$ 7,699,244	$ 8,506,587	$8,711,594	$ 8,677,911	-0.39%	$ 8,851,468	2.00%
GRF	415-401	Personal Care Assistance	$ 730,767	$ 288,684	$0	$ 0	N/A	$ 0	N/A
GRF	415-402	Independent Living Council	$ 454,141	$ 398,582	$12,665	$ 12,040	-4.93%	$ 12,280	1.99%
GRF	415-403	Mental Health Services	$ 776,449	$ 754,473	$754,473	$ 717,221	-4.94%	$ 717,221	0.00%
GRF	415-404	MR/DD Services	$ 1,375,570	$ 1,326,302	$1,326,284	$ 1,260,816	-4.94%	$ 1,260,816	0.00%
GRF	415-405	Vocational Rehabilitation/ Job and Fam	$ 582,562	$ 564,799	$564,799	$ 536,912	-4.94%	$ 536,912	0.00%
GRF	415-406	Assistive Technology	----	$ 50,000	$50,000	$ 47,531	-4.94%	$ 47,531	0.00%
GRF	415-431	Office for People with Brain Injury	$ 311,870	$ 249,168	$147,746	$ 222,364	50.50%	$ 226,012	1.64%
GRF	415-506	Services for People with Disabilities	$ 12,773,917	$ 11,931,616	$11,741,452	$ 11,830,306	0.76%	$ 12,185,215	3.00%
GRF	415-508	Services for the Deaf	$ 179,860	$ 45,040	$0	$ 50,000	N/A	$ 50,000	0.00%
GRF	415-509	Services for the Elderly	$ 393,702	$ 378,043	$378,044	$ 359,377	-4.94%	$ 359,377	0.00%
GRF	415-520	Independent Living Services	$ 61,319	$ 48,208	$75,596	$ 50,000	-33.86%	$ 50,000	0.00%
General Revenue Fund Total			**$ 25,339,400**	**$ 24,541,503**	**$ 23,762,653**	**$ 23,764,478**	**0.01%**	**$ 24,296,832**	**2.24%**
4W5	415-606	Administrative Expenses	$ 15,173,266	$ 15,613,566	$16,803,538	$ 18,016,543	7.22%	$ 18,557,040	3.00%
467	415-609	Business Enterprise Operating Expens	$ 1,281,990	$ 1,234,621	$1,246,766	$ 1,584,545	27.09%	$ 1,632,082	3.00%
5L9	415-621	TANF/PCA Maintenance of Effort	$ 28,192	$ 31,808	$0	$ 0	N/A	$ 0	N/A
5L9	415-622	TANF/PRCDR	$ 42,390	$ 66,670	$0	$ 0	N/A	$ 0	N/A
General Services Fund Group Total			**$ 16,525,838**	**$ 16,946,665**	**$ 18,050,304**	**$ 19,601,088**	**8.59%**	**$ 20,189,122**	**3.00%**
3L1	415-601	Social Security Personal Care Assistan	$ 2,829,645	$ 3,315,302	$3,651,639	$ 3,984,486	9.12%	$ 3,988,032	0.09%
3L1	415-605	Social Security Community Centers for	$ 1,100,609	$ 1,042,819	$1,227,480	$ 1,100,488	-10.35%	$ 1,100,488	0.00%
3L1	415-607	Social Security Administration Costs	$ 138,732	$ 154,897	$169,860	$ 174,119	2.51%	$ 175,860	1.00%
3L1	415-608	Social Security Special Programs/Assis	$ 2,960,702	$ 16,472,116	$7,224,382	$ 6,941,158	-3.92%	$ 6,941,158	0.00%
3L1	415-610	Social Security Vocational Rehabilitatio	$ 1,457,177	$ 1,428,090	$1,226,410	$ 1,338,324	9.13%	$ 1,338,324	0.00%
3L4	415-611	Federal-Independent Living Council	$ 82,392	$ 51,099	$0	$ 0	N/A	$ 0	N/A
3L4	415-612	Federal Independent Living Centers or	$ 434,241	$ 728,963	$781,742	$ 663,687	-15.10%	$ 663,687	0.00%
3L1	415-614	Social Security Independent Living	$ 312,598	$ 15,992	$385,917	$ 385,917	0.00%	$ 385,917	0.00%
3L4	415-615	Federal-Supported Employment	$ 1,569,561	$ 1,479,021	$1,444,941	$ 1,714,546	18.66%	$ 1,714,546	0.00%
379	415-616	Federal-Vocational Rehabilitation	$ 102,130,390	$ 91,120,202	$108,184,877	$ 117,955,833	9.03%	$ 125,520,457	6.41%
3L4	415-617	Independent Living/Vocational Rehabilit	$ 813,610	$ 1,107,322	$1,567,551	$ 1,582,484	0.95%	$ 1,582,484	0.00%

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
RSC	**Rehabilitation Services Commission**								
317	415-620	Disability Determination	$ 60,059,694	$ 66,260,224	$68,235,208	$ 73,120,329	7.16%	$ 76,776,343	5.00%
Federal Special Revenue Fund Group Total			**$ 173,889,351**	**$ 183,176,046**	**$ 194,100,007**	**$ 208,961,371**	**7.66%**	**$ 220,187,296**	**5.37%**
468	415-618	Third Party Funding	$ 3,870,942	$ 1,166,227	$802,376	$ 1,692,991	111.00%	$ 2,392,991	41.35%
4L1	415-619	Services for Rehabilitation	$ 3,334,940	$ 5,660,070	$5,200,885	$ 3,623,845	-30.32%	$ 3,176,070	-12.36%
State Special Revenue Fund Group Total			**$ 7,205,882**	**$ 6,826,297**	**$ 6,003,261**	**$ 5,316,836**	**-11.43%**	**$ 5,569,061**	**4.74%**
Rehabilitation Services Commission Total			***$ 222,960,471***	***$ 231,490,511***	***$ 241,916,225***	***$ 257,643,773***	***6.50%***	***$ 270,242,311***	***4.89%***

- 6,382 licensees in FY 2002

Respiratory Care Board

Clay Weidner, Budget Analyst

ROLE

The Ohio Respiratory Care Board was established in 1989 by Sub. S.B. 300 of the 118th General Assembly. The Board regulates the practice of respiratory care by licensing properly qualified individuals, acting on complaints filed with the Board, and monitoring continuing education requirements. The Board's fundamental mission is to efficiently provide services to both the public and the Board's licensees while ensuring public safety. The Board annually investigates all alleged complaints of the respiratory care law and conducts over 300 random continuing education audits.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
9	$318,000	$315,000	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Respiratory Care Board is appropriated $318,499 in FY 2004. This represents an increase of 7.8% over FY 2003 expenditures. For FY 2005, the Board is appropriated $315,481, a 1% decrease from FY 2004. The appropriation will enable the Board to maintain its current level of service and will cover increased administrative fees. The appropriations include funding for reclassifying a part-time Office Assistant I to a part-time Office Assistant III. Class specifications of a part-time Office Assistant I do not support data entry and decision-making responsibilities. Reclassifying the part-time Office Assistant I will allow the staff person to perform the data entry and management functions of the new computer licensing system.

BUDGET ISSUES

NEW LICENSING SYSTEM

The occupational licensing boards, in partnership with the Department of Administrative Services (DAS), are working to implement a new licensing system. The system will be phased in over the current biennium and each board will pay its share of the costs out of Fund 4K9. The system will allow respiratory care professionals to renew their licenses on-line and will integrate all aspects of the Respiratory Care Board's operations including revenue collection, license tracking, renewals, complaints, and disciplinary compliance.

INCREASED ADMINISTRATIVE FEES

During the previous biennium, occupational licensing boards had to absorb increased administrative costs charged by other state agencies. Many boards contracted for services that were once provided for free such as lock-box services and computer technical support. The Board's appropriations in Am. Sub. H.B. 95 will cover these increased costs. The Board estimates that increased administrative fees cost the Board approximately $13,000 in FY 2002 for DAS Central Service Agency fees, computer technical support, license renewal banking and revenue processing fees, and risk management fees to administer the Board's public employee fidelity bond in the previous biennium.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
RCB Respiratory Care Board									
4K9	872-609	Operating Expenses	$ 253,304	$ 272,625	$295,604	$ 318,499	7.75%	$ 315,481	-0.95%
General Services Fund Group Total			**$ 253,304**	**$ 272,625**	**$ 295,604**	**$ 318,499**	**7.75%**	**$ 315,481**	**-0.95%**
Respiratory Care Board Total			***$ 253,304***	***$ 272,625***	***$ 295,604***	***$ 318,499***	***7.75%***	***$ 315,481***	***-0.95%***

- Freeze for local government funds diverts moneys to GRF

Revenue Distribution Funds

Allan Lundell, Economist

ROLE

Revenue Distribution Funds are used by the state to collect and distribute, as directed by state law, moneys to local governments and to organizations, school districts, libraries, transit authorities, other state funds, and other states. Each of the funds is administered by a state agency, but the funds are not included as part of the budget of the administering agency. The moneys are not spent by the agencies, but are distributed as directed by state law. The funds are presented together to highlight their role in the redistribution function of state government.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
0	$4,014.3 million	$4,088.9 million	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Appropriations for FY 2004 are $4,014,330,800. This amount is $93,030,905 greater than appropriations for FY 2003, a 2.4% increase. Appropriations for FY 2005 are $4,088,943,600. This amount is $74,612,800 greater than appropriations for FY 2004, a 1.9% increase.

BUDGET ISSUES

LOCAL GOVERNMENT FUNDS

The budget freezes, for FY 2004 and FY 2005, amounts of state tax receipts that are deposited into and distributed from the three local government funds (Local Government Fund, Local Government Revenue Assistance Fund, and Library and Local Government Support Fund) at the lower of the formula amount or the amount that those funds received in FY 2003. For the Library and Local Government Support Fund, the FY 2003 amount is the amount before the transfer to the OPLIN Technology Fund under Section 70 of H.B. 94 of the 124th General Assembly. The freeze affects deposits and distributions of receipts from the personal income tax, the sales tax, the use tax, the corporate franchise tax, the public utilities excise tax, and the kilowatt-hour tax. Tax receipts that would otherwise been credited to the local government funds will instead be credited to the General Revenue Fund.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

RDF Revenue Distribution Funds

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
4P8	001-698	Cash Management Improvement Fund	$ 2,693,194	$ 2,636,323	$1,256,904	$ 2,500,000	98.90%	$ 2,500,000	0.00%
608	001-699	Investment Earnings	$ 399,810,478	$ 263,908,274	$134,550,529	$ 174,300,000	29.54%	$ 181,300,000	4.02%
063	110-900	Permissive Tax Distribution	$ 1,353,947,707	$ 1,349,927,422	$1,401,848,614	$ 1,397,512,400	-0.31%	$ 1,439,437,700	3.00%
062	110-900	Resort Area Excise Tax	$ 492,076	$ 666,176	$712,705	$ 500,000	-29.84%	$ 500,000	0.00%
067	110-900	School District Income Tax	$ 147,852,582	$ 147,379,328	$145,603,318	$ 154,836,700	6.34%	$ 161,030,200	4.00%
Agency Fund Group Total			**$ 1,904,796,037**	**$ 1,764,517,523**	**$ 1,683,972,070**	**$ 1,729,649,100**	**2.71%**	**$ 1,784,767,900**	**3.19%**
049	038-900	Indigent Drivers Alcohol Treatment	$ 1,833,073	$ 1,825,745	$1,882,542	$ 1,850,000	-1.73%	$ 1,850,000	0.00%
054	110-900	Local Government Property Tax Replac	$ 0	$ 45,303,329	$90,581,959	$ 75,000,000	-17.20%	$ 75,000,000	0.00%
064	110-900	Local Government Revenue Assistance	$ 100,780,133	$ 99,987,727	$96,600,840	$ 98,500,000	1.97%	$ 98,500,000	0.00%
065	110-900	Library and Local Government Support	$ 499,638,890	$ 487,864,409	$463,026,243	$ 475,000,000	2.59%	$ 475,000,000	0.00%
068	110-900	State and Local Government Highway	$ 220,249,665	$ 218,768,748	$221,031,865	$ 227,607,000	2.97%	$ 232,159,100	2.00%
069	110-900	Local Government Fund	$ 720,789,395	$ 709,120,656	$686,171,979	$ 705,000,000	2.74%	$ 705,000,000	0.00%
082	110-900	Horse Racing Tax	$ 138,133	$ 120,553	$115,981	$ 130,000	12.09%	$ 130,000	0.00%
060	110-900	Gasoline Excise Tax Fund	$ 109,727,700	$ 108,943,352	$109,898,012	$ 113,344,700	3.14%	$ 115,611,600	2.00%
083	700-900	Ohio Fairs Fund	$ 2,817,731	$ 2,775,234	$2,606,681	$ 3,150,000	20.84%	$ 3,150,000	0.00%
050	762-900	International Registration Plan Distribut	$ 71,882,516	$ 44,678,665	$47,163,980	$ 60,000,000	27.22%	$ 60,000,000	0.00%
051	762-901	Auto Registration Distribution	$ 461,745,552	$ 460,134,824	$469,132,943	$ 475,000,000	1.25%	$ 486,875,000	2.50%
066	800-900	Undivided Liquor Permits	$ 12,507,384	$ 12,716,029	$12,728,532	$ 13,500,000	6.06%	$ 13,500,000	0.00%
Revenue Distribution Fund Group Total			**$ 2,202,110,172**	**$ 2,192,239,270**	**$ 2,200,941,557**	**$ 2,248,081,700**	**2.14%**	**$ 2,266,775,700**	**0.83%**
R45	110-617	International Fuel Tax Distribution	$ 37,477,268	$ 35,012,255	$36,180,528	$ 36,400,000	0.61%	$ 37,200,000	2.20%
Holding Account Redistribution Fund Group Total			**$ 37,477,268**	**$ 35,012,255**	**$ 36,180,528**	**$ 36,400,000**	**0.61%**	**$ 37,200,000**	**2.20%**
085	800-900	Volunteer Fire Fighters' Dependents Fu	$ 181,465	$ 192,270	$205,740	$ 200,000	-2.79%	$ 200,000	0.00%
Volunteer Firefighters Dependents Fund Group Tota			**$ 181,465**	**$ 192,270**	**$ 205,740**	**$ 200,000**	**-2.79%**	**$ 200,000**	**0.00%**
Revenue Distribution Funds Total			***$ 4,144,564,942***	***$ 3,991,961,318***	***$ 3,921,299,895***	***$ 4,014,330,800***	***2.37%***	***$ 4,088,943,600***	***1.86%***

- Licenses over 1,500 professionals
- Fees were increased to cover operating costs

Sanitarian Registration, State Board of

Chris Murray, Economist

ROLE

The State Board of Sanitarian Registration was created in 1977 to ensure sanitarians in the field of environmental health possess and maintain specialized knowledge and skills that pertain to the field of environmental health science. Environmental health is an aspect of public health that deals with the following topics: air quality, food quality and protection, hazardous and toxic substances, consumer product safety, housing, institutional health and safety, community noise control, radiation protection, recreational facilities, solid and liquid waste management, vector control, drinking water quality, milk sanitation, and rabies control.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
2	$125,000	$126,000	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The State Board of Sanitarian Registration consists of seven board members, one executive director, and an intermittent clerk that works about 600 hours annually. The executive director is responsible for all investigations. The State Board of Sanitarian Registration generates all of its revenues from licensing fees and deposits the moneys into Fund 4K9. This fund is the depository of all licensing fee revenue and fines for 24 occupational licensing boards. The Board licensed 1,273 sanitarians and 199 sanitarians-in-training in fiscal year (FY) 2003. Appropriations have been increased 6.3% for FY 2004 and 0.58% for FY 2005. The increase in appropriations will be supported from fee increases of 13% for renewals and 32% for applications. The fee increases will cover the Board's operating costs, including the continued use of an intermittent clerical position and technical support.

BUDGET ISSUES

FEE INCREASES

Am. Sub. H.B. 95 of the 125th General Assembly allows the Board to increase fees 13% for renewals and 32% for applications. It is anticipated that these fees will generate an additional $20,000 annually, for total revenue of about $132,000 in FY 2004 and $134,000 in FY 2005. The table below outlines the fees and any changes.

License Type	Current Fee	Proposed Fee	Estimated Additional Revenue for FY 2004
Sanitarian-in-Training Application	$57	$75	$2,616
Advancement to Registered Sanitarian	$57	$75	$1,797
Registered Sanitarian Application	$114	$150	$408
Renewal	$61	$69	$15,165
Late Renewal Fee	$25	$25	$0

LICENSING SYSTEM

The occupational licensing boards, in partnership with the Department of Administrative Services, are working to implement a new licensing system. The system will be phased in over the next biennium and each board will pay its share of the costs out of Fund 4K9. The State Board of Sanitarian Registration estimates its share of the cost to be $1,300 over the biennium for this system.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
SAN	***Sanitarian Registration, State Board of***								
4K9	893-609	Operating Expenses	$ 104,882	$ 107,584	$117,535	$ 124,892	6.26%	$ 125,612	0.58%
General Services Fund Group Total			**$ 104,882**	**$ 107,584**	**$ 117,535**	**$ 124,892**	**6.26%**	**$ 125,612**	**0.58%**
Sanitarian Registration, State Board of Total			***$ 104,882***	***$ 107,584***	***$ 117,535***	***$ 124,892***	***6.26%***	***$ 125,612***	***0.58%***

- GRF funding increases by 1.3% in FY 2004 and 2.4% in FY 2005
- Federal funding decreases by 2.2% in FY 2004 and 0.4% in FY 2005

School for the Blind, Ohio State

Zak Talarek, Budget Analyst

ROLE

The Ohio State School for the Blind (OSB), located in Columbus, is a state-supported residential educational facility that provides services to Ohio's school-aged children with visual impairments, including those children with multiple disabilities. Established in 1837, it was the first state-supported residential school for the blind in the United States. The State Board of Education supervises the School. The School also maintains an accreditation with the National Accreditation Council for agencies serving the Blind and Visually Handicapped.

The School's goal is to enable its students to become self-sufficient and contributing members of society. Accordingly, it is dedicated to their intellectual, social, physical, and emotional growth. The School's mission is to work cooperatively with students, families, and communities to provide effective, enjoyable educational experiences through specialized curriculums, equipment, materials, and individualized disability-specific instruction to develop its students' unique potentials. The educational programs provided by the School must meet the standards established by the Department of Education, and are accredited by the Department.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
143	$8.7 million	$8.9 million	$7.1 million	$7.3 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The total appropriations for FY 2004 are $8,732,089, a 0.1% increase over the FY 2003 spending level. The total appropriations for FY 2005 are $8,895,222, a 1.9% increase over the FY 2004 appropriation level. The appropriations for the FY 2004-2005 biennium will enable the School to maintain its current level of service. The School currently serves 127 visually impaired, blind, and multi-handicapped children from roughly 70 school districts throughout the state. Approximately 65% of the students live at the School during the weekdays while the other 35% of the students commute to the School daily.

Approximately 81.4% of OSB's budget comes from the General Revenue Fund, with appropriations of $7,094,094 in FY 2004, a 1.3% increase over FY 2003 and $7,263,227 in FY 2005, a 2.4% increase over FY 2004. Approximately 17.4% of OSB's budget is supported by federal funds. Total federal funding for FY 2004 is $1,533,600, a 2.2% decrease from FY 2003 and $1,527,600 in FY 2005, a 0.4% decrease from FY 2004. Federal funds (line item 226-626, Coordinating Unit) support 24 non-administrative employees serving a maximum of 48 multi-handicapped children.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

OSB School for the Blind, Ohio State

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	226-100	Personal Services	$ 5,478,595	$ 5,861,254	$6,129,333	$ 6,287,483	2.58%	$ 6,456,616	2.69%
GRF	226-200	Maintenance	$ 887,066	$ 794,007	$770,527	$ 685,256	-11.07%	$ 685,256	0.00%
GRF	226-300	Equipment	$ 76,115	$ 126,109	$105,395	$ 121,355	15.14%	$ 121,355	0.00%
General Revenue Fund Total			**$ 6,441,776**	**$ 6,781,370**	**$ 7,005,255**	**$ 7,094,094**	**1.27%**	**$ 7,263,227**	**2.38%**
4H8	226-602	Education Reform Grants	$ 15,475	$ 28,507	$58,786	$ 61,476	4.58%	$ 61,476	0.00%
General Services Fund Group Total			**$ 15,475**	**$ 28,507**	**$ 58,786**	**$ 61,476**	**4.58%**	**$ 61,476**	**0.00%**
310	226-626	Coordinating Unit	$ 1,369,992	$ 1,357,705	$1,402,922	$ 1,390,000	-0.92%	$ 1,384,000	-0.43%
3P5	226-643	Medicaid Professional Services Reimb	$ 59,407	$ 58,813	$165,274	$ 143,600	-13.11%	$ 143,600	0.00%
Federal Special Revenue Fund Group Total			**$ 1,429,399**	**$ 1,416,517**	**$ 1,568,196**	**$ 1,533,600**	**-2.21%**	**$ 1,527,600**	**-0.39%**
4M5	226-601	Work Study & Technology Invest	$ 42,493	$ 16,540	$91,497	$ 42,919	-53.09%	$ 42,919	0.00%
State Special Revenue Fund Group Total			**$ 42,493**	**$ 16,540**	**$ 91,497**	**$ 42,919**	**-53.09%**	**$ 42,919**	**0.00%**
School for the Blind, Ohio State Total			***$ 7,929,143***	***$ 8,242,934***	***$ 8,723,734***	***$ 8,732,089***	***0.10%***	***$ 8,895,222***	***1.87%***

- GRF funding increases by 3.9% in FY 2004 and 3.5% in FY 2005
- Federal funding decreases by 0.4% in FY 2004 and increases by 3.0% in FY 2005

School for the Deaf, Ohio State

Zak Talarek, Budget Analyst

ROLE

The State Legislature established The Ohio School for the Deaf (OSD), located in Columbus, in 1827. The Ohio State School for the Deaf is the fifth school of its kind in continuous operation in the United States. It is a state-supported program that provides educational and residential services to hearing-impaired children at no cost to their parents or their school districts. The School operates according to a charter from the State Board of Education and under the control and supervision of that Board.

The School's mission is the provision of quality comprehensive, sequential education, vocational training, and social and cultural development services to deaf and hard-of-hearing youngsters residing in the state, so that they can achieve their greatest potential for becoming independent and contributing citizens of Ohio. The School seeks to provide students with full access to communication in the classroom and in the entire school environment. The educational programs provided by the School must meet the standards established by the Department of Education and are accredited by the Department.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
150	$10.9 million	$11.2 million	$9.4 million	$9.7 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The total appropriations for FY 2004 are $10,865,498, a 4.0% increase over the FY 2003 spending level. The total appropriations for FY 2005 are $11,244,584, a 3.5% increase over the FY 2004 appropriation level. The appropriations for the FY 2004-2005 biennium will enable the School to maintain its current level of service. In FY 2003, the School served 146 deaf and hard-of-hearing children from 70 school districts throughout the state. Approximately 86% of the students live in the dorms at the School during the weekdays while the other 14% of the students commute to the School daily.

Approximately 86.1% of OSD's budget comes from the General Revenue Fund, with appropriations of $9,353,598 in FY 2004, a 3.9% increase over FY 2003 and $9,693,894 in FY 2005, a 3.6% increase over FY 2004. Approximately 12.0% of OSD's budget is supported by federal funds. Total federal funding for FY 2004 is $1,309,511, a decrease of 0.4% from FY 2003 and $1,348,301 in FY 2005, an increase of 3.0% from FY 2004. Federal funds support ten employees at the OSD who work directly with the students, plus an additional four employees who work with professionals that have deaf students under their care (e.g., interpreter educators working with general education teachers having deaf or hard of-hearing students; preschool specialists working with preschool teachers having deaf or hard-of-hearing toddlers).

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill — **Version:** Enacted

OSD School for the Deaf, Ohio State

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	221-100	Personal Service	$ 7,028,853	$ 7,575,206	$7,967,975	$ 8,071,660	1.30%	$ 8,391,704	3.97%
GRF	221-200	Maintenance	$ 1,082,186	$ 1,005,704	$926,451	$ 1,012,561	9.29%	$ 1,032,813	2.00%
GRF	221-300	Equipment	$ 231,647	$ 280,305	$111,867	$ 269,377	140.80%	$ 269,377	0.00%
General Revenue Fund Total			**$ 8,342,687**	**$ 8,861,216**	**$ 9,006,293**	**$ 9,353,598**	**3.86%**	**$ 9,693,894**	**3.64%**
4M1	221-602	Education Reform Grants	$ 81,206	$ 57,070	$55,890	$ 70,701	26.50%	$ 70,701	0.00%
General Services Fund Group Total			**$ 81,206**	**$ 57,070**	**$ 55,890**	**$ 70,701**	**26.50%**	**$ 70,701**	**0.00%**
3U4	221-603	Even Start	$ 92,494	$ 58,337	$40,493	$ 0	-100.00%	$ 0	N/A
3AD	221-604	VREAL Ohio	----	----		$ 1,111,201	N/A	$ 230,024	-79.30%
311	221-625	Coordinating Unit	$ 754,720	$ 762,318	$981,220	$ 949,899	-3.19%	$ 974,649	2.61%
3R0	221-684	Medicaid Professional Services Reimb	$ 61,771	$ 63,333	$25,519	$ 111,377	336.45%	$ 111,377	0.00%
3Y1	221-686	Early Childhood Grant	----	----	$267,036	$ 248,235	-7.04%	$ 262,275	5.66%
Federal Special Revenue Fund Group Total			**$ 908,985**	**$ 883,987**	**$ 1,314,268**	**$ 2,420,712**	**84.19%**	**$ 1,578,325**	**-34.80%**
4M0	221-601	Educational Program Expenses	$ 13,911	$ 8,942	$10,115	$ 33,188	228.11%	$ 33,188	0.00%
5H6	221-609	Even Start Fees & Gifts	$ 8,638	$ 33,049	$65,320	$ 98,500	50.80%	$ 98,500	0.00%
State Special Revenue Fund Group Total			**$ 22,549**	**$ 41,991**	**$ 75,435**	**$ 131,688**	**74.57%**	**$ 131,688**	**0.00%**
School for the Deaf, Ohio State Total			***$ 9,355,426***	***$ 9,844,263***	***$ 10,451,886***	***$ 11,976,699***	***14.59%***	***$ 11,474,608***	***-4.19%***

- GRF funding increases by 73.6% in FY 2004 and 28.7% in FY 2005
- Through FY 2003, 113 school districts have been served by the CFAP, 22 districts by the ENP, and 104 districts by the ELPP

School Facilities Commission

Zak Talarek, Budget Analyst

ROLE

The Ohio School Facilities Commission (OSFC) was created in Am. Sub. S.B. 102 of the 122nd General Assembly and charged with providing funding, management oversight, and assistance for the construction and renovation of public school facilities. Since its inception in 1997, the OSFC has spent nearly $2.8 billion on various school facility projects out of a total of $3.6 billion in appropriations. The three main sources of funding for these projects have been bond proceeds, tobacco settlement payments, and the General Revenue Fund.

The largest and most comprehensive school building program is the Classroom Facilities Assistance Program (CFAP). Program guidelines require the OSFC to begin with the lowest wealth districts according to the Department of Education's Equity List, and to provide funding for facility needs of an entire district. Through FY 2003, 113 school districts throughout the state have been served by the CFAP.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
53	$173.3 million	$212.9 million	$138.1 million	$177.7 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The total appropriations for FY 2004 are $173,322,624, a 73.8% increase over the FY 2003 spending level. The total appropriations for FY 2005 are $212,917,824, a 22.8% increase over the FY 2004 appropriation level. The appropriations made out of the General Revenue Fund are $138,098,800 in FY 2004, a 73.6% increase over FY 2003 and $177,694,000 in FY 2005, a 28.7% increase over FY 2004. All of OSFC's GRF appropriations are used to pay for the debt service of bonds issued for school building construction and renovation.

The operating expenses of the OSFC are paid out of funds in line item 230-644, Operating Expenses (Fund 5E3). This line item is supported by transferred interest earnings from the School Building Assistance Fund (Fund 032) and the Public School Building Fund (Fund 021). The appropriation for this line item in FY 2004 is $7,009,766, a 26.3% increase over FY 2003, and remains the same for FY 2005. The large increase in FY 2004 is due to the fact that approximately $400,000 in FY 2003 funds has been encumbered and carries into FY 2004 and that another $600,000 in FY 2003 funds went unspent because merit based pay raises of up to 4% that had been planned for July 2002 were not given, and a number of vacant positions at the agency either went unfilled or were filled late in FY 2003.

Spending authority for federal line item 230-601, Federal School Facilities Grant, is $28,214,058 in each fiscal year. However, this line item is funded by a one-time federal grant totaling $28,214,058. This grant is to fund certain emergency repair and renovation projects. Approximately $27.9 million, or 99% of the grant is to be distributed to school districts, with the remaining 1% to be used for administrative purposes. Because of the uncertainty about the timing of disbursements in each fiscal year, the OSFC, in consultation with the Office of Budget and Management, has requested spending authority in each year in the amount of the total grant award. In FY 2003 $4,613,891 of the grant was spent, leaving a balance of $23,600,167 to be spent in the FY 2004-2005 biennium.

BUDGET ISSUES

EXCEPTIONAL NEEDS PROGRAM

The budget allows school districts with a territory greater than 300 square miles, regardless of their wealth level, to participate in the Exceptional Needs Program (ENP). Currently, only school districts in the lower half of the Department of Education's Equity List are eligible to participate in the ENP. There are 12 school districts with a territory greater than 300 square miles. Some of these districts have already participated in other state programs.

In addition, the budget expands participation in the ENP by allowing school districts that participate in the Expedited Local Partnership Program (ELPP) to also participate in the ENP, provided that the school district was selected to participate in the ELPP prior to September 14, 2000.

ELIMINATED PROGRAMS

The budget eliminates three programs previously administered by the OSFC: the Short-Term Loan Program, the Emergency School Repair Program, and the Disability Access Program. No school districts are currently participating in either the Short-Term Loan Program or the Emergency School Repair Program. While there are still school districts participating in the Disability Access Program, the program will not be eliminated until March 31, 2004. Any school district receiving assistance under the Disability Access Program before its elimination will still receive assistance in accordance with the terms and agreements it has entered into with the OSFC. By eliminating the Disability Access Program, it is estimated that approximately $4 million in unencumbered and unallotted funds will be transferred and made available for the CFAP.

CREDIT FOR CERTAIN APPROVED EXPENDITURES

The budget also eliminates the provision in the CFAP and the ELPP of permitting a school district to count as part of its share of a state-funded classroom facilities project certain approved prior expenditures. In the CFAP, these are certain approved expenditures that were made in 18 months prior to the notice of the district's eligibility, while in the ELPP, these are certain approved expenditures that were made 18 months prior to September 14, 2000. However, school districts can still receive the credit in the ELPP if certain conditions are met prior to 180 days after the effective date of this change.

TOBACCO SETTLEMENT TRANSFER

The budget allows the Director of Budget and Management to transfer up to $122.8 million of tobacco settlement payments intended for school facilities in FY 2004 to the General Revenue Fund. Bond authority will be issued in the same amount to compensate for the transfer. It is expected that this transfer will not negatively impact the number of districts that can be served by the OSFC in FY 2004.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

SFC School Facilities Commission

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	230-428	Lease Rental Payments	$ 41,706,824	$ 41,615,833	$37,642,524	$ 31,776,500	-15.58%	$ 31,704,700	-0.23%
GRF	230-908	Common Schools G. O. Debt Service	----	$ 30,014,488	$41,903,405	$ 106,322,300	153.73%	$ 145,989,300	37.31%
General Revenue Fund Total			**$ 41,706,824**	**$ 71,630,320**	**$ 79,545,929**	**$ 138,098,800**	**73.61%**	**$ 177,694,000**	**28.67%**
3X9	230-601	Federal School Facilities Grant	----	----	$4,613,891	$ 28,214,058	511.50%	$ 28,214,058	0.00%
Federal Special Revenue Fund Group Total			**----**	**----**	**$ 4,613,891**	**$ 28,214,058**	**511.50%**	**$ 28,214,058**	**0.00%**
5E3	230-644	Operating Expenses	$ 4,199,907	$ 4,963,293	$5,549,472	$ 7,009,766	26.31%	$ 7,009,766	0.00%
State Special Revenue Fund Group Total			**$ 4,199,907**	**$ 4,963,293**	**$ 5,549,472**	**$ 7,009,766**	**26.31%**	**$ 7,009,766**	**0.00%**
5S6	230-602	Community School Loan Guarantee	----	----	$10,000,000	$ 0	-100.00%	$ 0	N/A
School Building Assistance Fund Total			**----**	**----**	**$ 10,000,000**	**$ 0**	**-100.00%**	**$ 0**	**N/A**
018	230-649	Disability Access Project	$ 63,966	----	$0	$ 0	N/A	$ 0	N/A
Lottery Profits/Education Fund Group Total			**$ 63,966**	**----**	**$ 0**	**$ 0**	**N/A**	**$ 0**	**N/A**
School Facilities Commission Total			***$ 45,970,697***	***$ 76,593,613***	***$ 99,709,292***	***$ 173,322,624***	***73.83%***	***$ 212,917,824***	***22.84%***

- GRF funding remains at the FY 2003 level in both fiscal years
- $19.1 million in tobacco settlement funding in FY 2004 to extend SchoolNet Plus into 6th and 7th grades

SchoolNet Commission

Sara D. Anderson, Budget Analyst

ROLE

The Ohio SchoolNet Commission (NET), which began as an office within the Department of Education in 1994, became an independent agency in 1997. Originally charged with wiring every public classroom for Internet access and placing computers in Ohio's classrooms, the role of SchoolNet has evolved to assisting districts in integrating technology into the teaching and learning environment and building the capacity of districts to effectively manage and support technology. The agency administers various technology programs to provide leadership, coordination, and oversight in the acquisition and responsible use of technology in schools and to facilitate equitable access and measurable improvement in learning. Prior to this budget, SchoolNet was governed by an 11-member commission. The budget adds two additional voting members to be appointed by the Governor to the commission. The executive director, who is hired by the commission, is responsible for the agency's day-to-day operation.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
66	$26.8 million	$26.8 million	$20.6 million	$20.6 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

SchoolNet's total budget is $26,837,262 in each fiscal year, a 28.0% decrease from FY 2003 expenditures. The decrease in total appropriations for SchoolNet is primarily due to the fact that several non-GRF funded programs are winding down. The Ohio SchoolNet Telecommunity (which is funded by eight local telephone companies), Distance Learning (which is funded by Ameritech), and the federally funded Assistive Technology program are ending in the near future. The Technology Literacy Challenge, another federal program, was completed in FY 2003.

Approximately 76.9% of SchoolNet's total budget comes from the GRF appropriation. The total GRF appropriation for SchoolNet in each fiscal year is $20,642,354, a 0.9% decrease from FY 2003 expenditures. In addition to funding SchoolNet's operating expenses, the GRF appropriation provides various education technology related grants. General Revenue Fund appropriation item 228-406, Technical and Instructional Professional Development, is funded at $7,691,831 in each fiscal year, a 17.8% decrease from FY 2003. This decrease is mainly a result of the elimination of the previous technology equity set-aside within this line item. Line item 228-406 provides grants for professional development for educators for the use of education technology in the classroom. It also contains funds for research, development, and production of interactive instructional programming series for the 200 poorest districts in the state. General Revenue Fund appropriation item 228-539, Education Technology, is funded at $7,691,831 in each fiscal year, a 21.2% increase over FY 2003. The large increase in this line item is due to the addition of the Ohio ONEnet project, which is funded at $1,946,000 in each fiscal year. ONEnet was funded in the tobacco budget in FY 2003. In addition to ONEnet, line item 228-406 provides funding to suppliers (such as instructional televisions and education media centers) of information services to school districts for the provision of hardware, software, and staff development in support of educational uses of technology in the classroom as prescribed by the State Plan for Technology and to support assistive technology for children and youth with disabilities.

The tobacco budget (Am. Sub. S.B. 242 of the 124th General Assembly), provides just over $19,100,000 for SchoolNet Plus in FY 2004. This amount includes carryover funds from FY 2003, in addition to the original allocation for FY 2004. This funding will be used to support round five (grade six) of the SchoolNet Plus program. The state's goal is one computer for every five students. Grants are given to local school districts based on their quartile of wealth. The first two quartiles of wealth receive up to $380 per pupil in grade six, while the third and fourth quartiles of wealth receive up to $188 per pupil in grade six. Any funds remaining after the state has reached its goal of one computer for every five students in grade six will be used to begin the next round (grade seven) of the program. At this point, the amount of funds that are projected to be available after round five of SchoolNet Plus, will not be sufficient to fund grade seven classrooms at a ration of one computer for every five students.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

NET SchoolNet Commission

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	228-404	Operating Expenses	$ 5,133,715	$ 5,971,776	$5,705,498	$ 5,961,208	4.48%	$ 5,961,208	0.00%
GRF	228-406	Technical & Instructional Professional	$ 12,929,548	$ 10,045,405	$9,352,666	$ 7,691,831	-17.76%	$ 7,691,831	0.00%
GRF	228-539	Education Technology	$ 6,732,881	$ 6,160,683	$5,766,571	$ 6,989,315	21.20%	$ 6,989,315	0.00%
GRF	228-559	RISE-Interactive Parenting	$ 1,200,000	----	$0	$ 0	N/A	$ 0	N/A
General Revenue Fund Total			**$ 25,996,144**	**$ 22,177,865**	**$ 20,824,735**	**$ 20,642,354**	**-0.88%**	**$ 20,642,354**	**0.00%**
5L3	228-601	E-Rate Program	$ 31,080	----	$0	$ 0	N/A	$ 0	N/A
5D4	228-640	Conference/Special Purpose Exp	$ 291,975	$ 1,226,628	$672,542	$ 1,350,000	100.73%	$ 1,350,000	0.00%
5G0	228-650	Interactive Distance Learning	$ 2,923,949	$ 11,625,716	$0	$ 0	N/A	$ 0	N/A
General Services Fund Group Total			**$ 3,247,004**	**$ 12,852,345**	**$ 672,542**	**$ 1,350,000**	**100.73%**	**$ 1,350,000**	**0.00%**
3X8	228-604	Individuals With Disabilities Education	----	----	$7,592,994	$ 1,500,000	-80.24%	$ 1,500,000	0.00%
3S3	228-655	Technology Literacy Challenge	$ 13,559,153	$ 18,004,163	$473,975	$ 0	-100.00%	$ 0	N/A
Federal Special Revenue Fund Group Total			**$ 13,559,153**	**$ 18,004,163**	**$ 8,066,969**	**$ 1,500,000**	**-81.41%**	**$ 1,500,000**	**0.00%**
5T3	228-605	Gates Foundation Grants	----	----	$957,987	$ 1,194,908	24.73%	$ 1,194,908	0.00%
4W9	228-630	Ohio SchoolNet Telecommunity	$ 1,060,940	$ 81,000	$1,023,370	$ 400,000	-60.91%	$ 400,000	0.00%
4X1	228-634	Distance Learning	$ 3,122,888	$ 1,774,353	$4,271,896	$ 1,750,000	-59.03%	$ 1,750,000	0.00%
4Y4	228-698	SchoolNet Plus	$ 68,291,312	$ 4,349,747	$1,455,817	$ 0	-100.00%	$ 0	N/A
State Special Revenue Fund Group Total			**$ 72,475,140**	**$ 6,205,100**	**$ 7,709,070**	**$ 3,344,908**	**-56.61%**	**$ 3,344,908**	**0.00%**
017	228-603	SchoolNet Plus Supplement	----	----	$10,676	$ 0	-100.00%	$ 0	N/A
017	228-690	SchoolNet Electrical Infrastructure	$ 4,109,194	$ 888,260	$0	$ 0	N/A	$ 0	N/A
Lottery Profits/Education Fund Group Total			**$ 4,109,194**	**$ 888,260**	**$ 10,676**	**$ 0**	**-100.00%**	**$ 0**	**N/A**
SchoolNet Commission Total			***$ 119,386,634***	***$ 60,127,732***	***$ 37,283,992***	***$ 26,837,262***	***-28.02%***	***$ 26,837,262***	***0.00%***

- Help America Vote Act requires the Secretary of State to maintain a statewide list of registered voters that is accessible to election officials via the Internet
- Work continues in the area of e-commerce initiatives, such as electronic signatures and electronic notarization of documents

Secretary of State

Carol Robison, Budget Analyst

ROLE

The Secretary of State has two program series: Election Oversight and Administration and Business Services. The Elections Oversight and Administration program series is responsible for overseeing, administering, and upholding Ohio's elections laws. In addition, through the elections program series, the Secretary of State maintains certain required records on elections. The Business Services program series is responsible for licensing and record keeping regarding corporations and commercial transactions in Ohio.

The staff employed by the Secretary of State is distributed over the two program areas, plus technology support and administrative positions. About 52% of all Secretary of State staff will work exclusively in the Business Services program series in the FY 2004-2005 biennium. About 17% of the employees work in the Elections Oversight and Administration program series. The other 31% of the employees work in technology support or central administration positions, such as information technology or finance and legal, which support both program series, but primarily supports the Business Services Division.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
164	$17.8 million	$18.2 million	$3.2 million	$3.2 million	Am. Sub. H. B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

ELECTIONS DIVISION

The Secretary of State oversees Ohio elections and supervises the 88 county boards of elections in their duties related to conducting elections. As Ohio's chief election officer, the Secretary of State supervises the administration of election laws, approves ballot language, and reviews statewide initiative and referendum petitions. The Secretary of State also chairs the Ohio Ballot Board, which also approves ballot language (for statewide issues), canvasses votes for all elected state offices and election issues, investigates election fraud, and trains election officials. The Elections Division compiles and maintains election statistics, political party records, and other election-related records. In addition, the division licenses ministers to perform marriage ceremonies and maintains certain other public records related to state and local governments.

BUSINESS SERVICES DIVISION

The Business Services Division receives and approves articles of incorporation for Ohio corporations and grants licenses to out-of-state corporations seeking to do business in Ohio. Limited partnerships and limited liability companies also must file. The Corporations Section keeps a registry of information about each corporation in Ohio. In order to claim an interest in collateral used for a loan and to have the claim indexed for public notice, secured parties must file financing statements with the Uniform Commercial Code section of the Business Services Division. The Business Services program serves the legal, banking, and business communities, and the general public so that business transactions may be handled in real time and with less risk of fraud. Minimizing the application time needed to incorporate a business in Ohio continues to be one of the primary objectives of the Business Services Division; and currently, the division maintains a one to two-day turnaround time to process applications for incorporation.

BUDGET ISSUES

HELP AMERICA VOTE ACT

Ohio's current authorized funding from the federal government for the initial administration of the Help America Vote Act, (HAVA), a federal mandate, is estimated at approximately $150 million. The total cost to fully implement the Act is unknown, but to comply with the federal requirements, Ohio must provide a matching share of $5.8 million, which has been appropriated for this purpose from state bond money in the capital bill, H.B. 675 of the 124th General Assembly.

Online voter registration, one of the two central components of the Help America Vote Act, is the largest information technology (IT) initiative for the Secretary of State over the next biennium. The project is estimated to generate costs of approximately $10 million to upgrade the Secretary of State's server so that a centralized database is linked to each of Ohio's 88 counties and is updated in real time. The new system will allow voters to register online as well as the traditional means of registration.

The replacement of approximately 12,000 voting machines in Ohio's 88 counties constitutes the second aspect of the requirements to be met by Ohio's Secretary of State. Machine replacement will be the largest overall project for the Secretary of State.

E-BUSINESS AND BUSINESS FILINGS

The Secretary of State eliminated the backlog of business filings through staff cross-training and technology upgrades. With an emphasis on web-enabled software and the use of applications designed to facilitate e-business, the Secretary of State continues to bring business forms and services online. Due to the need for greater security, the Secretary of State is upgrading all computers to the XP operating system.

UNIFORM COMMERCIAL CODE (UCC) FILINGS AND COUNTY REIMBURSEMENTS

In compliance with the provisions of Sub. S. B. 174 of the 124th General Assembly, the Secretary of State will reimburse county recorders in all 88 counties on a graduated scale for the loss of revenue based on the Uniform Commercial Code (UCC) filings that each county filed in 1998. Payments from the Secretary of State to the counties will amount to $1,191,556 in FY 2004 and $893,667 in FY 2005.

NOTARY COMMISSION FEE INCREASES

Am. Sub. H. B. 95 increased the fees to be charged for notary commissions, beginning July 1, 2003. The fee for a regular notary commission is being increased from $5 to $15, and for an attorney notary commission from $10 to $15. The increased fees will produce new revenue each year for FY 2004 and for FY 2005 estimated at $365,000 for regular notaries and $4,940 for attorney notaries.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill — **Version:** Enacted

SOS Secretary of State

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	050-321	Operating Expenses	$ 9,887,335	$ 3,228,332	$3,229,326	$ 2,750,000	-14.84%	$ 2,750,000	0.00%
GRF	050-403	Election Statistics	$ 83,025	$ 159,169	$78,003	$ 110,570	41.75%	$ 110,570	0.00%
GRF	050-407	Poll workers Training	$ 290,760	$ 152,518	$268,819	$ 295,742	10.02%	$ 295,742	0.00%
GRF	050-409	Litigation Expenditures	$ 7,531	----	$5,077	$ 4,949	-2.52%	$ 4,949	0.00%
General Revenue Fund Total			**$ 10,268,651**	**$ 3,540,019**	**$ 3,581,225**	**$ 3,161,261**	**-11.73%**	**$ 3,161,261**	**0.00%**
413	050-601	Information Systems	$ 167,396	$ 90,877	$237,468	$ 163,418	-31.18%	$ 169,955	4.00%
414	050-602	Citizen Education Fund	$ 7,544	$ 16,937	$68,767	$ 72,800	5.86%	$ 75,712	4.00%
5M3	050-604	Precinct Reimbursement Expense	$ 472,101	----	$0	$ 0	N/A	$ 0	N/A
412	050-609	Notary Commission	----	----	$186,048	$ 178,124	-4.26%	$ 185,249	4.00%
4S8	050-610	Board of Voting Machine Examiners	$ 3,131	$ 4,904	$7,110	$ 7,200	1.27%	$ 7,200	0.00%
General Services Fund Group Total			**$ 650,173**	**$ 112,719**	**$ 499,393**	**$ 421,542**	**-15.59%**	**$ 438,116**	**3.93%**
3X4	050-612	Ohio Cntr/Law Related Educ Grant	----	----	$41,000	$ 41,000	0.00%	$ 41,000	0.00%
Federal Special Revenue Fund Group Total			**----**	**----**	**$ 41,000**	**$ 41,000**	**0.00%**	**$ 41,000**	**0.00%**
599	050-603	Business Services Operating Expenses	$ 3,254,240	$ 11,403,270	$14,041,586	$ 13,889,462	-1.08%	$ 14,241,966	2.54%
5N9	050-607	Technology Improvements	----	$ 87,870	$150,778	$ 124,582	-17.37%	$ 129,565	4.00%
State Special Revenue Fund Group Total			**$ 3,254,240**	**$ 11,491,140**	**$ 14,192,364**	**$ 14,014,044**	**-1.26%**	**$ 14,371,531**	**2.55%**
R01	050-605	Uniform Commercial Code Refunds	$ 51,570	$ 91,364	$44,038	$ 65,000	47.60%	$ 65,000	0.00%
R02	050-606	Corporate/Business Filing Refunds	$ 258,946	$ 89,970	$71,041	$ 100,000	40.76%	$ 100,000	0.00%
Holding Account Redistribution Fund Group Total			**$ 310,516**	**$ 181,334**	**$ 115,079**	**$ 165,000**	**43.38%**	**$ 165,000**	**0.00%**
Secretary of State Total			***$ 14,483,580***	***$ 15,325,211***	***$ 18,429,061***	***$ 17,802,847***	***-3.40%***	***$ 18,176,908***	***2.10%***

- GRF accounts for 96% of the total Senate budget
- FY 2004 appropriations represent an 11.8% increase from actual FY 2003 expenditures

Senate

Allison Thomas, Economist

Role

The role of the Senate, in conjunction with the Ohio House of Representatives, is to enact the laws of the state, the authority for which is provided in the Ohio Constitution. The Senate considers bills that may alter or create state law, as well as resolutions, which are formal expressions of the wishes and opinions of the Senate. The Senate must also confirm members of state boards and commissions appointed by the Governor, the Attorney General, the Director of Workers' Compensation, and other agency heads whom the Governor is authorized to appoint.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
219	$11.3 million	$11.9 million	$10.9 million	$11.4 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

Overview

The Senate's budget consists of both General Revenue and General Services funds, with the GRF comprising approximately 96% of total funding. The majority of Senate expenditures cover the salaries and fringe benefits of the 33 members of the Senate, 119 full-time employees, 4 part-time constituent aides, and 40 part-time pages.

Total appropriation authority of $23.3 million in the Senate budget is divided between $11.3 million in FY 2004 and $11.9 million in FY 2005. The appropriation authority of $11.3 million in FY 2004 represents an 11.8% increase over FY 2003 actual expenditures, which totaled $10.1 million; the appropriation authority of $11.9 million in FY 2005 is a 5.0% increase over FY 2004 appropriation levels. The appropriations contained in Am. Sub. H.B. 95 will cover the increase in legislative salaries authorized by Sub. H.B. 712 of the 123rd General Assembly.

Line Item Detail by Agency

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			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
SEN	**Senate**								
GRF	020-321	Operating Expenses	$ 9,560,699	$ 11,348,652	$10,129,927	$ 10,887,655	7.48%	$ 11,432,037	5.00%
General Revenue Fund Total			**$ 9,560,699**	**$ 11,348,652**	**$ 10,129,927**	**$ 10,887,655**	**7.48%**	**$ 11,432,037**	**5.00%**
409	020-601	Miscellaneous Sales	$ 6,648	$ 4,100	$5,880	$ 32,529	453.21%	$ 34,155	5.00%
102	020-602	Senate Reimbursement	----	$ 2,743	$5,589	$ 422,881	7,466.31%	$ 444,025	5.00%
General Services Fund Group Total			**$ 6,648**	**$ 6,843**	**$ 11,469**	**$ 455,410**	**3,870.79%**	**$ 478,180**	**5.00%**
Senate Total			***$ 9,567,347***	***$ 11,355,495***	***$ 10,141,396***	***$ 11,343,065***	***11.85%***	***$ 11,910,217***	***5.00%***

- Appropriations to the Sinking Fund support debt service payments on Ohio's general obligation debt
- The Sinking Fund receives its operating funds through a GRF line item in the Treasurer of State's budget

Sinking Fund, Commissioners of

Ruhaiza Ridzwan, Economist

ROLE

The Commissioners of the Sinking Fund administer the debt service payments and administrative expenses related to state general obligation bonds issued for the following purposes: primary and secondary education facilities, higher education facilities, coal research and development, parks and natural resources capital improvements, conservation projects, local infrastructure projects, and highways.

The Board of Commissioners of the Sinking Fund consists of five members. The Auditor of State serves as the president of the Board and the Secretary of State serves as the secretary. The remaining three members are the Governor, the Treasurer of State, and the Attorney General. The Sinking Fund has an office in the Treasurer of State's office and receives its operating funds through a GRF line item in the Treasurer of State operating budget (ALI 090-401). In FY 2004 and FY 2005, the appropriations for this line item are $554,868 and $577,085 respectively.

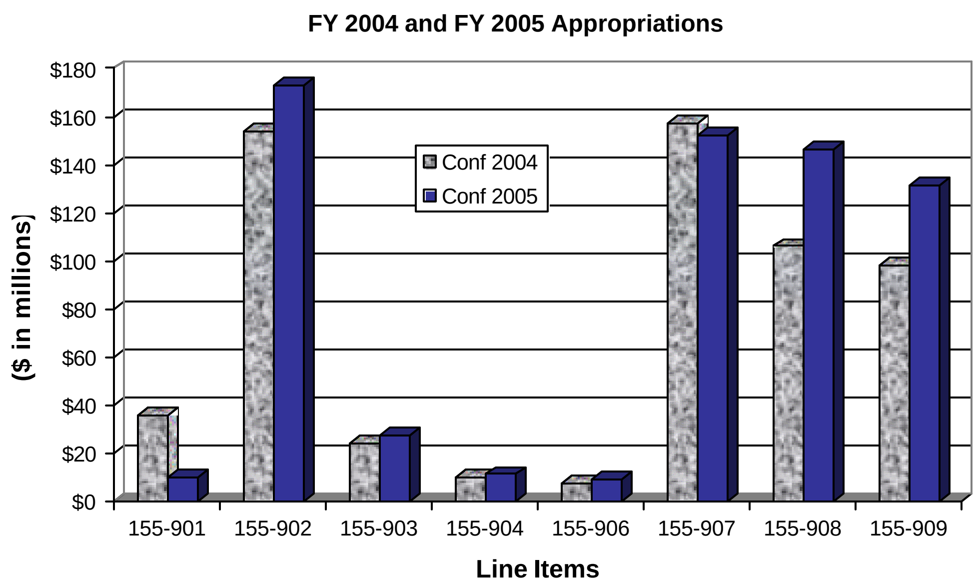
Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
0	$590.8 million	$660.0 million	$0	$0	Am. Sub. H. B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Appropriations for FY 2004 are $590,843,600. This amount is $104,834,297 more than FY 2003 actual expenditures, a 21.6% increase. Appropriations for FY 2005 are $660,049,900. This amount is $69,206,300 greater than FY 2004 appropriations, an 11.7% increase. All of the Sinking Fund's appropriations in FY 2004 and FY 2005 will be used to pay debt service on certain general obligation bonds that are authorized by the state constitution and the legislature for specific purposes: 071 155-901, Highway Obligations Bond Retirement Fund; 072 155-902, Highway Capital Improvements Bond Retirement Fund; 073 155-903, Natural Resources Bond Retirement Fund; 076 155-906, Coal Research/Development Bond Retirement Fund; 077 155-907, State Capital Improvements Bond Retirement Fund; 078 155-908, Common Schools Bond Retirement Fund; 079 155-909, Higher Education Bond Retirement Fund; and 074 155-904, Conservation Projects Bond Service Fund.

FY 2004 and FY 2005: Percentage of Debt Service Payment by Line Item				
Purpose	**FUND**	**ALI**	**FY 2004**	**FY 2005**
Highway	071	155-901	6.0	1.6
Highway	072	155-902	26.0	26.2
Natural Resources	073	155-903	4.0	4.1
Conservation	074	155-904	1.6	1.7
Local Research	076	155-906	1.2	1.4
Infrastructure	077	155-907	26.6	23.0
Schools	078	155-908	18.0	22.1
Higher Education	079	155-909	16.5	19.8
			100.0	**100.0**



Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
CSF	***Sinking Fund, Commissioners of***								
GRF	155-900	Debt Service Sinking Fund	$ 210,699,927	----	$0	$ 0	N/A	$ 0	N/A
General Revenue Fund Total			**$ 210,699,927**	**----**	**$ 0**	**$ 0**	**N/A**	**$ 0**	**N/A**
076	155-900	Coal Research/Development Bond Reti	$ 7,266,827	----		----	N/A	----	N/A
059	155-900	Development Bond Retirement Fund	$ 8,765	----	$0	$ 0	N/A	$ 0	N/A
073	155-900	Natural Resources Bond Retirement	$ 15,696,872	$ 7,293,180		----	N/A	----	N/A
072	155-900	Highway Capital Improvement Bond Re	$ 113,757,141	----		----	N/A	----	N/A
071	155-900	Highway Obligations Bond Retirement	$ 51,671,061	----		----	N/A	----	N/A
055	155-900	Public Improvement Bond Retirement	$ 8,765	----	$0	$ 0	N/A	$ 0	N/A
071	155-901	Highway Obligation Bond Retirement F	----	$ 49,657,366	$47,613,807	$ 35,536,300	-25.37%	$ 10,450,000	-70.59%
072	155-902	Highway Capital Improvement Bond Re	----	$ 141,302,654	$136,925,475	$ 153,559,600	12.15%	$ 173,238,200	12.81%
073	155-903	Natural Resources Bond Retirement	----	$ 10,395,604	$18,722,985	$ 23,808,300	27.16%	$ 26,914,300	13.05%
074	155-904	Conservation Projects Bond Service Fu	----	----	$4,363,713	$ 9,743,500	123.28%	$ 11,235,700	15.31%
076	155-906	Coal Research/Development Bond Reti	----	$ 7,739,230	$9,958,243	$ 7,231,200	-27.38%	$ 9,185,100	27.02%
077	155-907	State Capital Improvement Bond Retire	----	$ 132,952,675	$139,012,631	$ 156,974,400	12.92%	$ 152,069,700	-3.12%
078	155-908	Common Schools Bond Retirement Fu	----	$ 34,880,973	$61,674,451	$ 106,322,300	72.39%	$ 145,989,300	37.31%
079	155-909	Higher Education Bond Retirement Fun	----	$ 50,032,680	$67,737,998	$ 97,668,000	44.18%	$ 130,967,600	34.09%
Debt Service Fund Group Total			**$ 188,409,431**	**$ 434,254,362**	**$ 486,009,303**	**$ 590,843,600**	**21.57%**	**$ 660,049,900**	**11.71%**
Sinking Fund, Commissioners of Total			***$ 399,109,358***	***$ 434,254,362***	***$ 486,009,303***	***$ 590,843,600***	***21.57%***	***$ 660,049,900***	***11.71%***

- Licensed 6,133 in FY 2002

Speech-Language Pathology and Audiology, Ohio Board of

Clay Weidner, Budget Analyst

ROLE

The Ohio Board of Speech-Language Pathology and Audiology was established by the Ohio General Assembly to protect the health and promote the welfare of Ohioans by licensing and regulating the practices of speech-language pathology and audiology. The Board's primary duties include the initial licensure and renewal of speech-language pathologists, audiologists, and aides; enforcement of continuing education requirements; and investigation of all alleged violations of the practice of speech-language pathology and audiology, pursuant to Chapter 4753. of the Ohio Revised Code.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
12	$391,000	$404,000	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Ohio Board of Speech-Language Pathology and Audiology is appropriated $390,966 in FY 2004, which represents an increase of 6.9% over FY 2003 expenditures. For FY 2005, the Board is appropriated $403,554, which represents a 3.2% increase over FY 2004. The appropriations will allow the Board to maintain current service levels and replace outdated computer equipment, install a new telephone system, purchase a new printer, cover increased administrative costs, publish two newsletters, hire an intermittent customer service assistant, and hire temporary employees in FY 2005 to help with renewal processing.

Budget Issues

New Licensing System

The occupational licensing boards, in partnership with the Department of Administrative Services (DAS), are working to implement a new licensing system. The system will be phased in over the current biennium and each board will pay its share of the costs out of Fund 4K9. The Board will pay an annual fee of $461 and $16 monthly during the current biennium to maintain the system.

Increased Administrative Fees

During the previous biennium, occupational licensing boards had to absorb increased administrative costs charged by other state agencies. Many boards contracted for services that were once provided for free such as lock-box services and computer technical support. Increases in the DAS Central Service fees and postage also significantly raised occupational licensing boards' costs.

In FY 2002, the Board paid $6,107 in Central Service fees. These fees rose by 60.8% in FY 2003 to $9,818. The Board estimates that contracting with a bank for lock-box services will cost between $4,000 and $5,000 per year. This service was provided free of charge by the state Treasurer's office through the FY 2003 renewal cycle. The Board paid $3,787 in FY 2003 for computer technical support, which was once provided free of charge by DAS.

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:

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SPE Speech-Language Pathology and Audiology

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
4K9	886-609	Operating Expenses	$ 315,938	$ 309,715	$365,771	$ 390,966	6.89%	$ 403,554	3.22%
General Services Fund Group Total			**$ 315,938**	**$ 309,715**	**$ 365,771**	**$ 390,966**	**6.89%**	**$ 403,554**	**3.22%**
Speech-Language Pathology and Audiology Total			***$ 315,938***	***$ 309,715***	***$ 365,771***	***$ 390,966***	***6.89%***	***$ 403,554***	***3.22%***

- Flat funding of $3.3 million each year
- Services will continue at current levels

State Employment Relations Board

Jeremie Newman, Budget Analyst

ROLE

The State Employee Relations Board (SERB) acts as a neutral in carrying out Ohio's public sector Collective Bargaining Law, overseeing representation elections and certifying exclusive bargaining representatives. Other important responsibilities include monitoring and enforcing statutory dispute resolution procedures, adjudicating unfair labor practice (ULP) charges, and determining unauthorized strike claims. There are five main divisions and an administrative section that is responsible for fiscal and administrative services: Hearings Unit, Labor Relations Section, Bureau of Mediation, Research and Training Section, and the Clerk's Office.

According to data provided in the agency's annual report for FY 2002, there were a total of 3,086 separate labor contracts governing 1,450 public workplaces statewide. These agreements covered 356,737 employees in state agencies, local governments, and school boards. Issues stemming from these collective bargaining agreements resulted in 2,379 cases that were filed over the FY 2002 period.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
32	$3.3 million	$3.3 million	$3.3 million	$3.3 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003. Due to previous budget cuts, the number of employees has been reduced by three since January 2002.

OVERVIEW

The State Employee Relations Board's funding for FY 2004 and FY 2005 is $3,343,879 each year, which is 1.3% over FY 2003 spending of $3,301,101. As the table above shows, almost all of the agency's appropriation comes from the GRF. The other small portion of the agency's total budget is derived from revenues from the sale of publications and training fees. These revenues are deposited in Fund 572 within the General Services Fund (GSF) group.

During economic downturns, SERB typically experiences significant increases in caseloads and strike activity. Thus, due to the current economic environment, it could be that SERB's workload will increase during the FY 2004-2005 biennium.

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:

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ERB Employment Relations Board, State

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	125-321	Operating Expenses	$ 3,499,301	$ 3,291,722	$3,149,366	$ 3,268,338	3.78%	$ 3,268,338	0.00%
General Revenue Fund Total			**$ 3,499,301**	**$ 3,291,722**	**$ 3,149,366**	**$ 3,268,338**	**3.78%**	**$ 3,268,338**	**0.00%**
572	125-603	Training and Publications	$ 49,025	$ 55,440	$151,735	$ 75,541	-50.22%	$ 75,541	0.00%
General Services Fund Group Total			**$ 49,025**	**$ 55,440**	**$ 151,735**	**$ 75,541**	**-50.22%**	**$ 75,541**	**0.00%**
Employment Relations Board, State Total			***$ 3,548,326***	***$ 3,347,162***	***$ 3,301,101***	***$ 3,343,879***	***1.30%***	***$ 3,343,879***	***0.00%***

- Customer Service Program to be continued at a reduced level
- FY 2004 appropriations increased by 3.1% over FY 2003 spending

State Personnel Board of Review

Jeremie Newman, Budget Analyst

ROLE

The State Personnel Board of Review (PBR) reviews appeals filed by classified exempt employees in the civil service at the state and local levels. The Board's jurisdiction also includes university and general health districts. Appeals typically involve disputed layoffs, abolishments, displacements, removals, reductions, and reclassifications, but PBR also hears appeals filed by non-exempt classified employees who have not organized, and non-exempt employees whose bargaining agreement specifies a right to appeal to the Board. The Board has jurisdiction over investigations, whistle blower cases, and OSHA violations as well.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
11	$1.1 million	$1.1 million	$1.0 million	$1.1 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The Board expended $1,022,765 in FY 2003. The FY 2004 appropriations are increased by 3.1% over that amount to $1,054,430. Fiscal year 2005 appropriations are $1,102,170, or 4.53% higher than FY 2004 appropriations. As the table above shows, almost all of the agency's appropriation comes from the GRF. The remaining revenue is derived from security deposits made by parties filing appeals.

BUDGET ISSUES

CUSTOMER SERVICE PROGRAM

The State Personnel Board of Review's core mission is to provide all parties appearing before the Board with a fair, comprehensive, and impartial review of their respective claims. The Board's second core mission is to monitor and assist Ohio's municipal civil service commissions to ensure that Ohio's civil service laws are being uniformly interpreted. In order to complete these missions, PBR has developed a Customer Service Program to educate state and local officials about laws applying to classified exempt employees. In the past, PBR was able to provide seminars and to travel across the state to present information. For example, in 2001, PBR held two one-day seminars, attended by 109 civil service commissioners, staff, attorneys, and human resources professionals. However, FY 2004-2005 appropriations will reduce the Board's ability to provide this service; thus the Board plans to continue the Customer Service Program in the next biennium, but at a reduced level.

Line Item Detail by Agency

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Line Item Detail by Agency			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
PBR	***State Personnel Board of Review***								
GRF	124-321	Operating	$ 1,214,072	$ 1,008,656	$1,012,006	$ 1,029,430	1.72%	$ 1,077,170	4.64%
General Revenue Fund Total			**$ 1,214,072**	**$ 1,008,656**	**$ 1,012,006**	**$ 1,029,430**	**1.72%**	**$ 1,077,170**	**4.64%**
636	124-601	Transcript and Other	$ 7,848	$ 5,404	$10,759	$ 25,000	132.36%	$ 25,000	0.00%
General Services Fund Group Total			**$ 7,848**	**$ 5,404**	**$ 10,759**	**$ 25,000**	**132.36%**	**$ 25,000**	**0.00%**
State Personnel Board of Review Total			***$ 1,221,921***	***$ 1,014,059***	***$ 1,022,765***	***$ 1,054,430***	***3.10%***	***$ 1,102,170***	***4.53%***

- Appropriations are essentially unchanged in FY 2004-2005
- Staff cuts may reduce service
- Computer systems are outdated

Tax Appeals, Board of

Phil Cummins, Economist

ROLE

The Board of Tax Appeals (BTA) provides an expert forum outside the court system to resolve controversies between taxpayers and taxing authorities in a timely and cost-effective way while still satisfying constitutional due process requirements. The Board of Tax Appeals is an independent, quasi-judicial, single-purpose body, re-established in 1976 by Am. Sub. H.B. 920, comprised of three members appointed by the Governor for six-year terms, and authorized to determine questions arising under Ohio tax laws or under the rules and decisions of the Tax Commissioner. Board of Tax Appeals staff include attorney examiners who manage cases and preside at evidentiary hearings to determine the facts of these cases as the basis for decisions taken by vote of the board members.

Appeals arise from real estate valuations by county boards of revision, and from allocations by county budget commissioners of tax receipts to political subdivisions. These appeals can be taken either to county courts of common pleas or to the Board of Tax Appeals. The Board of Tax Appeals also hears appeals on state taxes from final determinations of the Tax Commissioner. Decisions of the Board of Tax Appeals may be appealed to a district court of appeals or to the Ohio Supreme Court. Am. Sub. H.B. 95 added to BTA's responsibilities appeals of municipal income tax decisions from municipal boards of appeal, for tax years beginning in calendar year 2004 and thereafter. These cases probably will begin to be heard by BTA early in calendar year 2005.

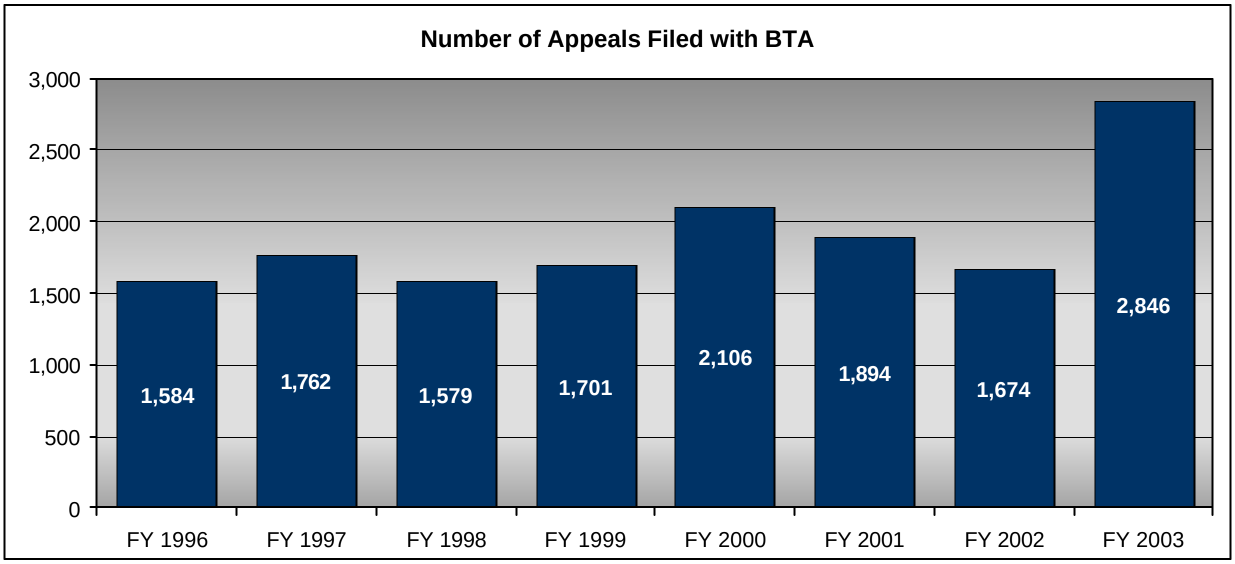
Board of Tax Appeals' decisions have a direct impact on school districts and local governments. Decisions on property valuations affect revenues from property taxes. The distribution of Local Government Funds (LGFs) can also be altered by BTA decisions because municipal property values are in the distribution formula.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
21	$2.2 million	$2.2 million	$2.2 million	$2.2 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003, does not include board members.

OVERVIEW

More than 80% of appeals to BTA challenge real property valuations by county boards of revision. The number of appeals filed will vary depending in part on sexennial reappraisals and triennial updates of property values in large counties. Appeals from the Tax Commissioner, though smaller in number, often involve more complex issues. In addition to formal evidentiary hearings, BTA attorney examiners conduct mediation sessions, which generally are less costly and time consuming. In FY 2003, 2,846 appeals were filed, up from 1,674 appeals filed in FY 2002. The large increase followed an Ohio Supreme Court decision that required BTA to dismiss about 1,100 appeals, most of which were refiled. The number of filings in recent years is shown in the accompanying chart.



The budget reduces funding in FY 2004 by 0.3% from FY 2003, to $2,172,000. General Revenue Fund appropriations are unchanged at this level; non-GRF appropriations fall from $7,500 to $0. Appropriations are held constant in FY 2005. The non-GRF item was Reproduction of Decisions, which BTA previously used for charges to furnish copies of decisions. The Board of Tax Appeals now posts all decisions on its web site. Any fees for copies are deposited into the GRF. Staff consists of ten full-time examiners, one part-time examiner, and ten full-time administrative personnel.

BUDGET ISSUES

STAFFING CUTS

In response to budget cuts in the previous biennium, BTA reduced the number of attorney examiners and administrative staff. The Board of Tax Appeals' flat budget for the current biennium may require further staffing cuts. Fewer staff members could result in less timely processing of appeals. Retention of capable, motivated staff is critical to efficient case management and quality decision making.

POTENTIAL FOR INCREASED CASE LOAD

Service may suffer starting in 2005 if BTA's added responsibility for municipal cases significantly increases the agency's caseload. Because this responsibility is new, the potential for more cases from this source is uncertain. Any upturn in case load is expected to start after the agency's initial projections for the FY 2006-2007 budget are due next year, thus how to handle this uncertainty is likely still to be an issue for this agency in its submission for the next biennium's budget.

DATA PROCESSING

The Board of Tax Appeals' case tracking system is 14 years old, and lacks desirable capabilities. It does not allow for computerized scheduling of hearings and mediations, for example. Another BTA system, the agency's computer network, is outdated and in need of upgrading.

COURT REPORTING

As a cost saving measure, BTA rules have been amended to allow electronic recording of hearings. Court reporters are still used in longer hearings of more complex cases. Unlike transcripts prepared by court reporters, electronic recordings are not indexed, and consequently examiners are unable to search hearing records efficiently for specific aspects of cases. Identities of individuals speaking are sometimes difficult to determine when voices are recorded and words may at times be hard to understand.

MAINTENANCE

Maintenance funds may not be sufficient if any current systems or equipment fail during the biennium or require more than modest repairs. Technical support for old systems and software may be difficult to obtain or unavailable.

Line Item Detail by Agency

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BTA Tax Appeals, Board of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	116-100	Personal Services	$ 2,063,411	$ 5,418	$0	$ 0	N/A	$ 0	N/A
GRF	116-200	Maintenance	$ 121,796	$ 9,019	$0	$ 0	N/A	$ 0	N/A
GRF	116-300	Equipment	$ 29,569	$ 2,066	$0	$ 0	N/A	$ 0	N/A
GRF	116-321	Operating Expenses	----	$ 2,257,761	$2,120,282	$ 2,171,760	2.43%	$ 2,171,760	0.00%
General Revenue Fund Total			**$ 2,214,776**	**$ 2,274,264**	**$ 2,120,282**	**$ 2,171,760**	**2.43%**	**$ 2,171,760**	**0.00%**
439	116-602	Reproduction of Decisions	$ 1,872	$ 1,207	$0	$ 0	N/A	$ 0	N/A
General Services Fund Group Total			**$ 1,872**	**$ 1,207**	**$ 0**	**$ 0**	**N/A**	**$ 0**	**N/A**
Tax Appeals, Board of Total			***$ 2,216,649***	***$ 2,275,471***	***$ 2,120,282***	***$ 2,171,760***	***2.43%***	***$ 2,171,760***	***0.00%***

- Increases in GRF operating appropriations.
- Administers tax exemption for pollution control facilities

Taxation, Department of

Ruhaiza Ridzwan, Economist

ROLE

The Ohio Department of Taxation (ODT) is responsible for the administration and enforcement of over 20 state and locally levied taxes. The Tax Commissioner administers all state taxes except for the insurance taxes and the motor vehicle license tax. Under the categories of administration and enforcement, the Department performs such duties as registering taxpayers, processing tax returns, determining tax liabilities, issuing refunds and assessments, conducting audits, and enforcing Ohio tax laws. In addition, ODT oversees the administration of the real property tax by local governments.

In addition, the Department is responsible for determining the amount of various revenue distributions to local governments, including motor fuel tax distributions, reimbursement of local governments for property tax relief, permissive sales and use tax distributions, and allocations to counties from the Library and Local Government Support Fund (LLGSF), Local Government Fund (LGF), and Local Government Revenue Assistance Fund (LGRAF).

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
1,706	$1.9 billion	$2.0 billion	$553.8 million	$582.1 million	Am. Sub. H. B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Appropriations for FY 2004 are $1,889,855,653. This amount is $72,920,373 less than FY 2003 actual expenditures, a 3.7% decrease. Appropriations for FY 2005 are $1,959,035,232. This amount is $69,179,579 greater than FY 2004 appropriations, a 3.7% increase.

General Revenue Fund appropriations for FY 2004 and FY 2005 are $553,815,222 and $582,072,003, respectively. The FY 2004 amount is $12,020,517 less than FY 2003 actual expenditures (a 2.1% decrease) and the FY 2005 amount is $28,256,781 less than FY 2004 appropriations (a 5.1% increase).

BUDGET ISSUES

DEPARTMENT OF TAXATION STAFFING LEVEL

Total employment at ODT has declined beginning in the early 1990s. Last fiscal year, ODT hired and planned to hire over 80 new employees. The Department also plans to hire several more in this biennium. The additional costs for some of the new employees' salaries are not included in the FY 2003 actual spending. The full payroll expenses of the additional staff are included in the FY 2004 and FY 2005 appropriations.

MOTOR FUEL TAX ADMINISTRATION FUND

Am. Sub. H. B. 95 of the 125th General Assembly created the Motor Fuel Tax Administration Fund (Fund 5V7) to pay the expenses of the Department of Taxation to administer the motor fuel tax, and requires that 0.275% of motor fuel tax receipts be credited to the Fund, after the Tax Refund Fund and Waterways Safety Fund are credited.

The Department will fund 70% of the Excise Tax Division, 1.5 FTEs in the Enforcement Division, 1.2 FTEs in the Processing Center, and 1.5 FTEs in the Taxpayer Services Division. In all, 37 FTE employees and their associated activities and equipment, which are currently funded by the GRF, will be funded by the Motor Fuel Tax Administration Fund. The executive budget provides this Fund with $3.7 million in FY 2004 and $3.8 million in FY 2005. In previous transportation budget bills, similar amounts were transferred from the Highway Operating Fund (Fund 002) to the GRF to provide for administration of the tax. Thus, this change has no substantive effect on the Highway Operating Fund.

ENFORCEMENT OF THE MOTOR FUEL USE TAX AND MOTOR FUEL TAX LAWS

Am. Sub. H. B. 95 of the 125th General Assembly increases the penalty for the violation of operating certain commercial cars and commercial tractors with a suspended or surrendered motor fuel use permit from a fourth degree misdemeanor to a fifth degree felony. In addition, the operator may be "detained" until a valid fuel use permit is obtained or reinstated.

TAX EXEMPTION FOR POLLUTION CONTROL FACILITIES

Under Am. Sub. H. B. 95 of the 125th General Assembly the Tax Commissioner creates and administers uniform procedures for application for special-purpose tax-exempt facilities. The Director of Environmental Protection is to provide recommendations regarding applications for water pollution control facilities, and the Director of Development is to provide recommendations regarding applications for energy conversion and thermal efficiency facilities. A fee of one-half of one percent of cost, not to exceed $2,000 per facility is to be charged for each application, with half of the fee to be credited to a new fund, the Exempt Facility Administrative Fund, for appropriation to the Department of Taxation in administering these tax-exempt facilities. The other half is to be credited to the Clean Air Fund for an air or noise pollution control facility; to the Surface Water Protection Fund for an industrial water pollution control facility; or to the Exempt Facility Inspection Fund, a new fund, for use by the Department of Development in providing recommendations regarding applications for tax exemption for energy conversion facilities, solid waste energy conversion facilities, or thermal efficiency improvement facilities.

Furthermore, Am. Sub. H. B. 95 of the 125th General Assembly provides that a certificate issued by the Tax Commissioner prior to July 1, 2003 may be revoked on the basis of agreement of the Tax Commissioner with an opinion from the Director of Environmental Protection or the Director of Development that a certificate should not have been issued.

Currently, no fee is imposed except for industrial water pollution control applications, which have a $500 fee. This provision creates two new funds out of which would be paid the costs of administering tax exemption for special-purpose facilities. These new fees would generate larger fee income for facilities costing over $200,000, and smaller fee income for less costly facilities.

HOMESTEAD EXEMPTION, PROPERTY TAX ROLLBACK, AND TANGIBLE TAX EXEMPTION

Am. Sub. H. B. 95 of the 125th General Assembly appropriated two GRF line items, 110-901, Property Tax Allocation – Taxation and 110-906, Tangible Tax Exemption – Taxation, to pay the state's costs incurred due to the Homestead Exemption, the Manufactured Home Property Tax Rollback, and the Property Tax Rollback and the tangible personal property tax exemption. These moneys are distributed with county auditors, who distribute the appropriate amounts to the local taxing districts.

MISCELLANEOUS

Travel Expenses for Streamlined Sales Tax Project

Am. Sub. H. B. 95 of the 125th General Assembly allows the Tax Commissioner to use funds from appropriation item 110-607, Local Tax Administration (Fund 435) to pay for travel costs associated to Streamlined Sales Tax meetings.

Reporting Requirements for the Tobacco Product Manufacturer Directory Law

Stamping agent is required to include a list (by brand family) of the total number of cigarettes, or, in the case of roll-your-own, the equivalent stick count, to which the agent affixed a tax stamp or for which the agent otherwise paid the tax due, for the period covered by the report, rather than the previous calendar quarter in a report filed with the Tax Commissioner.

International Registration Plan Audit

Appropriated line item 110-616, International Registration Plan, (Fund 4C6) in the state special revenue fund group for the audits of persons with vehicles registered under the International Registration Plan.

Litter Control Tax Administration Fund

Allows some corporate franchise tax revenues to be deposited into the Litter Control Tax Administration Fund (Fund 437).

Municipal Income Tax

Appropriated line item 110-901, Municipal Income Tax, (Fund 095) in the Agency Fund Group, to make payments to municipal corporations for the municipal income tax on electric companies. This tax is collected and distributed by the Department of Taxation.

Tax Refunds

Am. Sub. H. B. 95 of the 125th General Assembly allows the Tax Commissioner to recover tax refund amounts distributed to counties and transit authorities, if the refund amounts are for a tax that was not levied by the state.

Extension of Tax Commissioner's Power to Disregard Sham Transactions

Am. Sub. H. B. 95 of the 125th General Assembly extends the Tax Commissioner's authority to disregard sham transactions to every tax administered by the Tax Commissioner. Currently it is limited to corporate franchise tax assessments, income tax assessments, and the up-front collection of sales taxes on certain leases.

Housing Officers Granted Jurisdiction

Under Am. Sub. H. B. 95 of the 125th General Assembly, the Tax Commissioner will not have any jurisdiction to hear complaints that challenge the continued exemption of property located in a community reinvestment area (CRA). This bill grants jurisdiction to the housing officer that granted the exemption. The provision counters the Ohio Supreme Court's 2001 decision, *Gahanna-Jefferson Local School Dist. Bd. of Educ. v. Zaino*, in which the court ruled the Tax Commissioner had jurisdiction to hear CRA complaints under current law.

Centralized Tax Filing and Payment

Am. Sub. H. B. 95 of the 125th General Assembly requires the Director of Budget and Management to transfer $3.0 million from the GRF to the Centralized Tax Filing and Payment Fund, Fund 5W4, in the state special revenue fund group in the Department of Taxation's budget.

Line Item Detail by Agency

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TAX Taxation, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	110-321	Operating Expenses	$ 88,385,981	$ 85,885,059	$86,188,942	$ 92,501,007	7.32%	$ 94,267,788	1.91%
GRF	110-410	Energy Credit Administration	$ 27,946	----	$0	$ 0	N/A	$ 0	N/A
GRF	110-412	Child Support Administration	$ 15,391	$ 122,993	$78,521	$ 74,215	-5.48%	$ 74,215	0.00%
GRF	110-506	Utility Bill Credits	$ 603,052	$ 125	$0	$ 0	N/A	$ 0	N/A
GRF	110-901	Property Tax Allocation - TAX	$ 363,912,241	$ 351,001,027	$451,575,366	$ 434,650,000	-3.75%	$ 462,640,000	6.44%
GRF	110-906	Tangible Tax Exemption - TAX	$ 27,136,148	$ 27,842,883	$27,992,910	$ 26,590,000	-5.01%	$ 25,090,000	-5.64%
General Revenue Fund Total			**$ 480,080,758**	**$ 464,852,087**	**$ 565,835,739**	**$ 553,815,222**	**-2.12%**	**$ 582,072,003**	**5.10%**
433	110-602	Tape File Account	$ 120,772	$ 96,736	$98,050	$ 96,165	-1.92%	$ 96,165	0.00%
General Services Fund Group Total			**$ 120,772**	**$ 96,736**	**$ 98,050**	**$ 96,165**	**-1.92%**	**$ 96,165**	**0.00%**
3J6	110-601	Motor Fuel Compliance	$ 25,191	$ 36,570	$15,703	$ 33,300	112.06%	$ 25,000	-24.92%
3J7	110-603	International Fuel Tax Agreement	$ 79,470	$ 70,675	$0	$ 0	N/A	$ 0	N/A
Federal Special Revenue Fund Group Total			**$ 104,661**	**$ 107,245**	**$ 15,703**	**$ 33,300**	**112.06%**	**$ 25,000**	**-24.92%**
5N5	110-605	Municipal Income Tax Administration	----	$ 184,274	$346,242	$ 650,000	87.73%	$ 650,000	0.00%
437	110-606	Litter Tax and Nat. Resource Tax Admi	$ 1,366,546	$ 546,590	$414,603	$ 625,232	50.80%	$ 625,232	0.00%
435	110-607	Local Tax Administration	$ 11,032,157	$ 19,521,060	$15,954,816	$ 13,600,000	-14.76%	$ 13,700,000	0.74%
436	110-608	Motor Vehicle Audit	$ 1,207,651	$ 1,118,269	$950,100	$ 1,350,000	42.09%	$ 1,350,000	0.00%
438	110-609	School District Income Tax	$ 2,444,737	$ 2,221,394	$1,798,506	$ 2,599,999	44.56%	$ 2,599,999	0.00%
4R6	110-610	Tire Tax Administration	$ 37,846	$ 169,575	$49,022	$ 65,000	32.59%	$ 65,000	0.00%
642	110-613	Ohio Political Party Distribution	$ 488,760	$ 517,492	$488,217	$ 600,000	22.90%	$ 600,000	0.00%
639	110-614	Cigarette Tax Enforcement	$ 143,660	$ 152,903	$111,617	$ 168,925	51.34%	$ 168,925	0.00%
688	110-615	Local Excise Tax Administration	$ 356,752	$ 203,082	$115,535	$ 300,000	159.66%	$ 300,000	0.00%
4C6	110-616	International Registration Plan	$ 585,261	$ 630,770	$687,811	$ 706,855	2.77%	$ 706,855	0.00%
5N6	110-618	Kilowatt Hour Tax Administration	----	$ 69,498	$72,794	$ 85,000	16.77%	$ 85,000	0.00%
5N7	110-619	Municipal Internet Site	----	$ 2,451	$1,849	$ 0	-100.00%	$ 0	N/A
5V7	110-622	Motor Fuel Tax Administration	----	----	$0	$ 3,734,036	N/A	$ 3,833,091	2.65%
5V8	110-623	Property Tax Administration	----	----	$0	$ 11,569,719	N/A	$ 11,938,362	3.19%
5W4	110-625	Centralized Tax Filing and Payment	----	----		$ 3,000,000	N/A	$ 3,000,000	0.00%
State Special Revenue Fund Group Total			**$ 17,663,370**	**$ 25,337,357**	**$ 20,991,112**	**$ 39,054,766**	**86.05%**	**$ 39,622,464**	**1.45%**
425	110-635	Tax Refunds	$ 1,417,186,988	$ 1,295,681,977	$1,357,674,143	$ 1,296,756,200	-4.49%	$ 1,337,119,600	3.11%

Line Item Detail by Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
TAX Taxation, Department of									
Agency Fund Group Total			**$ 1,417,186,988**	**$ 1,295,681,977**	**$ 1,357,674,143**	**$ 1,296,756,200**	**-4.49%**	**$ 1,337,119,600**	**3.11%**
R10	110-611	Tax Distributions	----	$ 50	$0	$ 50,000	N/A	$ 50,000	0.00%
R11	110-612	Misc Income Tax Receipts	$ 3,382	----	$0	$ 50,000	N/A	$ 50,000	0.00%
Holding Account Redistribution Fund Group Total			**$ 3,382**	**$ 50**	**$ 0**	**$ 100,000**	**N/A**	**$ 100,000**	**0.00%**
Taxation, Department of Total			***$ 1,915,159,930***	***$ 1,786,075,453***	***$ 1,944,614,747***	***$ 1,889,855,653***	***-2.82%***	***$ 1,959,035,232***	***3.66%***

- Motor fuel tax increases will sustain a ten year construction program at $250 million per year
- Force Account limits increased
- The Pavement Selection Advisory Council formed

Transportation, Department of

Jonathan Lee, Budget Analyst

ROLE

The Ohio Department of Transportation (ODOT) is the designated state agency responsible for designing, building, and maintaining the state's transportation system. This system consists of a multi-modal network of highways, public transit systems, general airports, and railways. In addition, the Department is also responsible for placing tourist-oriented directional signs, regulating vehicles in excess of prescribed weights, enforcing regulations governing all aspects of advertising devices along highways, and establishing standards for the design and use of traffic control devices on all public highways in the state. Administration of this network requires continuous research and development; material testing; coordination among local governments, citizens, and state agencies; development of new construction technologies; and comprehensive evaluation of state and federal transportation policies.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
5,874 full-time 25 part-time 1,129 contracted	$2.33 billion	$2.31 billion	$25.0 million	$25.8 million	Am. Sub. H.B. 87** Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

**Am. Sub. H.B. 87 is the Transportation Bill. Passage of the bill prior to March 31 ensures that contracts will be executed in time to allow the highway construction program to continue without a major interruption.

OVERVIEW

The Department fulfills its role with a full-time staff of 5,874 and funding through motor fuel taxes, bonds, and the General Revenue Fund (GRF). The majority of the Department's funding (98.7%) is appropriated in the transportation bill with appropriations backed by the sale of bonds and state and federal motor fuel taxes. Appropriations from the transportation bill support the Department's construction, maintenance, planning, public transportation, rail, aviation, administration, and debt service programs. The Department's funding from the main appropriations bill (1.3%) only supports a portion of the public transportation, rail, and aviation programs. The Department's functions are distributed among ten departmental divisions and 12 district offices, including a central office in Columbus. The Department is not responsible for the administration of the Ohio Turnpike Commission.

The Department's FY 2004-2005 biennial combined total appropriations from the main appropriations bill and the transportation bill increased less than 1% from FY 2002-2003 biennial total adjusted appropriations. This slight increase is the result of the Governor's transportation plan which increased the motor fuel tax two cents each year over the next three years, providing ODOT with a $250 million construction program over the next ten years. Without this increase, ODOT's FY 2004-2005 appropriation levels would have been 12%, or $500 million lower than FY 2002-2003 levels. The Department estimates this lower funding level would have provided for a $140 million construction program in FY 2004 and zero dollars in FY 2005.

General Revenue funding for the Public Transportation series, Rail series, and Aviation series all experienced reductions below requested levels by $13.7 million, $2.9 million, and $1.2 million, respectively. For Public Transportation, this will result in rural and urban transit systems reducing services, increasing fares, freezing wages, and deferring capital purchases. For Rail, the reductions will result in decreased rail engineering and right-of-way activities. As for Aviation, there will be fewer state matching dollars available for federal aviation projects, and fewer projects undertaken to improve the condition of deficient general aviation pavements. The Department's other program series, as well the Public Transportation, Rail, and Aviation series line items in the transportation bill, were funded at requested levels, which will allow ODOT to meet program objectives.

BUDGET ISSUES

MOTOR FUEL TAX

Section 203 of Am. Sub. H.B. 94 of the 124th General Assembly required the General Assembly to study the adequacy and distribution of the motor fuel tax. Based on the recommendations of the Motor Fuel Tax Task Force,[14] Am. Sub. H.B. 87 of the 125th General Assembly increased the state motor fuel tax two cents in FY 2004, two additional cents in FY 2005, and two additional cents in FY 2006 (for a total increase of six cents over three years). However, the tax will not be increased by two cents in FY 2006 if the Director determines Ohio will receive 95% of federal funds attributable to the state and the state's ethanol penalty is eliminated. Increasing Ohio's share to 95% and elimination of the ethanol penalty will result in an estimated annual increase of $140 million and $160 million, respectively.

The transportation bill also included three provisions that will slightly reduce a portion of ODOT's motor fuel tax revenue in FY 2004, FY 2005, FY 2006, and future years. These reductions are due to a new township formula, a new fuel tax exemption, and the phase-out of the motor fuel use tax. Specifically, the new township formula will require ODOT to contribute a total of $2,404,000 each year to townships. Also, a new exemption for motor fuel used for school transportation purposes will result in annual tax

[14] The Motor Fuel Tax Task Force held 13 meetings throughout 2003 including regional meetings in all four quadrants of Ohio and heard testimony from various state agencies, associations, and individuals. The Task Force made the following recommendations: address Ohio donor state status, provide additional revenue for state and local government roads and bridges, use motor fuel tax revenues for the state transportation system only, dedicate the Highway Patrol's motor fuel tax allocation entirely to local governments, adjust motor vehicle registration fees for inflation, re-evaluate current force account limits, and address the federal ethanol penalty.

revenue losses between $1.1 million and $1.6 million. Finally, with the phase-out of the motor fuel use tax, ODOT can expect to lose between $4.6 million to $27.9 million annually.

Overall, considering the motor fuel tax increase less the aforementioned reductions, if the tax only increases four cents, ODOT can expect to receive approximately $214 million (not including additional federal revenue), whereas if the tax is increased to six cents, ODOT can expect to receive approximately $301 million. Table 1 below displays the amount attributable to the Highway Operating Fund less the new deductions per provisions in Am. Sub. H.B. 87. For more detail on the motor fuel tax increase and distribution of the tax see the "Tax Provisions" section of the LSC Final Analysis.

Table 1. Funds Available to the Highway Operating Fund After Deductions

Motor Fuel Tax Distribution	FY 2006 (4 cent increase)	FY 2006 (6 cent increase)
Highway Operating Fund (HOF)	$222,221,637	$333,332,456
Less: loss from school transportation exemption	-$1,100,000	-$1,600,000
Less: ODOT allocation to townships per new formula	-$2,404,000	-$2,404,000
Less: loss from motor fuel use tax phase-out	-$4,646,666	-$27,980,000
TOTAL	$214,070,971	$301,348,456

FORCE ACCOUNT LIMITS

Am. Sub. H.B. 87 increased force account limits for ODOT and local governments. A force account limit is the financial size of a project the state or local governments can undertake with its own employees. Am. Sub. H.B. 87 contained a provision whereby if the Auditor of State determines a local government is found in violation of the new limits, the local government will have to revert to the old limits for one year. If they violate the limits a second time, they will have to revert to the old limits for two years. If they violate the limits a third time they will have to revert to the old limits for another two years, plus they will have the equivalent of 20% of the total project cost withheld from any funds the Tax Commissioner determines are due or payable to the particular local government. The amount that is withheld will be credited to the Local Transportation Improvement Fund (LTIP) administered by the Public Works Commission. The bill also requires the Legislative Service Commission (LSC) to conduct a study of force account limits for the ODOT and local governments. The Commission will issue a report of its findings on or before January 1, 2007. Table 2 below displays the force account limit changes as enacted in Am. Sub. H.B. 87.

Table 2. Comparison of "Old" and "New" Force Account Limits

	"Old" Force Account Limit	"New" Force Account Limit
ODOT		
Highway Maintenance and Repair	$10,000 per mile	$25,000 per mile
Bridges, culverts, and traffic control signals	$20,000	$50,000
Counties		
Road construction	$10,000 per mile	$30,000 per mile
Bridges and culverts	$40,000	$100,000

Table 2. Comparison of "Old" and "New" Force Account Limits *(cont'd.)*		
	"Old" Force Account Limit	"New" Force Account Limit
Municipalities		
Road construction	$10,000 per mile	$30,000 per mile
Townships		
Road construction	$15,000 per mile	$45,000 per mile
Road maintenance	$5,000 per mile	$15,000 per mile

PAVEMENT SELECTION ADVISORY COUNCIL

Am. Sub. H.B. 87 created the Pavement Selection Advisory Council to review the Department's pavement selection process. The bill requires the Department to contract with a neutral third party to conduct an analysis of the Department's pavement selection process including, but not limited to, life cycle cost analysis, user delay, constructability, and environmental factors. The neutral third party shall produce a report on or before December 31, 2003 outlining its recommendations. The Department shall make changes to its pavement selection process based on the recommendations provided in the report.

PUBLIC TRANSPORTATION

Am. Sub. H.B. 95 consolidated GRF appropriation item 775-458, Elderly and Disabled Fare Assistance, into GRF appropriation item 775-451, Public Transportation-State. The bill allows up to $4,012,780 in FY 2004 and $5,015,975 in FY 2005 to be used to make grants to public transit systems, local governments, and private non-profits, for the purpose of reducing fares for the elderly and disabled. Earmarking funds for the Elderly and Disabled Fare Assistance Program directly from 775-451, Public Transportation-State may reduce the amount of funds available for the Office of Transit's operating expenses and two grant programs: the Ohio Public Transportation Grant Program and the Ohio Coordination Program.

Am. Sub. H.B. 95 also permits regional transit authorities to 1) adopt bylaws and rules relating to certain subject areas, 2) provides a penalty for a violation of a regional transit authority bylaw or rule, and 3) permits the use of a particular lane of a highway to be restricted only to buses during certain hours or during all hours.

GENERAL AVIATION LICENSE TAX

Am. Sub. H.B. 95 increased the general aviation license tax to $100 per aircraft. Formerly the tax was a range of $6 to $15. The tax increase is estimated to generate approximately $400,000 per year above former collections. The tax revenue will now be credited to the newly created County Airport Maintenance Assistance Fund (Fund 5W9), in the State Special Revenue Fund Group. Crediting the tax increase to the new fund will result in a subsequent loss to GRF appropriation item 777-471, Airport Improvements-State, which formerly received all the aircraft license tax revenue. The tax increase will provide additional funding for general aviation maintenance, capital improvements, and runway crack sealing projects.

ADVERTISING SPACE AT REST AREAS

Am. Sub. H.B. 95 permits ODOT to sell advertising space at rest areas and requires ODOT to utilize all resulting revenues to pay for rest areas' improvements. The Department's receipts from selling advertising space at rest areas will be deposited into the newly created Roadside Rest Improvement Fund (Fund 5W8) in the State Special Revenue Fund Group.

BIOFUEL AND RENEWABLE ENERGY TASK FORCE

Am. Sub. H.B. 87 created the Biofuel and Renewable Energy Task Force to report on the condition of the industries of biofuel and other renewable energy sources in Ohio. The task force will compare Ohio's biofuel industries with other states, and recommend methods to expand biofuel industries throughout Ohio.

.08 BLOOD ALCOHOL CONTENT REDUCTION

Am. Sub. H.B. 87 reduced the blood alcohol content (BAC) for the purposes of operating a motor vehicle in Ohio while under the influence of alcohol (OMVI). Previously the BAC in Ohio was .10. The reduction will allow ODOT to avoid sanctions of approximately $50 million per year after FY 2007.

The Governor vetoed a provision in Am. Sub. H.B. 95 that provided if the U.S. Congress repeals the .08 blood alcohol concentration and reverts back to the .10 BAC level, or if a federal court declares the mandate unconstitutional or invalid, Ohio's BAC levels would also revert back to .10.

DESIGN-BUILD CONTRACTING

Am. Sub. H.B. 87 made permanent a design-build pilot program for both county engineers and ODOT. Design-build allows the design and construction elements to be combined into a single contract, in effect, creating project delivery efficiencies, time savings, and reducing overall design and construction costs for the state and local governments. The bill limits the dollar value of such contracts to $250 million per biennium for ODOT and $1.5 million for individual county projects.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

DOT Transportation, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	770-501	Public Transportation Grants	$ 64,345	----	$0	$ 0	N/A	$ 0	N/A
GRF	774-445	Youngstown Intermodal Project	$ 91,300	----		----	N/A	----	N/A
GRF	775-451	Public Transportation-State	$ 21,178,984	$ 29,887,079	$18,086,907	$ 18,875,595	4.36%	$ 19,525,595	3.44%
GRF	775-453	Waterfront Line Lease Payments-State	$ 1,775,847	$ 1,775,513	$0	$ 0	N/A	$ 0	N/A
GRF	775-456	Public Transportation/Discretionary Ca	$ 4,527,035	$ 1,514,865	$1,085,385	$ 0	-100.00%	$ 0	N/A
GRF	775-458	Elderly & Disabled Fare Assistance	$ 3,349,962	$ 3,315,504	$3,435,048	$ 0	-100.00%	$ 0	N/A
GRF	776-465	Ohio Rail Development Commission	$ 3,647,721	$ 5,561,743	$3,883,670	$ 3,116,889	-19.74%	$ 2,936,056	-5.80%
GRF	776-466	Railroad Crossing/Grade Separation	----	$ 326,020	$2,121,806	$ 500,000	-76.44%	$ 840,000	68.00%
GRF	777-471	Airport Improvements-State	$ 4,623,580	$ 2,678,065	$3,087,125	$ 1,908,495	-38.18%	$ 1,908,495	0.00%
GRF	777-473	Rickenbacker Lease Payments-State	$ 540,230	$ 548,131	$565,224	$ 591,600	4.67%	$ 591,500	-0.02%
General Revenue Fund Total			**$ 39,799,003**	**$ 45,606,919**	**$ 32,265,165**	**$ 24,992,579**	**-22.54%**	**$ 25,801,646**	**3.24%**
3B9	776-662	Rail Transportation-Federal	----	----	$0	$ 50,000	N/A	$ 50,000	0.00%
Federal Special Revenue Fund Group Total			**----**	**----**	**$ 0**	**$ 50,000**	**N/A**	**$ 50,000**	**0.00%**
5W8	773-605	Roadside Rest Area Improvement	----	----		$ 250,000	N/A	$ 250,000	0.00%
5E7	775-657	Transit Capital Funds	$ 3,045,541	$ 9,199,953	$3,025,917	$ 0	-100.00%	$ 0	N/A
4N4	776-663	Panhandle Lease Reserve Payments	----	----	$0	$ 770,000	N/A	$ 770,000	0.00%
4N4	776-664	Rail Transportation-Other	$ 28,000	$ 341,501	$613,446	$ 1,919,500	212.90%	$ 2,111,500	10.00%
5W9	777-615	County Airport Maintenance Assistance	----	----		$ 570,000	N/A	$ 570,000	0.00%
State Special Revenue Fund Group Total			**$ 3,073,541**	**$ 9,541,454**	**$ 3,639,363**	**$ 3,509,500**	**-3.57%**	**$ 3,701,500**	**5.47%**
Transportation, Department of Total			***$ 42,872,544***	***$ 55,148,373***	***$ 35,904,528***	***$ 28,552,079***	***-20.48%***	***$ 29,553,146***	***3.51%***

- The Treasurer of State is the custodian and investor of state funds.
- The Treasurer of State manages several investment programs designed to help farmers and various businesses.

Treasurer of State

Ruhaiza Ridzwan, Economist

ROLE

The Treasurer of State collects, invests, and protects state funds. The Treasurer's Office functions as a custodian of the public's money and manager of the state's investment portfolio. The Treasurer of State is a constitutional officer elected to a four-year term.

The Treasurer of State performs the following tasks:

- Manages the state's investment portfolio by investing available funds in a variety of financial instruments under statutory guidance provided by the legislature. The rate of return on state investments was 2.6% in FY 2002, down from 5.8% in FY 2001.
- Serves as the custodian of moneys in the state treasury and certain moneys held, by law, in the custody of the Treasurer. The Treasurer is the custodian of over $145 billion in state pensions, workers compensation, and other custodial funds.
- Ensures that sufficient cash is available to allow the state to make necessary payments.
- Operates the Linked Deposit program that helps farmers and businesses obtain low-cost loans.
- Manages the Star Ohio program (state regular account), pooling the investments of schools and political subdivisions to obtain safe returns. Star Ohio has approximately $10 billion in assets.
- Manages the Bid Ohio program (which invests state "interim" funds), working to keep Ohio's investment dollars in Ohio.
- Manages the Securities Lending program, generating income by loaning securities on a short-term basis to selected brokerage firms and financial institutions for a fee.
- Administers a continuing education program for Ohio's public funds managers to ensure that local tax dollars are invested wisely and safely.
- Issues debt for public works, parks and recreation, mental health, mental retardation, highways, and student loan programs.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
151	$71.9 million	$72.8 million	$37.1 million	$38.4 million	Am. Sub. H. B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

The total appropriation for FY 2004 is $71,902,535. This amount is $21,621,571 higher than FY 2003 actual expenditures, a 43% increase. The appropriation for FY 2005 is $72,842,535. This amount is $940,000 greater than FY 2004 appropriations, a 1.3% increase.

The GRF appropriation for FY 2004 is $37,127,535. This amount is $936,399 greater than FY 2003 actual spending, an increase of 2.6%. The GRF appropriation for FY 2005 is $38,357,535. This amount is $1,230,000 greater than FY 2004, a 3.3% increase.

The Treasurer's GRF operating appropriations for FY 2004 and FY 2005 are $9,329,082 and $9,619,082, respectively. The appropriation for FY 2004 is $651,307 or 7.5% over the actual spending for FY 2003. The appropriation for FY 2005 is $290,000 or 3.1% above the FY 2004 appropriation. The operating appropriations in FY 2004 and FY 2005 are shifting from non-GRF to GRF appropriations due to lower earnings on investment and securities lending income.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

TOS Treasurer of State

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	090-321	Operating Expenses	$ 7,321,402	$ 9,412,744	$8,677,775	$ 9,329,082	7.51%	$ 9,619,082	3.11%
GRF	090-401	Office of the Sinking Fund	$ 425,503	$ 377,505	$270,718	$ 554,868	104.96%	$ 554,868	0.00%
GRF	090-402	Continuing Education	$ 443,478	$ 417,665	$462,265	$ 463,585	0.29%	$ 463,585	0.00%
GRF	090-510	PERS Cost of Living	$ 451	----	$0	$ 0	N/A	$ 0	N/A
GRF	090-511	STRS Cost of Living	$ 1,178	----	$0	$ 0	N/A	$ 0	N/A
GRF	090-512	SERS Cost of Living	$ 510	----	$0	$ 0	N/A	$ 0	N/A
GRF	090-520	PERS Pension Benefits	$ 111,056	----	$0	$ 0	N/A	$ 0	N/A
GRF	090-521	STRS Pension Benefits	$ 229,005	----	$0	$ 0	N/A	$ 0	N/A
GRF	090-522	SERS Pension Benefits	$ 60,152	----	$0	$ 0	N/A	$ 0	N/A
GRF	090-523	Highway Patrol Retirement System	$ 2,236	----	$0	$ 0	N/A	$ 0	N/A
GRF	090-524	Police and Fire Disability Pension Fund	$ 45,000	$ 39,684	$32,360	$ 35,000	8.16%	$ 30,000	-14.29%
GRF	090-530	PERS Ad Hoc Cost of Living	$ 638,426	----	$0	$ 0	N/A	$ 0	N/A
GRF	090-531	STRS Ad Hoc Cost of Living	$ 1,283,545	----	$0	$ 0	N/A	$ 0	N/A
GRF	090-532	SERS Ad Hoc Cost of Living	$ 195,557	----	$0	$ 0	N/A	$ 0	N/A
GRF	090-533	Highway Patrol Ad Hoc Cost of Living	$ 20,295	----	$0	$ 0	N/A	$ 0	N/A
GRF	090-534	Police & Fire Ad Hoc Cost of Living	$ 280,826	$ 250,446	$223,908	$ 225,000	0.49%	$ 230,000	2.22%
GRF	090-544	Police and Fire State Contribution	$ 1,200,000	$ 1,200,000	$1,200,000	$ 1,200,000	0.00%	$ 1,200,000	0.00%
GRF	090-554	Police and Fire Survivor Benefits	$ 1,586,540	$ 1,441,120	$1,324,110	$ 1,320,000	-0.31%	$ 1,260,000	-4.55%
GRF	090-575	Police and Fire Death Benefits	$ 21,280,000	$ 23,000,000	$24,000,000	$ 24,000,000	0.00%	$ 25,000,000	4.17%
General Revenue Fund Total			**$ 35,125,159**	**$ 36,139,163**	**$ 36,191,136**	**$ 37,127,535**	**2.59%**	**$ 38,357,535**	**3.31%**
4E9	090-603	Securities Lending Income	$ 4,822,596	$ 4,191,274	$2,282,537	$ 2,400,000	5.15%	$ 2,100,000	-12.50%
577	090-605	Investment Pool Reimbursement	$ 735,887	$ 242,136	$592,086	$ 600,000	1.34%	$ 550,000	-8.33%
182	090-608	Financial Planning Commissions	$ 6,927	$ 8,467	$1,888	$ 0	-100.00%	$ 0	N/A
605	090-609	Treasurer of State Administrative Fund	$ 920,316	$ 133,430	$1,671,268	$ 600,000	-64.10%	$ 700,000	16.67%
4N0	090-611	Treasury Education	$ 801	----	$0	$ 0	N/A	$ 0	N/A
General Services Fund Group Total			**$ 6,486,526**	**$ 4,575,307**	**$ 4,547,779**	**$ 3,600,000**	**-20.84%**	**$ 3,350,000**	**-6.94%**
5C5	090-602	County Treasurer Education	$ 119,935	$ 91,179	$149,758	$ 175,000	16.86%	$ 135,000	-22.86%
State Special Revenue Fund Group Total			**$ 119,935**	**$ 91,179**	**$ 149,758**	**$ 175,000**	**16.86%**	**$ 135,000**	**-22.86%**
425	090-635	Tax Refunds	----	$ 28,301,099	$9,392,291	$ 31,000,000	230.06%	$ 31,000,000	0.00%

Line Item Detail by Agency

	FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
TOS Treasurer of State							
Agency Fund Group Total	----	$ 28,301,099	$ 9,392,291	$ 31,000,000	230.06%	$ 31,000,000	0.00%
Treasurer of State Total	*$ 41,731,620*	*$ 69,106,748*	*$ 50,280,964*	*$ 71,902,535*	*43.00%*	*$ 72,842,535*	*1.31%*

- Almost 130,000 Ohio families have opened accounts in the Guaranteed Savings Plan since 1989.
- As of June 30, 2003, the Variable Savings Plan had $2.4 billion in assets and a customer base of 435,600.

Tuition Trust Authority, Ohio

Zak Talarek, Budget Analyst

ROLE

The Ohio Tuition Trust Authority (OTTA), which is governed by an 11-member Board of Directors, is responsible for two programs that promote private savings for the payment of college tuition: the Guaranteed Savings Plan and the Variable Savings Plan. These two programs encourage Ohio families to save for college by providing various tax advantages that result from both plans qualifying as a 529 college savings program. The advantages include tax-free growth while the value of the account accumulates, as well as withdrawals being exempt from both federal and state income taxes if the distributions are used to pay for qualified higher educational expenses. These qualified expenses include tuition, room and board, plus any other fees or costs that are required for enrollment or attendance at the college or university.

The Guaranteed Savings Plan program is the third oldest program of its type in the country. It allows for the purchase of tuition units at a price based on 1% of the current weighted average tuition of Ohio's 13 public universities plus an amount to ensure the actuarial soundness of the program. The tuition units are redeemable for an amount equal to 1% of the weighted average tuition that Ohio's 13 public universities are charging at the time of redemption, and this amount is guaranteed by the full faith and credit of the state.

The Variable Savings Plan offers individuals market-based choices to save for college. Funds in the Variable Savings Plan are not backed by the full faith and credit of the state of Ohio. Participants have a choice of 15 investment options in various Putnam mutual funds, including four asset allocation options, and 11 asset class options. Participants also have a choice in opening an account through a financial advisor who has a selling agreement with Putnam, or directly through the OTTA. Opening an account directly through the OTTA allows the participant to pay lower fees per share than if the account were opened through a financial advisor. Only Ohio residents may enroll directly through the OTTA. The OTTA receives 0.05% of a participant's assets on an annualized basis for accounts opened directly through the OTTA, while it receives 0.20% from non-Ohio residents, and Ohio residents who enroll through a financial advisor.

Agency In Brief

Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
33	$5.2 million	$5.4 million	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Funding for the OTTA comes from two state special revenue fund line items. Line item 095-602, Variable Savings Plan (Fund 5P3) is funded by fees generated through the Variable Savings Plan. And line item 095-601, Operating Expenses (Fund 645) is funded by fees generated through the Guaranteed Savings Plan. Both line items are used to cover the costs of operating the OTTA, and the expenses are divided between the two line items in the expected proportion of the administrative needs of the two plans.

The total appropriation for FY 2004 is $5,210,361, a 17.8% increase over FY 2003 and $5,379,314 for FY 2005, a 3.2% increase over FY 2004. The large increase in FY 2004 is almost entirely due to the fact that approximately $600,000 in FY 2003 funds has been encumbered for outstanding obligations and carried into FY 2004.

BUDGET ISSUES

MIAMI UNIVERSITY TUITION RESTRUCTURING PLAN

Section 89.05 of Am. Sub. H.B. 95 includes a provision allowing Miami University to institute its tuition restructuring plan. Miami University plans to charge in-state students the same tuition as for out-of-state students, though the plan will have no direct effect on students who enroll prior to August 2004, except for paper changes on invoices. Because of this, the OTTA is likely to use the tuition actually charged to Ohio residents in FY 2004 in calculating the weighted average tuition. That is, the OTTA is likely to use $8,353, rather than the sticker price of $18,103. However, the OTTA is uncertain at this time on what tuition amount will be used in the calculation of the weighted average tuition beginning in FY 2005 when the tuition restructuring plan will actually affect all Ohio students who enroll after August 2004.

The Miami University tuition restructuring plan could bring an additional expense to the two programs at a time when the Guaranteed Savings Plan ran its first actuarial deficit in FY 2002, amounting to $23.8 million. However, the Board of Directors of the OTTA has authorized future contingent payments from fees generated by the Variable Savings Plan to offset this deficit. These future payments have an expected value of $25.1 million, which means that the Guaranteed Savings Plan remains actuarially sound at this point. The downturn in the stock market as well as the large increases in tuition at Ohio's universities after the removal of the tuition caps beginning in FY 2002 have contributed the financial problems in the Guaranteed Savings Plan. In an attempt to offset this problem, the OTTA instituted its first midyear price increase on January 14, 2002. Since then, the OTTA has begun to re-evaluate the price of tuition units on a quarterly basis, leading to three other midyear price increases. The price of a tuition unit has increased by almost 59% since October 1, 2001, from $56.00 to its current price of $89.00. Because the redemption value of the tuition units (1% of the weighted average tuition) is guaranteed by the full faith and credit of the state, then the state will be obligated to cover the costs of redeeming the tuition units if the actuarial deficit materializes into an actual deficit.

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
TTA	**Ohio Tuition Trust Authority**								
645	095-601	Operating Expenses	$ 3,717,565	$ 4,237,835	$3,049,799	$ 3,570,614	17.08%	$ 3,689,101	3.32%
5P3	095-602	Variable Savings Plan	$ 6,836	$ 40,476	$1,371,963	$ 1,639,747	19.52%	$ 1,690,213	3.08%
State Special Revenue Fund Group Total			**$ 3,724,401**	**$ 4,278,311**	**$ 4,421,762**	**$ 5,210,361**	**17.83%**	**$ 5,379,314**	**3.24%**
Ohio Tuition Trust Authority Total			***$ 3,724,401***	***$ 4,278,311***	***$ 4,421,762***	***$ 5,210,361***	***17.83%***	***$ 5,379,314***	***3.24%***

- FY 2004 appropriations represent a 23.5% increase over FY 2003 expenditures
- GRF accounts for 57.46% of the Ohio Veterans' Home total budget In FY 2004, and 50.50% in FY 2005

Veterans' Home Agency, Ohio

Ivy Chen, Economist

ROLE

In 1886, the General Assembly established the Ohio Soldiers' and Sailors' Home, located on a 100-acre campus in Sandusky. The Ohio Soldiers' and Sailors' Home was renamed to the Ohio Veterans' Home in 1979. House Bill 675 of 124th General Assembly renamed the Ohio Veterans' Home to the Ohio Veterans' Home Agency (OVH) to reflect the creation of the second Veterans' Home in Georgetown, Ohio. Since it's opening in 1888, over 50,000 veterans have lived at the Home. To be eligible for admission, a veteran must have served during wartime, been honorably discharged, and have been a resident of Ohio for five consecutive years prior to admission.

The Ohio Veterans' Home in Sandusky provides long-term care to veterans in three different settings. The 293-bed Veterans Hall domiciliary provides independence and freedom comparable to community living for residents able to care for themselves. Currently, 225 of the 293 beds in the domiciliary are occupied. A second level of care, referred to as "dom-plus," offers an intermediate level of care for 42 residents. The third level of care, Secrest-Giffin nursing home, provides a greater level of care for 427 residents who require more assistance with daily activities and those who require around-the-clock medical care. Among the 427 nursing home residents, 140 of them are in special care units for Alzheimer's, wandering, and other related dementias.

The Ohio Veterans' Home Agency plans to open and operate a 168 bed veterans' home in Georgetown, Ohio, with 84 nursing home beds and 84 special care nursing home beds. This facility is being built with a federal grant and state matching funds. The Agency expects to admit the first residents in the middle of October 2003. The facility will be fully operational sometime in FY 2004.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
746	$48.0 million	$49.4 million	$27.6 million	$25.4 million	Am. Sub. H.B. 95

*Notes:

1) Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003. It represents positions on the roster as of June 28, 2003.
2) According to the OVH, the filled positions as of June 28, 2003 are 720.
3) Employee head count does not include staff that will be hired for the operation of the Georgetown Veterans' Home. It is estimated that 217.5 employees will be needed for the Georgetown Veterans' Home.

OVERVIEW

Am. Sub. H.B. 95 of the 125th General Assembly appropriates $48.0 million for FY 2004, a 23.5% increase over FY 2003 expenditures and $49.4 million for FY 2005, a 2.9% increase over FY 2004 appropriation levels. The appropriation increase will allow the Veterans' Home: (1) to maintain current service levels for the Sandusky Veterans' Home throughout the FY 2004-2005 biennium, and (2) to operate the Georgetown Veterans' Home beginning in the fall of 2003 (i.e., FY 2004) and continuing through the biennium.

BUDGET ISSUES

SOURCE OF REVENUES

As stated in the table below, the largest source of revenue for OVH is the GRF. The next largest source of revenue is federal grant moneys.

Table 1: Percentage of OVH Budget by Revenue Source

Year	State GRF	Federal	Resident	Rotary Fund (GSF 484)
1995	67.06	21.54	11.40	N/A
1996	61.76	24.94	13.30	N/A
1997	60.46	25.07	14.46	N/A
1998	58.80	26.51	14.68	N/A
1999	59.27	24.98	15.75	N/A
2000	58.68	25.26	15.75	.31
2001	56.08	28.42	14.46	1.05
2002	53.91	26.46	18.44	1.20
2003	52.83	28.29	17.59	1.29
2004	57.46	25.46	15.61	1.48
2005	50.50	29.77	17.30	1.44

The funding sources for the veterans' homes are significantly different for FYs 2004 and 2005. The budget assumed the Georgetown Veterans' Home would be filling up throughout the course of FY 2004, as residents will be admitted gradually throughout the fiscal year. The revenues generated from the VA per diem and resident assessments will gradually increase throughout the year, since these revenues are dependant upon the number of residents actually living at the new home. In FY 2005, the budget assumes that all 168 residents would be living at the Georgetown Veterans' Home for the entire fiscal year. Thus, the revenues generated from the VA per diem and assessments represent a full year's collections for all 168 residents.

AVERAGE DAILY COSTS

Average daily costs for residents in both the Secrest-Giffin nursing home and the Veterans Hall domiciliary have continued to increase. Unlike other nursing homes, the cost of care at the Veterans' Home includes all ancillary services, as well as physician, dental, and optometric care. The average daily costs are summarized in the table below.

Table 2: Average Daily Cost of Care

Fiscal Year	Veterans Hall Domiciliary	Percent Change	Secrest-Giffin Nursing Home	Percent Change
1996	$63.79	N/A	$147.80	N/A
1997	$63.09	(1.1)	$150.91	2.1
1998	$64.82	2.7	$156.36	3.6
1999	$63.57	(1.9)	$159.61	2.1
2000	$72.60	14.2	$170.34	6.7
2001	$78.20	7.7	$174.11	2.2
2002	$84.77	8.4	$177.79	2.1

Line Item Detail by Agency

Report For: Main Operating Appropriations Bill **Version:** Enacted

OVH Ohio Veterans' Home Agency

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	430-100	Personal Services	$ 13,934,450	$ 14,515,770	$15,414,502	$ 20,664,311	34.06%	$ 18,877,112	-8.65%
GRF	430-200	Maintenance	$ 5,297,387	$ 5,147,940	$5,115,195	$ 6,912,553	35.14%	$ 6,546,928	-5.29%
General Revenue Fund Total			**$ 19,231,837**	**$ 19,663,710**	**$ 20,529,697**	**$ 27,576,864**	**34.33%**	**$ 25,424,040**	**-7.81%**
484	430-603	Rental and Service Revenue	$ 354,273	$ 436,655	$501,704	$ 709,737	41.47%	$ 709,737	0.00%
General Services Fund Group Total			**$ 354,273**	**$ 436,655**	**$ 501,704**	**$ 709,737**	**41.47%**	**$ 709,737**	**0.00%**
3L2	430-601	Federal Grants	$ 9,585,358	$ 9,650,843	$10,811,840	$ 12,220,340	13.03%	$ 14,696,578	20.26%
319	430-608	Southern Home Equipment	----	----	$183,003	----	N/A	----	N/A
Federal Special Revenue Fund Group Total			**$ 9,585,358**	**$ 9,650,843**	**$ 10,994,843**	**$ 12,220,340**	**11.15%**	**$ 14,696,578**	**20.26%**
4E2	430-602	Veterans Home Operating	$ 4,272,087	$ 6,069,290	$6,057,746	$ 6,719,938	10.93%	$ 7,769,277	15.62%
604	430-604	Veterans Home Improvement	$ 500,271	$ 655,117	$777,285	$ 770,096	-0.92%	$ 770,096	0.00%
State Special Revenue Fund Group Total			**$ 4,772,358**	**$ 6,724,406**	**$ 6,835,031**	**$ 7,490,034**	**9.58%**	**$ 8,539,373**	**14.01%**
Ohio Veterans' Home Agency Total			***$ 33,943,825***	***$ 36,475,614***	***$ 38,861,275***	***$ 47,996,975***	***23.51%***	***$ 49,369,728***	***2.86%***

- Total funding is slightly over $2.8 million for all organizations for the biennium.
- Funding is increased by $4,500 in FY 2004 for the Korean War Veterans to commemorate the 50th anniversary of the war.

Veterans' Organizations

Wendy Risner, Budget Analyst

ROLE

The state of Ohio currently grants subsidies to 13 different organizations that serve Ohio's veterans. The primary mission of all of these organizations is to promote and provide assistance to veterans in Ohio. These groups educate veterans and their dependents on the various benefits available to them. Some of the organizations provide emergency assistance. All of the various veterans' organizations promote the remembrance of their fellow veterans and the wars they fought. In addition to a GRF subsidy, each organization provides much of its own funding through membership dues, fund-raising efforts, federal grants, and private donations.

Agency In Brief					
Number of Employees	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
0	$1.4 million	$1.4 million	$1.4 million	$1.4 million	Am. Sub. H.B. 95

OVERVIEW

The total funding for the Veterans' Organizations is $1,409,119 in FY 2004 and $1,404,619 in FY 2005. This represents a 1.3% decrease in funding from FY 2003 to FY 2004 and a 0.3% decrease in funding from FY 2004 to FY 2005. The reason for the decrease from FY 2003 to FY 2004 is that the Veterans' of World War I will receive no funding due to declining membership. The Veterans' of World War I received $24,780 in FY 2003. On the other hand, funding is increased by $4,500 in FY 2004 for the Korean War Veterans to fund activities to commemorate the 50th anniversary of the Korean War. In appropriation item 751-501, Vietnam Veterans of America, $50,000 in each fiscal year is to be used to support activities of the Central Ohio USO. In appropriation item 753-501, AMVETS, $20,000 in each fiscal year is earmarked to reimburse county veterans service commissions for costs incurred while carrying out educational and outreach programs.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

VET Veterans' Organizations

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	743-501	American Ex-Prisoners of War	$ 25,030	$ 25,030	$25,030	$ 25,030	0.00%	$ 25,030	0.00%
GRF	746-501	Army and Navy Union, USA, Inc.	$ 55,012	$ 55,012	$55,012	$ 55,012	0.00%	$ 55,012	0.00%
GRF	747-501	Korean War Veterans	$ 49,452	$ 49,452	$49,453	$ 53,953	9.10%	$ 49,453	-8.34%
GRF	748-501	Jewish War Veterans	$ 29,367	$ 29,715	$29,715	$ 29,715	0.00%	$ 29,715	0.00%
GRF	749-501	Catholic War Veterans	$ 57,990	$ 57,990	$57,990	$ 57,990	0.00%	$ 57,990	0.00%
GRF	750-501	Military Order of the Purple Heart	$ 56,377	$ 56,377	$56,377	$ 56,377	0.00%	$ 56,377	0.00%
GRF	751-501	Viet Nam Veterans of America	$ 181,950	$ 185,954	$185,954	$ 185,954	0.00%	$ 185,954	0.00%
GRF	752-501	American Legion of Ohio	$ 252,328	$ 252,328	$252,328	$ 252,328	0.00%	$ 252,328	0.00%
GRF	753-501	Amvets	$ 887,919	$ 237,919	$235,882	$ 237,919	0.86%	$ 237,919	0.00%
GRF	754-501	Disabled American Veterans	$ 165,998	$ 165,998	$166,308	$ 166,308	0.00%	$ 166,308	0.00%
GRF	756-501	Marine Corps League	$ 85,972	$ 85,972	$85,972	$ 85,972	0.00%	$ 85,972	0.00%
GRF	757-501	37th Div AEF Veterans Association	$ 5,946	$ 5,946	$5,946	$ 5,946	0.00%	$ 5,946	0.00%
GRF	758-501	Veterans of Foreign Wars	$ 196,615	$ 196,615	$196,615	$ 196,615	0.00%	$ 196,615	0.00%
GRF	759-501	Veterans of World War I	$ 25,030	$ 24,780	$24,780	$ 0	-100.00%	$ 0	N/A
General Revenue Fund Total			**$ 2,074,985**	**$ 1,429,087**	**$ 1,427,362**	**$ 1,409,119**	**-1.28%**	**$ 1,404,619**	**-0.32%**
Veterans' Organizations Total			***$ 2,074,985***	***$ 1,429,087***	***$ 1,427,362***	***$ 1,409,119***	***-1.28%***	***$ 1,404,619***	***-0.32%***

- Licenses 5,400 professional veterinarians and veterinary technicians

Veterinary Medical Board

Wendy Risner, Budget Analyst

ROLE

The Veterinary Medical Board's mission is to ensure that Ohio's citizens are served by professional and competent veterinarians and registered veterinary technicians. The Board serves a number of functions, including issuing licenses, providing examinations for licenses, approving continuing education courses, investigating complaints involving licensed veterinarians or violations of the practice act, and providing compliance inspections for veterinary facilities. These powers are granted by Chapter 4741. of the Revised Code. The Board licenses on a biennial basis. Veterinarians are licensed in odd-numbered years, while registered veterinary technicians are registered in even-numbered years.

Agency In Brief

Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
9**	$444,000	$453,000	$0	$0	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.
** The Board has 2 full-time employees, 1 part-time employee, and 6 board members.

OVERVIEW

The Board receives no GRF funding. The funding for operations is received through license fees collected by the Board. In FY 2003, the Board expended $275,910 for carrying out the duties described above. The Board was appropriated $444,208 in FY 2004 and $453,043 in FY 2005. The Board has stated that in FY 2003 they concentrated on lowering expenditures by not hiring a compliance inspector, as well as printing in-house and cutting back on office supplies. An investigator position has been vacant since 2001 and has been phased out. As a result, the Board has contracted with the Department of Agriculture to provide these investigative services, which has resulted in substantial savings for the Board. The Board anticipates that the funding received in FYs 2004 and 2005 will allow for a continuation of services at the FY 2003 level.

- The Industrial Commission Operating Fund is created to separate BWC's assessment revenue from OIC's
- The number of service offices will decrease from 21 to 15
- BWC receives no GRF funding

Workers' Compensation, Bureau of

Kerry Sullivan, Budget Analyst

ROLE

The Ohio Bureau of Workers' Compensation (BWC) administers the second largest exclusive workers' compensation system in the United States, with assets of some $23 billion. An exclusive system is one in which only the state, not private insurers, provides workers' compensation coverage to business and industry. Ohio's workers' compensation system is composed of two agencies: BWC as the insurance provider, and the Ohio Industrial Commission (OIC), which adjudicates disputed claims.

The Administrator of BWC is appointed by the Governor. The Administrator is assisted by a nine-member Advisory Commission comprising representatives from business and labor, as well as legislators. In addition to BWC's headquarters, located in downtown Columbus, there are currently 21 BWC service offices and additional regional offices located statewide that provide safety education and accident prevention services to Ohio employers.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
2,775	$317.0 million	$317.5 million	$0	$0	Sub. H.B. 91

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

OVERVIEW

Appropriations for FY 2004 total $317,032,074. This amount is $2,565,087 less than the total appropriated for FY 2003 (a 0.8% decrease) and is $21,401,889 more than actual expenditures for FY 2003. Appropriations for FY 2005 total $317,537,074, or $505,000 more than FY 2004 (a 0.2% increase).

Current annual premium and assessment income from private and public employers throughout the state is approximately $2 billion. Premium payments cover the cost of workers' compensation insurance and are deposited to the State Insurance Fund. In addition, Administrative Cost Fund assessments are charged to employers to support BWC operations. The Bureau does not receive any General Revenue Fund moneys.

The State Insurance Fund balance for FY 2002 was $1.9 billion, down from $4.5 billion in FY 2001. The balance as of December 31, 2002 was $358 million. This balance reflects a series of dividends, credits, and rebates awarded to state fund employers that totaled more than $1.6 billion in FY 2001 and nearly $1.5 billion in FY 2002. These were awarded in a deliberate effort to bring the balance of the State Insurance Fund down, since net assets had historically been higher than what the Bureau deemed necessary to cover all of its existing claims. Currently, BWC maintains claims reserves of approximately $14 billion to cover future wage loss and medical benefits to injured workers.

BUDGET ISSUES

INDUSTRIAL COMMISSION OPERATING FUND

Prior to the passage of Sub. H.B. 91, both BWC and OIC received funding through one assessment added to employer workers' compensation premiums and deposited to the Administrative Cost Fund (Fund 023). Assessment revenue was shared proportionately between BWC and OIC. Sub. H.B. 91 created the Industrial Commission Operating Fund (Fund 5W3) and specified that moneys in the fund were to be used for costs that are solely attributable to the activities of the Commission. Under section 4123.342 of the Revised Code, the Administrator of BWC is to separately calculate employers' assessments for those costs solely attributable to OIC and for those costs solely attributable to BWC, and then is to divide the assessments collected into two separate administrative assessment accounts within the State Insurance Fund. Upon authorization from OIC, the Administrator of BWC is then to transfer moneys from the assessment account designated for the Industrial Commission to the newly created Industrial Commission Operating Fund.

Creating the Industrial Commission Operating Fund will allow BWC and OIC to maintain direct control over their respective operating funds and will more clearly differentiate the costs of the services provided by the two agencies by showing employers what portion of their assessment goes toward BWC and what portion goes toward OIC.

Fund Balance Transfers

In keeping with the creation of the Industrial Commission Operating Fund, the budget act for BWC includes language that authorizes the Director of Budget and Management to transfer cash balances from the Administrative Cost Fund (Fund 023) to the newly created Industrial Commission Operating Fund (Fund 5W3) and to cancel existing encumbrances in Fund 023 and re-establish those encumbrances in Fund 5W3 on behalf of the Industrial Commission. A separate provision specifically authorizes the Director of Budget and Management to transfer existing encumbrances in OIC's three line items that were formerly part of Fund 023.

BALANCE BILLING

The budget act for BWC contains a provision that prohibits non-certified health care providers from charging an employee, employer, managed care organization, or BWC any amount for covered services or supplies above the allowed amount paid. Prior law already prohibited this use of "balance billing" by certified health care providers. The provision is likely to result in slight savings for BWC, as it would no longer have to expend staff time and resources investigating employee complaints of balance billing by non-certified health care providers.

Religious Sect Exemption

The budget act for BWC also contains provisions that specify that an employer who is a member and adherent of a religious sect that is opposed to accepting public or private insurance benefits related to various events (such as death, disability, or impairment) may apply to BWC for an exemption from payment of workers' compensation premiums and assessments on account of an employee who is also a member of that religious sect. In the case of a self-insured employer, that employer may apply for exemption from payment of direct compensation and benefits on account of such an employee. In practice, these provisions most readily apply to employers and employees of the Amish community who wish to be exempt from paying workers' compensation premiums and assessments.

Safety and Hygiene Operating

Sub. H.B. 91 contains a provision requiring the Administrator of BWC to transfer moneys from the State Insurance Fund to guarantee the proper funding of appropriation item 855-609, Safety and Hygiene Operating, during the FY 2004-2005 biennium. The Division of Safety and Hygiene provides employers with a variety of programs geared toward improving workplace safety, preventing accidents, and reducing workers' compensation costs. Employers that implement the Division's programs may reduce the amount they pay in workers' compensation premiums. The Bureau projects that the 1% assessment that is currently attached to employer premiums to fund the Division of Safety and Hygiene will not be sufficient to sustain adequate services levels. This is due, in short, to the effectiveness of the Division's programs. As employer premiums are reduced as a result of increased worker safety, the amount of assessment revenue for the Division also declines. The Bureau is in the process of developing a permanent solution to this funding problem.

Service Office Closings and Relocations

BWC Service Offices	
Current Location	**Future Location**
Columbus North Columbus South	Columbus (downtown)
Akron Canton	Canton
Cleveland Independence Richmond Heights	Cleveland Garfield Heights
Warren Youngstown	Youngstown
Bridgeport Zanesville	Cambridge
Cincinnati	Converted to a CFC
Governor's Hill*	Governor's Hill

*As the downtown Cincinnati office converts to a CFC, a large number of staff members will move into the existing Governor's Hill office.

Over the course of the next year, the number of BWC service offices will decrease from 21 to 15. In addition, the Bureau will implement a new office concept known as a Customer Focus Center (CFC), in Ashtabula, Bridgeport, and Cincinnati. Each CFC will be staffed by three or four employees. The following chart shows the current and future location of these service offices that are relocating. Service offices in Dayton, Hamilton, Lima, Logan, Mansfield, Portsmouth, Springfield, and Toledo will remain in their current locations.

- Downsizing plan implemented
- 15% workforce reduction likely
- Riverview consolidating, Athens closed, Central Office restructured

Youth Services, Department of

Laura A. Potts, Budget Analyst

Role

The Department's primary roles are to: (1) enhance public safety through the confinement of juveniles adjudicated delinquent for acts that would be felonies if committed by adults, (2) provide or support various institutional and community-based programs to aid in the rehabilitation of youth, and (3) serve as the state agent for the administration of federal juvenile justice and delinquency prevention program grants awarded to Ohio. The Governor appoints a director to manage the Department of Youth Services (DYS), a cabinet level agency.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
2,294	$274.3 million	$277.2 million	$234.1 million	$236.4 million	Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

Overview

As of the close of FY 2003, the Department was:

- Operating eight juvenile correctional facilities, seven regional parole offices, and one residential treatment center;
- Contracting with one privately-run residential facility for the provision of specialized treatment services;
- Disbursing around $60 million or so in annual GRF funding to juvenile courts for the sanctioning an treatment of juveniles, including the operation of community corrections facilities (CCFs); and
- Serving as the state agent for the administration of $10-plus million in federal juvenile justice and delinquency prevention program grants awarded to Ohio.

LENGTHS OF STAY

In the course of protecting Ohio's public safety from juvenile offenders, judges commit male and female juveniles between the ages of 12 and 18 to the Department for various lengths of time, but who must be released no later than their 21st birthday. Judges impose a minimum stay as prescribed by law. Under current law and practice, the following is the case:

- For felonies of the third, fourth, and fifth degree, the minimum stay is six months.
- For the more serious felonies of the first and second degree, the minimum stay is one year.
- The average length of stay in FY 2002 was 10.7 months.
- Because of the sentence length required under existing law, 16- and 17-year-old homicide offenders are committed to the custody of the Department of Rehabilitation and Correction.

FY 2002-2003 BIENNIUM

The following are highlights of the Department's actions taken in the last two fiscal years, either pursuant to the enacted FY 2002-2003 biennial operating budget or in response to the subsequent institution of GRF expenditure reductions.

- The Rehabilitation Subsidy program (GRF line item 470-501), which supported bricks and mortar rehabilitation programs in 19 counties, was eliminated under the FY 2002-2003 biennial budget.
- In FY 2002, the Department closed one of its older and lower security institutions – the Maumee Juvenile Correctional Facility – a planned response to the reduced level of GRF funding provided for institutional operations under the FY 2002-2003 biennial budget.
- The Detention Subsidies program (GRF line item 470-502), which provided a maximum \$156,928 in each fiscal year to county detention centers, was eliminated in response to the ordering of GRF expenditure reductions.
- During FY 2003, the Department further reduced GRF expenditures by eliminating private contracts, reducing overtime in its juvenile correctional facilities, reducing funds for CCFs, reducing all travel costs, and instituting an agency-wide hiring freeze.

FY 2004-2005 BIENNIUM ENACTED GRF OPERATING BUDGET

The Department's primary revenue stream is the GRF, which accounts for 85% to 90% of the funding for its total annual operating budget. The FY 2004-2005 biennial operating budget request submitted by the Department asked for total GRF funding of \$248.8 million and \$273.7 million in FYs 2004 and 2005, respectively. Generally speaking, the Department requested "continuation funding" for its GRF-financed operations, which is the calculated future cost of doing current business. The enacted FY 2004-2005 biennial operating budget fell short of the requested levels of annual GRF funding by \$14.7 million and \$37.2 million for FYs 2004 and 2005, respectively.

In FY 2004, the total appropriated GRF funding of \$234.1 million is \$14.3 million, or 6.5%, over the Department's actual total FY 2003 GRF expenditures of \$219.8 million. The total appropriated GRF funding for FY 2005 is \$236.4 million, a \$2.3 million increase over the total amount of GRF funding appropriated for FY 2004.

It should be noted, however, that the increase in total appropriated GRF funding for FYs 2004 and 2005 is arguably somewhat misleading in light of the GRF expenditure reductions instituted over the course of the FY 2002-2003 biennium. More specifically, the Department's original total GRF appropriations for FY 2002 and 2003 were $235.7 million and $245.2 million, respectively. The original FY 2002 GRF appropriated total was subsequently reduced by $9.7 million, or 4.1%, to $226.0 million. And the original FY 2003 GRF appropriated total was subsequently reduced by $23.2 million, or 9.5%, to $222.0 million. Thus, the apparent increases in total FY 2004 and FY 2005 GRF funding are really more a function of the FY 2002-2003 biennium expenditure reductions that cut the total amount of GRF funding available to maintain staff, services, and subsidies.

Because the vast majority of the Department's annual funding comes from the state's GRF, these relatively small increases in the total appropriated GRF funding for FYs 2004 and 2005 mean that it will not be able to maintain the FY 2003 level of staff, services, and subsidies. As a result, the Department will have to downsize and restructure, specifically in relation to institutional expenses, and modify plans for providing state financial assistance to various county-based facilities and programs. Cuts will have to be made in institutional, parole, and administrative operations. Costs will have to be reallocated. Some planned activities will be cancelled, delayed, or phased-in.

STAFFING REDUCTIONS

According to the Department, as a result of the level of funding contained in the enacted FY 2004-2005 biennial operating budget, it will reduce its overall workforce by approximately 15%. As of this writing, it appears that the workforce reduction will result in the loss of 300-plus FTEs over the course of FYs 2004 and 2005. Of this total workforce reduction, the vast majority, probably on the order of roughly 80%, will be staff funded by the RECLAIM Ohio Program. The remainder of the workforce reduction will be split between parole and administrative operations. The workforce will be reduced through: (1) early retirement incentive options, (2) unfilled vacant positions, and (3) lay-offs.

In the period running from FY 2000 through FY 2005, assuming the workforce reduction is implemented as planned, the Department will have eliminated over 600 FTEs. In FY 2000, the Department maintained a workforce of over 2,600 FTEs, and by the close of FY 2005, that workforce is expected to have been reduced to roughly 2,000 or less.

ZERO-BASED BUDGETING

Temporary law requires the Department to prepare, with technical assistance to be provided by the Office of Budget and Management (OBM), a full zero-based budget for the FY 2006-2007 biennium. As of this writing, it appears that the one-time expense associated with the preparation of a zero-based budget for the Department and OBM would not exceed minimal. The state expense is probably best viewed as largely an "opportunity cost." In other words, those two state agencies will likely absorb this task within their existing mix of duties and responsibilities, and presumably have to delay as appropriate the performance of some of those other duties and responsibilities (Section 112).

FACILITIES CLOSURE COMMISSION VETOED

The Governor vetoed a provision that would have established a procedure for closing a state institutional facility for the purpose of expenditure reductions or budget cuts, including the creation of a Facilities Closure Commission charged with studying and reporting on the matter (sections 107.31 to 107.33 of the Revised Code). The occasional one-time state administrative costs for such a Commission to perform its duties under the procedure appeared unlikely to exceed minimal. The required procedure should not have created any immediate and direct local fiscal effects.

PLAN TO OPTIMIZE FOOD GROWN AT DRC CORRECTIONAL INSTITUTIONS AND DYS FACILITIES

The enacted FY 2004-2005 biennial operating budget contains a temporary law provision requiring the directors of Rehabilitation and Correction (DRC), Youth Services (DYS), and Agriculture to develop a plan to optimize the quantity and use of food grown and harvested in state correctional institutions or in secure facilities operated by the Department of Youth Services in the most cost-effective manner and to submit the plan to designated government officials (Section 161).

The Department of Rehabilitation and Correction has already completed a study in conjunction with The Ohio State University that is very similar to the plan required to be developed pursuant to the temporary law provision. Assuming that much of that work is transferable to development of the required plan, then it seems likely that the one-time fiscal burden for the involved state entities would be no more than minimal, if that.

BUDGET ISSUES

For the purposes of this analysis of the enacted FY 2004-2005 biennial operating budget, the Department's activities have been grouped into a series of seven programs. Those seven program series include: (1) RECLAIM Ohio, (2) Parole, (3) State Institutional Services, (4) Independent Juvenile Court Subsidies, (5) Administration, (6) Federal Juvenile Justice and Delinquency Prevention, and (7) Debt Service. Table 1 immediately below summarizes the enacted funding levels for each of those seven program series in FYs 2004 and 2005.

Table 1: Program Series Appropriations for FYs 2004 and 2005

Program Series	FY 2004	FY 2005
RECLAIM Ohio*	$ 164,637,416	$ 167,697,792
Parole	$ 15,347,154	$ 14,841,872
State Institutional Services*	$ 23,750,686	$ 24,172,961
Independent Juvenile Court Subsidies	$ 18,608,587	$ 18,608,587
Administration*	$ 14,427,323	$ 14,166,008
Federal Juvenile Justice & Delinquency Prevention	$ 16,419,999	$ 16,583,643
Debt Service	$ 21,110,100	$ 21,110,000
Total funding: Department of Youth Services	**$ 274,301,265**	**$ 277,180,863**

*Note: A portion of RECLAIM Ohio funds are used to support Community Corrections Facilities (CCFs), the State Institutional Services program series, and the Administration program series.

Each of the seven program series, including pertinent permanent and temporary law provisions, is discussed below.

RECLAIM OHIO

The RECLAIM Ohio (Reasoned and Equitable Community and Local Alternatives to the Incarceration of Minors) program was launched as a pilot in January 1994 and implemented statewide in 1995. RECLAIM Ohio provides juvenile courts with funding to develop community-based programs for juvenile offenders. In doing so, the program is intended to reduce the number of commitments sentenced to the custody of the Department, while ideally only the most serious offenders would be committed to the Department.

Funding is allocated to counties through a formula based upon each county's proportion of statewide felony delinquent adjudications. Each month, counties are debited a per diem allocation for juveniles placed in departmental institutions and for juveniles placed in community corrections facilities (CCFs). Any funds remaining after the county's commitments to the Department are then remitted to counties and used by juvenile courts to support the development and operation of rehabilitation programs at the local level. Courts may use the funds to purchase or develop a broad-based spectrum of community-based programs for adjudicated felony delinquent juveniles who would otherwise have been committed to the custody of the Department. Such programs include day treatment, intensive probation, electronic monitoring, home-based services, residential treatment reintegration, and transitional programs. In FY 2003, counties retained an estimated $32.5 million in RECLAIM Ohio funding for bcal programs. These funds and the Youth Services Block Grant constitute as much as 50% of county juvenile court budgets.

Under RECLAIM Ohio, the Department and juvenile courts have developed what might be termed a symbiotic relationship. Because the Department provides as much as half of juvenile court budgets, juvenile courts are highly dependent on the Department for funding. When the Department's funding is reduced, not only the Department, but also local governments experience budget reductions. The Department believes that, if funding to juvenile courts is significantly reduced, it increases the likelihood that juvenile courts will end up placing more juveniles into the care and custody of the Department.

In order to finance RECLAIM Ohio during the FY 2004-2005 biennium, the Department requested GRF funds totaling $172.5 million in FY 2004 and $189.6 million in FY 2005, including expansion funding of $10.4 million in FY 2004 and $19.9 million in FY 2005. Expansion funding is essentially new money explicitly provided to undertake new initiatives, expand existing services, or hire new staff.

Under the enacted FY 2004-2005 biennial operating budget, RECLAIM Ohio received less total GRF funding than requested by $10.4 million in FY 2004 and by $19.9 million in FY 2005. The consequences of the level of GRF funding appear, as of this writing, to be as follows:

- The level of funding will only support seven of the Department's existing eight juvenile correctional facilities, which means that two of its juvenile correctional facilities – the Riverview Juvenile Correctional Facility and the Scioto Juvenile Correctional Facility – will be consolidated. The Riverview facility will be deactivated, but kept operationally ready in the event that it is needed and/or revenue to support its activation is made available.
- The closure of a juvenile correctional facility is likely to cause the level of institutional crowding at its other juvenile correctional facilities to rise. The Department is currently operating at 125% of capacity and with the institutional closure the Department predicts that it will be operating at 145% of capacity.
- The Department will in all likelihood reduce the number of full-time equivalent (FTE) staff positions associated with its RECLAIM Ohio program by up to 250 or more, including some

education positions not funded by GRF. The Department will first attempt to reduce FTEs by offering early retirement incentives (ERIs). However, the Department does not expect that ERIs alone will be sufficient to reduce the necessary number of FTEs, and anticipates that a number of staff will have to be laid off.

- An already built expansion at the Ohio River Valley Juvenile Correctional Facility, which would have increased the Department's number of beds for sex offenders and required 59 additional FTEs to operate, will not be activated.
- One hundred (100) institutional staff positions, which to date had been vacant because of a lack of funding, will remain due to a lack of funding.
- Three community corrections facilities (CCFs), one located in each of Belmont, Montgomery, and Stark counties, will be partially activated in FY 2004 and become full operational in FY 2005. A new CCF located in Erie County will be activated and become operational in FY 2005.
- The Department believes that, even with the fiscal implications of the enacted FY 2004-2005 biennial operating budget, there should not be significant negative consequences for maintaining the delivery of institutional services to juveniles, e.g., medical, mental health, substance abuse, education, and food services.

RECLAIM Ohio Formula

Relative to RECLAIM Ohio, Am. Sub. H.B. 95 amended preexisting permanent law to revise the distribution formula, revise the methods by which those allocations are made, create the nine-member RECLAIM Advisory Committee, and make other technical changes.

These revisions to preexisting permanent law changed the process by which RECLAIM Ohio funding is distributed among juvenile courts, community corrections facilities (CCFs), and the Department. As a result, the fiscal allocations for juvenile courts, CCFs, and the Department will be established at the beginning of the fiscal year, which should allow all parties to better plan and manage their programs and infrastructure. Under current law, total annual amounts for each party are not determined until the end of the fiscal year. It appears that counties would retain roughly the same amounts in FY 2004 as those counties have retained in the last few years. Outdated permanent law provisions were also updated.

Community Corrections Facilities (CCFs)

Relative to the operation of community corrections facilities (CCFs), Am. Sub. H.B. 95 amended prior permanent law to: (1) require the Department of Youth Services to set guidelines for minimum occupancy rates for CCFs, (2) allow the Department to place any child committed to DYS directly into a CCF if the facility is not meeting the minimum occupancy threshold, (3) grant the committing court the authority to approve or disapprove the placement of a child into a CCF, and (4) allow counties not associated with a CCF to refer children to such a facility with the consent of the facility. These modifications to existing law could increase the utilization rate of CCF beds.

PAROLE OPERATIONS

The Department supervises juveniles released from its institutions through its Division of Parole and Community Services, which operated seven regional offices as of the close of FY 2003. Parole operations are divided into two branches: Community Residential Services and Non-Community Residential Services. Private and public vendors provide these services. Over time, the fiscal emphasis on residential services has decreased, while the funding for nonresidential services has increased. The primary financial support for the Department's parole operations is funding appropriated from the GRF.

The Department estimated the future cost of continuing its current parole operation at $16.7 million in FY 2004 and $17.2 million in FY 2005. These amounts would have allowed the Department to maintain all current programs and personnel. Under the enacted FY 2004-2005 biennial operating budget, the Department's parole operation received less GRF funding than it calculated would be necessary to continue existing services by $1.4 million in FY 2004 and by $2.4 million in FY 2005. As a result, the Department plans to: (1) eliminate parole staff, and (2) close one of its seven regional parole offices. The Department will first attempt to reduce FTEs by offering an early retirement incentive (ERI), however, the ERI alone is not expected to be sufficient to reduce the necessary number of staff, and anticipates that staff layoffs are very likely. As of this writing, the Athens Regional Parole Office had closed as of July 31, 2003, and caseloads had been consolidated within the six remaining regional parole offices (Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo).

State Institutional Services

The State Institutional Services program series supports a variety of non-GRF funded programs and services delivered to juveniles under the care and custody of the Department. The programs and services include, but are not limited to, educational services, substance abuse treatment, sex offender programs, medical services, mental health services, therapeutic and community services programs, and social services.

The primary non-GRF funding streams associated with the program series include: (1) various federal grants, including funds for juvenile justice and delinquency prevention, education, school breakfast and lunch, drug treatment, aftercare reimbursements, and community service, (2) basic and vocational education payments transferred from the Department of Education, (3) child support payments, (4) transferred funds from other state agencies for residential treatment, parenting skills and pregnancy prevention, and community service programs, and (5) payments from employees utilizing institutional cafeterias. Not noted here is a large amount of GRF moneys that support the Department's institutions drawn from the RECLAIM Ohio program, but not explicitly part of this program series.

The enacted FY 2004-2005 operating budget provided the Department's requested level of non-GRF funding for the purpose of delivering institutional services: $23.8 million in FY 2004 and $24.2 million in FY 2005.

Independent Juvenile Court Subsidies

At the end of FY 2001, the Department had the following three subsidies in the Independent Court Subsidies program series:

- ***Rehabilitation Subsidy***. Supported bricks and mortar rehabilitation programs in 19 counties; eliminated in the FY 2002-2003 biennial budget;

- ***Detention Subsidies***. Provided a maximum of $156,928 in each fiscal year to county detention centers; eliminated during current biennium in response to GRF expenditure reductions; and

- ***Youth Services***. Provides funding to juvenile courts to divert nonfelony juveniles from the juvenile justice system; lone remaining subsidy in the program series.

The program series, which, as previously noted, recently included a mix of subsidy programs that distributed moneys to county juvenile justice systems for various purposes, currently contains only one subsidy program: GRF line item 470-510, Youth Services. Under the Youth Services subsidy program, moneys are distributed to juvenile courts to provide services to juveniles that have not been adjudicated delinquent for a felony; such services typically fund nonsecure community programs that emphasize prevention, diversion, and correctional services.

The Department calculated the cost of continuing FY 2003 levels of subsidy funding to juvenile courts at $21.6 million in FY 2004 and $26.9 million in FY 2005. Under the enacted FY 2004-2005 operating budget, the subsidy program received less GRF funding than the Department calculated would be necessary by $3.2 million in FY 2004 and by $8.4 million in FY 2005. This presumably means that, in the future, in order to maintain current service levels as the costs of doing business increase, a juvenile court will have to find alternative revenue streams, reduce the number of available programs, reduce the number of juveniles that can be served, and/or reduce the type or level of services available.

ADMINISTRATION

The Administration program series is in actuality a single program and does not contain easily discernible programs. Rather, it serves as an umbrella term capturing a whole host of what one would call "subprograms," including, among other things, employee relations, business administration, community services, chief inspector, legal services, and management information systems. The program series essentially provides oversight and coordination for all departmental operations and can best be termed "Central Office." The primary financial support for Central Office is funding appropriated from the GRF.

The Department estimated the future Central Office costs at $16.7 million in FY 2004 and $18.7 million in FY 2005. Under the enacted FY 2004-2005 biennial operating budget, Central Office received less GRF funding than it calculated would be necessary to continue existing service levels by $2.3 million in FY 2004 and by $4.6 million in FY 2005. The level of continuation funding requested by the Department was intended to: (1) cover personnel, equipment, and maintenance costs, (2) provide a $306,000 state cash match for federal funds, (3) finance computer system upgrades, and (4) replace 25% of the Department's vehicles. As a result of the level of GRF funding contained in the enacted FY 2004-2005 biennial operating budget, it appears that the Department will:

- Reduce the number of full-time equivalent (FTE) staff positions associated with Central Office by roughly 30, which the Department will first attempt to achieve by offering early retirement incentives (ERIs);
- Provide the state cash match for the federal funds; and
- Not be able to afford upgrading various computer systems or to replace vehicles.

As of this writing, Central Office eliminated one division and combined several bureaus.

FEDERAL JUVENILE JUSTICE AND DELINQUENCY PREVENTION

The Department serves as the state agent for the administration of all federal juvenile justice grants awarded to Ohio, which includes distributing subgrants to local governments and nonprofit agencies for implementing various programs that address the problem of juvenile delinquency and its prevention. The administrative role was previously transferred to the Department from the Office of Criminal Justice Services pursuant to the FY 2002-2003 biennial operating budget.

The enacted FY 2004-2005 operating budget provided the Department's requested level of funding for the purpose of continuing its existing level of federal grant activity: $16.4 million in FY 2004 and $16.6 million in FY 2005.

As a condition of the state receiving federal juvenile justice and delinquency prevention program grants, the Department monitors local compliance with federal mandates involving: (1) the de-institutionalization of status offenders, (2) the removal of juvenile offenders from adult jails, and (3) the separation of juvenile offenders from adult offenders.

With regard to the Department of Youth Services and its existing duties and responsibilities to administer the state's role in federal juvenile justice and delinquency programs, Am. Sub. H.B. 95 modified prior permanent law to:

- Specify that the Department is designated as the state agent for the administration of all federal juvenile justice grants awarded to Ohio, which in a sense codifies the Department's role as the state agent in such federal matters; and
- Specify that all rules, orders, and determinations of the Office of Criminal Justice Services regarding the administration of federal juvenile justice grants that are in effect on the effective date of the provision continue in effect as rules, orders, and determinations of the Department.

Related temporary law was also included stating that:

- Any business related to the Office of Criminal Justice's federal line item 196-602, Criminal Federal Justice Programs, commenced but not completed by the Office of Criminal Justice Services must be completed by the Department in the same manner and with the same effect;
- No validation, cure, right, privilege, remedy, obligation, or liability is lost or impaired by reason of the transfer; and
- Upon the effective date of the Department's FY 2004-2005 biennial operating budget, the Department becomes the responsible party for any action or proceeding pending against the Office of Criminal Justice Services.

DEBT SERVICE

The Debt Service program series picks up the state's debt service tab that must be paid to the Ohio Building Authority (OBA) for its obligations incurred as a result of issuing bonds that cover the Department's capital appropriations. The appropriation authority and actual spending level are set and controlled by the Office of Budget and Management (OBM), and not by the Department.

The moneys made available as a result of these bonds have financed the design, construction, renovation, and rehabilitation phases of various departmental capital projects, as well as the construction and renovation costs associated with local projects (community corrections facilities, county detention centers, and the like).

Under the GRF debt service funding level in the enacted biennial operating budget – $21.1 million in each of FYs 2004 and FY 2005 – the state is expected to be able to meet its legal and financial obligations to the OBA in each of FYs 2004 and 2005.

- Sales tax rate increased and base expanded
- Gas tax increased
- Local Government Funds frozen at FY 2003 levels

Tax Provisions

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INTRODUCTION

Work on Am. Sub. H.B. 95 (the main operating budget) and Am. Sub. H.B. 87 (the transportation budget) was carried out during an economic "soft spot." FY 2003 tax revenue performance was sub par and the prospects for improvement in the FY 2004-2005 biennium were limited. The tax provisions in the executive proposed budget had the dual goals of tax reform and revenue enhancement. As economic and revenue forecasts worsened, tax reform became secondary to revenue enhancement. The most noteworthy changes were the temporary increase in the sales tax rate from 5% to 6% and the phased-in increase in the motor fuel tax. However, the motor fuel tax changes were not related to GRF financing needs; instead they were related to highway financing and constructing needs (as required by the Ohio Constitution). Once again, deposits into and distributions from the three local government funds were frozen at the levels of the most recent fiscal year.

SALES AND USE TAX

Am. Sub. H.B. 95 makes numerous changes to sales and use tax laws. Most notably, the budget act temporarily increases the sales tax rate from 5% to 6%, expands the sales and use tax base to include additional services, and makes required revisions to the sales tax law to comply with the Streamlined Sales and Use Tax Agreement. The changes to sales and use tax laws are to take effect July 1, 2003, except where otherwise specified.

Temporary Increase in Sales and Use Tax Rate

Am. Sub. H.B. 95 temporarily increases the sales and use tax rate from 5% to 6%. The rate increase applies to taxable sales occurring between July 1, 2003 and June 30, 2005. The budget act provides that on and after July 1, 2005, the sales and use tax rate returns to 5%. Am. Sub. H.B. 95 includes tax rate schedules specifying the brackets to be applied during the period the sales and use tax is 6%. The higher sales and use tax rate is estimated to increase GRF revenue by about $1,161.0 million in FY 2004 and $1,215.0 million in FY 2005.

Expansion of the Sales and Use Tax Base

The budget act expands the sales and use tax base by imposing the tax on new services effective August 1, 2003, and by eliminating certain exemptions. Sales of the following services will be taxable: storage facilities (not including parking), selected personal care services (skin care, tanning, manicures, pedicures, application of cosmetics, etc), satellite broadcasting, dry cleaning and laundry (not including coin operated), delivery charges,[15] snow removal, intrastate transportation of persons (not water transportation), vehicle towing, and telecommunication services (which will be taxable after January 1, 2004). The sales tax base expansion will increase GRF revenue by $119.5 million in FY 2004 and $224.1 million in FY 2005. Am. Sub. H.B. 95 increases the sales tax base by about 2.8% in FY 2005. The sales tax on local telephone services will generate about 65% of additional revenues from the sales tax base expansion in FY 2005. Excluding additional revenues from the sales tax on local phone services, the sales tax base would increase by about 1%.

Personal Storage Facilities

Am. Sub. H.B. 95 subjects sales of personal storage facilities services (such as self-storage units, lockers, safe deposit boxes, etc.) to the sales tax. The bill imposes the sales tax on all transactions related to the storage of tangible personal property, except for property that the user of the storage facility service holds for business purposes. Thus, the sales tax will not apply to business storage charges (such as those for warehousing of raw material, in-process goods, or finished goods storages). Parking services for a motor vehicle are not taxable under Am. Sub. H.B. 95. The sales tax on personal storage services is expected to increase GRF revenues by $4.1 million in FY 2004 and $5.4 million in FY 2005.

Laundry and Dry Cleaning Services

Under previous law, industrial laundry cleaning services for items used in a trade or business were subject to sales or use taxes. Am. Sub. H.B. 95 expands the sales tax to cleaning services for all laundry and dry cleaning items, regardless of whether such items are personal items or items used in a trade or business. However, the budget act exempts from the sales tax self-service (coin-operated) facilities for use by consumers. The extension of the sales tax to most laundry and dry cleaning services is expected to increase GRF revenue by $16.3 million in FY 2004 and $20.2 million in FY 2005.

Local Telecommunications Services

The budget act subjects to sales and use tax local telecommunication services[16] billed to persons on or after January 1, 2004. These are services provided primarily by local exchange telephone companies that were subject to the public utility excise tax. Am. Sub. H.B. 95 expands the existing definition of "telecommunications service" to include related fees and ancillary services, including universal service fees, detailed billing services, directory assistance, service initiation, voice mail service, and other services, such as caller ID and three-way calling. Am. Sub. H.B. 95 maintains the sales tax exemption for local telephone communication service using coin-operated telephones and paid for by coins. The sales tax on local telecommunication services will increase GRF revenue by an estimated $58.0 million in FY 2004 (the tax applies for half the year). In FY 2005, GRF revenue is estimated to increase by $146.1 million.

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[15] See the definition of "price" below in the section discussing revisions to sales and use tax laws due to requirements of the Streamlined Sales and Use Tax Agreement.

[16] Am. Sub. S.B. 143 of the 124th General Assembly clarified the sourcing and the taxation of mobile telecommunication services sold or sitused to Ohio after July 31, 2002, pursuant to the U.S. "Mobile Telecommunications Sourcing Act" Pub. Law No. 106-252. Sales of mobile telecommunications services were already taxable under previous sales and use tax law and remain taxable in current law.

Satellite Broadcasting Services

Am. Sub. H.B. 95 imposes the sales and use tax on satellite broadcasting services. As defined in the budget act, "satellite broadcasting services" means the distribution or broadcasting of programming or services directly to the subscriber's equipment. The sales tax base will also include all service and rental charges, premium channels or other special services, installation and repair service charges, and any other charges having any connection with the provision of the service. The sales and use tax will not apply when broadcasting services are obtained with the use of ground receiving and distribution equipment and for redistribution to other consumers or subscribers. Am. Sub. H.B. 95 specifies that purchases of satellite broadcasting services for resale to customers or subscribers remain exempt from the sales and use tax. The taxation of satellite broadcasting services is estimated to increase GRF revenues by $19.6 million in FY 2004 and $26.7 million in FY 2005.

Personal Care Services

Am. Sub. H.B. 95 imposes the sales tax on various personal care services such as skin care, the application of cosmetics, manicures, hair removal, tattooing, body piercing, tanning, massage, spas, and other similar services. However, services provided by a licensed physician or chiropractor, and the cutting, coloring, or styling of an individual's hair are exempted from the sales tax. This provision is estimated to increase GRF revenues by $1.9 million in FY 2004 and $2.3 million in FY 2005.

The Transportation of Persons

Am. Sub. H.B. 95 extends the sales and use tax to the intrastate transportation of persons by motor vehicle or aircraft, except for transportation provided by ambulance, by a public transit bus, and transportation of property by persons holding a certificate of public convenience and necessity issued under federal law. Thus, the transportation of property by the trucking industry and movers of goods remains tax-exempt. Am. Sub. H.B. 95 also maintains the sales tax exemption for the transportation of persons by a water transportation company. The taxation of the transportation of persons provided by intrastate taxis, limos, and aircraft is expected to increase GRF revenues by $6.4 million in FY 2004 and $8.1 million in FY 2005.

Snow Removal Service

Am. Sub. H.B. 95 imposes the sales tax on snow removal service by mechanized means, but only if the person providing the service has more than $5,000 in sales of snow removal services during the year. The minimum threshold implies that occasional snow removal services by most persons will not be taxed. The taxation of snow removal services is expected to increase GRF revenue each year by about $0.2 million. However, state revenue from snow removal service will fluctuate yearly according to the amount of snowfall.

Towing Service

Am. Sub. H.B. 95 extends the sales tax to the towing or conveyance of a wrecked, disabled, or illegally parked vehicle. This provision is expected to increase GRF revenue by $5.7 million in FY 2004 and $7.4 million in FY 2005.

Elimination of the Exemption for Purchases of Personal Property Used in the Process of Surface Mining Reclamation

Under previous law, equipment and material used in the grading, reseeding, or other reclamation of surface land mined for coal or other minerals were exempt from the sales and use tax. Am. Sub. H.B. 95 eliminates the sales tax exemption for purchases of personal property used in the process of surface mining reclamation. This provision is estimated to increase GRF revenue by about $0.2 million each year of the biennium.

Elimination of the Exemption for Sales of Vanpool Ridesharing Vehicles

Under prior law, the sale or leasing of a motor vehicle was exempt from the sales and use tax if it was exclusively used for a vanpool ridesharing agreement where the vendor is selling or leasing vehicles pursuant to a contract between the Department of Transportation and the vendor. Am. Sub. H.B. 95 eliminates this exemption and is estimated to increase GRF revenue by about $0.1 million each year of the biennium.

Sales of Wide-Area Transmission Services and 1-800 Services

Under previous law, Wide-Area Transmission Services (WATS), 1-800 and 1-800 type services and other selected telecommunication services were exempt from the sales and use tax. Sales of private communications services that entitle the purchaser to exclusive use of a communications channel were also exempt from the sales and use tax. Am. Sub. H.B. 95 broadens the sales tax base by eliminating the sales tax exemption for wide-area transmission services (WATS), 1-800 services, and private communications services. However, the budget act also creates an exemption for sale of telecommunication services by call-centers. A "call-center" is any physical location where telephone calls are placed or received in high volume and that employs sufficient individuals to fill at least 50 full-time equivalent positions. The "call-centers" would be at locations where businesses concentrate activities such as telemarketing, customer service, computer technical services, etc. The Department of Taxation estimates that these changes will increase GRF revenues by $60.5 million in FY 2004 and $64.0 million in FY 2005.

Changes to Sales and Use Tax Laws to Conform to the Streamlined Sales and Use Tax Agreement

Am. Sub. H.B. 95 makes numerous modifications to sales and use tax laws to conform to the Streamlined Sales and Use Tax Agreement.[17] Generally, this interstate agreement focuses on improving sales tax collection systems nationwide through uniformity in the state and local tax bases, uniformity of major tax base definitions, a central electronic registration system for all member states, simplification of state and local tax rates, uniform sourcing rules for all taxable transactions, simplified administration of exemptions, and simplification of tax returns and remittances. To reflect the requirements in the interstate

[17] On November 12, 2002, 34 states and the District of Columbia involved in the Streamlined Sales Tax Implementing States process approved the Streamlined Sales and Use Tax Agreement based upon recommendations made by the Streamlined Sales and Use Tax Project. The Agreement goes into effect when ten states with at least 20% of the population of states imposing a sales tax have come into compliance. However, collection of sales and use tax by remote vendors remains voluntary until either Congress or the U.S. Supreme Court makes the collection mandatory. As of July 2003, about 20 states have passed streamlined sales and use tax agreement legislation.

agreement, Am. Sub. H.B. 95 revises sales and use tax definitions, sourcing provisions, the tax rate schedules, and the laws regarding how local tax rates are levied or changed. This section provides a brief description of changes to the Ohio sales and use tax law that generally bring Ohio into compliance with the requirements of the Streamlined Sales and Use Tax Agreement.

Am. Sub. H.B. 95 limits the frequency of changes in local tax rates, requires a uniform method of calculating and rounding the amount of taxes owed, provides uniform standards for attributing the sourcing of transactions to taxing jurisdictions, and makes several other changes.[18] Most of the changes have no or minimal fiscal impact. Revisions to certain definitions in sales and use tax law modify the tax base and hence have a fiscal impact. Among the changes, the following have a significant fiscal impact: changes to the definition of “price,” “food,” “drugs,” “prescriptions,” and “durable medical equipment,” and the adoption of a new mathematical rounding of sales tax liability.

Delivery Charges and Other Changes to the Definition of “Price”

Generally, the differences (that have a potential fiscal impact) between the definition of “price” under prior law and the new definition is that Am. Sub. H.B. 95 includes delivery charges and excludes “discounts” in the definition of “price.” Under prior law, separately stated delivery charges were not included in the definition of “price,” and “price” did not allow for any deduction for discounts. Separately stated delivery charges on an aggregate bill charged a customer were not taxable. The sales tax applied only to the value of tangible personal property purchased and delivered. For vendor discounts, the sales tax liability was calculated by applying the sales tax rate directly to the price of the item of tangible personal property. The resulting amount (item’s price plus tax liability) was then reduced by any available discount to arrive at the customer’s “final” outlay for the transaction.

For taxable sales made after July 1, 2003, the sales tax liability is calculated after the vendor discount has been applied and subtracted from the value of the item or service.[19] For sales after August 1, 2003, when a vendor makes a taxable sale and charges the consumer a delivery charge, the charge is part of the taxable price of the sale. “Price” also includes items such as a refundable security deposit for the use of tangible personal property. Additionally, under the use tax, the produced cost of an item of tangible personal property is its “price” if a consumer produces the property for sale, but then removes it from inventory for the consumer's own use. The Tax Department estimates that the taxation of delivery charges will increase GRF revenues by about \$7.0 million in FY 2004 and \$7.4 million in FY 2005.

Am. Sub. H.B. 95 clarifies the taxation of transactions that include both taxable and nontaxable items. In the case of a transaction in which telecommunications service, mobile telecommunication service, or cable television service is sold in a bundled transaction that is not itemized, the entire “price” is subject to the sales and use tax unless the vendor can identify the nontaxable portion of the transaction. If requested

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[18] A complete description of these revisions and other changes to the sales and use tax laws is available in the bill analysis for Am. Sub. H.B. 95 at www.lsc.state.oh.us. Information about the Streamlined Sales Tax Project can be found at www.streamlinedsalestax.org.

[19] "Price" does not include: "discounts, including cash, term, or coupons that are not reimbursed by a third party that are allowed by a vendor and taken by a consumer on a sale." Where the discount is reimbursed by a third party (for example manufacturers’ discount) to the vendor, the “price” still includes the value of the discount. Am. Sub. H.B. 95 did not change the special definition of "price" for "motor vehicles" (R.C. 5739.01 (H) (2) remains unchanged). So the new provision regarding "discounts" would not apply to vehicle sales. For example, auto manufacturers discounts would not affect the sales tax liability in the sale of an automobile.

by the customer, the vendor shall disclose the selling price for the taxable services included in the aggregate bill. Am. Sub. H.B. 95 provides that the burden of proving any nontaxable charges in the sale is on the vendor.

Changes to the Definition of "Food"

Under prior law, the definition of "food" specifically named the items that are or are not food.[20] The definition of "food" in Am. Sub. H.B. 95 is much broader and describes the term as "substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value."

The definition of "food" in Am. Sub. H.B. 95 includes gum, blended fruit juices with less than 100% fruit juice, bottled, mineral or carbonated water, and ice, all of which were taxed under previous law. Therefore, under the new definition, these listed items are not subject to the sales and use tax and thus removed from the sales tax base. This reduction in the sales and use tax base creates a revenue loss.

Am. Sub. H.B. 95 defines certain other items that are excluded from the definition of "food" such as tobacco, alcoholic beverages, soft drinks, and dietary supplements. "Soft drinks" are nonalcoholic beverages that contain natural or artificial sweeteners. "Soft drinks" do not include beverages that contain milk or milk products, soy, rice, or other milk substitutes, or beverages that contain greater than 50% vegetable or fruit juice by volume. The budget act defines "dietary supplements" as any product, other than tobacco, "that is intended to supplement the diet and that is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form, or, if not intended for ingestion in such a form, is not represented as conventional food for use as a sole item of a meal or of the diet; that is required to be labeled as a dietary supplement, identifiable by the 'supplement facts' box found on the label, as required by federal law, and that contains a vitamin; mineral; an herb or other botanical; an amino acid; a dietary substance for use by humans to supplement the diet by increasing the total dietary intake; or a concentrate, metabolite, constituent, extract, or combination of any of these ingredients." Am. Sub. H.B. 95 maintains the exception for food purchased for off-premise consumption.

The changes to the definition of "food" will be effective July 1, 2004. Therefore, the provision generates no revenue loss in FY 2004. In FY 2005, GRF revenue loss from the expansion of the definition of food is estimated at about $19.0 million.

Changes to the Definition of "Tangible Personal Property"

Am. Sub. H.B. 95 modifies the definition of "tangible personal property" for the purpose of sales and use tax laws to conform to the Streamlined Sales and Use Tax Agreement. However, the sales taxation of items of tangible personal property is essentially unchanged. Tangible personal property includes motor vehicles, electricity, water, gas, steam, and prewritten computer software. Under the interstate agreement, electricity is considered to be tangible personal property subject to the sales or use tax. However,

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[20] Under previous law, "food" is defined as cereals and cereal products, milk and milk products, meat and meat products, fish and fish products, eggs and egg products, vegetable and vegetable products, fruit and fruit products, pure fruit juices, condiments, sugar and sugar products, coffee and coffee substitute, tea, cocoa and cocoa products. Food does not include spirituous and malt liquors, soft drinks, sodas, and beverages that are ordinarily sold at bars and soda fountains; root beer and root beer extracts; malt and malt extracts; mineral oils, cod liver oils, and halibut liver oils; medicines, including tonics, vitamin preparations, and other products sold primarily for their medicinal properties; and water, including mineral, bottled, and carbonated waters and ice.

Am. Sub. H.B. 95 continues the exclusion of electricity from the sales tax by specifically stating that the sales and use tax does not apply to sales of electricity through wires. The bill defines "prewritten computer software" as computer software (including prewritten upgrades) that is not designed and developed to the specifications of a specific purchaser.[21] However, under previous rule in the Ohio Administrative Code, a sale of canned software was considered to be a sale of tangible personal property. Therefore, this change has no fiscal impact.

New Definitions for "Drug" and "Prescription"

Under prior law, sales of drugs dispensed by a licensed pharmacist upon the order of a licensed health professional were exempt from sales and use taxes, along with certain listed items, such as insulin. However, the term "drugs" was not defined. Am. Sub. H.B. 95 excludes from taxation sales of drugs for a human being, if such drugs are dispensed on the order of a person authorized by law to prescribe the drugs. The budget act defines both "drug" and "prescription"[22] and those changes broaden the number of drugs that are exempt from taxation by expanding the sales tax exemption to items such as vaccines and chemotherapy drugs consumed at the doctors' office or clinics. The changes might also create sales tax exemptions for certain drugs (available with or without prescriptions) which were previously taxable. The provisions regarding "drugs" and "prescriptions" are effective January 1, 2004. The expansion of the sales tax exemption for drugs is estimated to reduce GRF revenue by $3.4 million in FY 2004 and $7.7 million in FY 2005.

Changes to the Definition of "Durable Medical Equipment," "Mobility Enhancing Equipment," and "Prosthetic Device"

Under previous law, sales of artificial limbs, braces, crutches, prosthetic devices, wheelchairs, and other listed tangible personal property were exempt from the sales and use tax. However, the items were not defined. Rather, they were listed with some description of the exemption. Am. Sub. H.B. 95, adopting the language in the Streamlined Sales and Use Tax Agreement, defines "durable medical equipment," "mobility enhancing equipment," and "prosthetic device."[23] The budget act revises the exemption for

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[21] "Prewritten computer software" includes software designed and developed by the author or other creator to the specifications of a specific purchaser when it is sold to a person other than the purchaser. If a person modifies or enhances computer software of which the person is not the original author or creator, the person is deemed to be the author or creator only of such person's modifications or enhancements.

[22] "Drug" is a compound, substance, or preparation, and any component of a compound, substance, or preparation, other than food, dietary supplements, or alcoholic beverages that is recognized in the official United States Pharmacopoeia, official Homeopathic Pharmacopoeia of the United States, or official national formulary, and supplements to them; is intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease; or is intended to affect the structure or any function of the body (R.C. 5739.01(FFF)). A "prescription" is an order, formula, or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed practitioner authorized by the laws of this state to issue a prescription (R.C. 5739.01(GGG)).

[23] "Durable medical equipment" is defined as equipment, including repair and replacement parts for such equipment, that can withstand repeated use, is primarily and customarily used to serve a medical purpose, generally is not useful to a person in the absence of illness or injury, and is not worn in or on the body (R.C. 5739.01(HHH)). "Mobility enhancing equipment" is equipment, including repair and replacement parts for such equipment, that is primarily and customarily used to provide or increase the ability to move from one place to another and is appropriate for use either in a home or a motor vehicle, that is not generally used by persons with normal mobility, and that does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer (R.C. 5739.01(III)). The bill defines "prosthetic device" as a replacement, corrective, or supportive device,

sales of prosthetic devices, durable medical equipment for home use, or mobility enhancing equipment, when made pursuant to a prescription and when such devices or equipment are for use by a human being. Under current practices, prosthetic devices and other items sold to aid mobility-impaired patients are generally tax exempt. Therefore, these changes to the definitions of durable medical equipment, prosthetic devices and mobility enhancing equipment would have minimal fiscal effect on state revenues. General Revenue Fund revenue loss each year of the biennium may be about $0.1 million.

Elimination of Tax Brackets and New Mathematical Rounding of Sales and Use Tax Liability

The Streamlined Sales and Use Tax Agreement requires that a uniform method of calculating and rounding the amount of taxes owed be used to simplify state and local tax rates. Under prior law, a vendor or seller calculates and collects sales and use taxes based on schedules (or tax brackets) set forth in the sales and use tax law. Tax brackets are calculated such that tax liability amounts are "rounded up." On sales of 15¢ or less, no tax applies. On sales in excess of 15¢, the price is multiplied by the aggregate rate of state and local sales or use taxes in effect. The computation is carried out to six decimal places, and then the resulting amount is increased to the next highest cent. This method of calculating sales and use taxes owed to the state will remain in effect until December 31, 2005, after which a method proposed by the Streamlined Sales Tax Agreement will be imposed.

Am. Sub. H.B. 95 eliminates, effective January 1, 2006, the sales and use tax brackets and the exemption on sales of 15¢ or less, and requires that the vendor must compute the tax on each sale by multiplying the price by the aggregate rate of taxes in effect. The computation must be carried out to three decimal places, and if the tax owed is a fractional amount of a cent, the tax must be rounded to a whole cent using a method that rounds up to the next cent whenever the third decimal place is greater than four. A vendor may elect to compute the tax due on a transaction on an item or an invoice basis. The elimination of the 15-cents threshold has a minimal (positive) fiscal impact on state revenue. The elimination of the sales and use tax brackets and of the previous "rounding up" creates a revenue loss. Due to the effective date of these provisions, no revenue loss will occur in the current biennium. The Tax Department estimates that the adoption of these changes may reduce GRF revenues in FY 2006 by up to $15.0 million.[24]

Am. Sub. H.B. 95 makes several other changes required by the Streamlined Sales and Use Tax Agreement to simplify the administration of sales and use tax law. Some of those changes are listed below and have little or no impact on state revenues.

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including repair and replacement parts for the device, worn on or in the body to artificially replace a missing portion of the body, prevent or correct physical deformity or malfunction, or support a weak or deformed portion of the body, but does not include corrective eyeglasses, contact lenses, or dental prostheses (R.C. 5739.01(JJJ)).

[24] Generally the revenue loss is one cent per transaction for some percentage of the hundreds of millions of transactions each year.

Change to the Definitions of "Lease" and "Rental"

Am. Sub. H.B. 95 revises the definition of "lease" by also calling it a "rental," and expands the existing definition to include future options to purchase or extend the lease or rental.[25] Under the new definitions, "lease" and "rental" are essentially identical for sales and use tax purposes. The new definitions do not apply to leases or rentals that existed before July 1, 2003. The definition of "lease" or "rental" will not apply if the leased tangible personal property is transferred to the lessee at the end of the lease term after completion of required lease payments, and payment of an option price of less than $100 or 1% of total required payments. Such transactions will be treated as conditional sales. Also, if a "leased" tangible personal property is provided with an operator for a fixed or indefinite period of time for the property to perform as designed, such transaction will not be treated as a "lease" or "rental" (the operator must do more than maintain, inspect, or set up the tangible personal property). Am. Sub. H.B. 95 moves the provisions regarding accelerated tax payments on leases to another section of the sales tax law (R.C. 5739.02(A)(2) and 5741.02(A)(2)) such that the taxation of all transactions subject to the accelerated lease payments (motor vehicles, watercraft, outboard motors, aircraft, and certain business equipment)[26] would continue as in previous law.

Simplification of the Administration of Exemptions

Ohio's sales and use tax laws contain various exemptions and exceptions to taxation. Am. Sub. H.B. 95 consolidates many of those exceptions and exemptions into R.C. 5739.02, to simplify administering of exemptions, as required by the Streamlined Sales and Use Tax Agreement. Administration of exemptions is facilitated to allow for the acceptance of uniform exemption certificates. Under the streamlined sales tax agreement, sellers will be relieved from the "good faith" requirements that existed in prior law, and purchasers will be responsible for paying tax interest and penalties for claiming incorrect exemptions.

Restrictions on Frequency of Changes in Local Tax Rates

The Streamlined Sales and Use Tax Agreement requires that Ohio restrict the frequency of local sales and use tax rate changes to lessen the difficulties faced by sellers when there is a change in a tax rate or base. Am. Sub. H.B. 95 provides that a resolution that levies or changes local sales and use taxes becomes effective on the first day of a calendar quarter following the expiration of 65 days, rather than 60 days,[27] from the date of its adoption. The Tax Commissioner, upon receipt from a board of county commissioners or board of elections of a certified copy of a resolution or notice of the results of an

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[25] The definition applies regardless of whether a transaction is characterized as a lease or rental under generally accepted accounting principles, the Internal Revenue Code, Title XIII of the Revised Code (which addresses commercial transactions), or other federal, state, or local laws.

[26] Am. Sub. H.B. 405 of the124th General Assembly.

[27] Am. Sub. S.B. 143 of the 124th General Assembly revised the local sales and use tax laws to require that a resolution that levies or changes local sales and use taxes becomes effective on the first day of a calendar quarter following the expiration of 60 days from the date of its adoption. S.B. 143 made other changes to sales and use tax laws that are not modified by Am. Sub. H.B. 95. For example, if a vendor that is registered with the central electronic registration system makes a sale in Ohio by a printed catalog, and the consumer computes the tax on the sale based on local rates published in the catalog, S.B. 143 required that the tax levied or rate changed could not apply until the first day of a calendar quarter following the expiration of 120 days from the date of notice by the Tax Commissioner to the vendor, or to the vendor's certified service provider, if the vendor has selected one.

election, must give notice of a tax rate change in a manner that is reasonably accessible to all affected vendors, at least 60 days prior to the effective date of the rate change. The budget act also applies the catalog notice provision of 120 days notice to sellers (included in Am. Sub. S.B. 143 of the 124th General Assembly) to the law regarding the repeal or increase of local permissive sales taxes adopted as an emergency measure. No fiscal impact is expected from the restriction on the frequency of changes to local sales tax rates.

Uniform Standards for Attributing the Source of Transactions to Various Taxing Jurisdictions

The Streamlined Sales and Use Tax Agreement requires uniform standards for attributing the taxation of all taxable transactions to various taxing jurisdictions. A complete description of standards for attributing the source of taxable transactions to various taxing jurisdictions is available in the bill analysis for Am. Sub. H.B. 95 at the LSC website. ***The Legislative Service Commission has not completed an estimate of the fiscal impact of the adoption of new sourcing standards for sales and use tax purposes. However, LSC believes that the net fiscal effect of all the changes in the sourcing standards would be minimal.***

Sourcing Standards for Most Transactions

Under the interstate agreement, member states must have uniform standards for attributing the source of transactions to taxing jurisdictions. These standards are used to determine where a sale occurred (sometimes termed the "situs" or the "source" of the transaction). Am. Sub. S.B. 143 of the 124th General Assembly revised the general sourcing law that applies to most transactions to conform to the Streamlined Sales and Use Tax Agreement's uniform sourcing proposal, and was to take effect July 1, 2003. Am. Sub. H.B. 95 delays the effective date of the revision of the general sourcing law until January 1, 2004, and makes other changes. The general sourcing law will apply only to a vendor's or seller's obligation to collect and remit state and local sales or use taxes. It does not affect the obligation of a consumer to remit use taxes on the storage or use of tangible personal property to the jurisdiction of that storage or use. Other revisions include certain requirements for consumers to file with vendors multiple points of use exemption forms when consumers purchase tangible personal property or a service for use in business or when the property or service is available for use in several taxing jurisdictions.

Sourcing Standards for "Direct Mail" Purchases

Am. Sub. H.B. 95 establishes in the general sourcing law a new sourcing requirement for a purchaser of "direct mail"[28] that is not a holder of a direct payment permit.[29] Am. Sub. H.B. 95 requires that type of purchaser to provide to the vendor in conjunction with the purchase either a direct mail form prescribed by the Tax Commissioner, or information to show the jurisdictions to which the direct mail is delivered to recipients. Upon receipt of a direct mail form, the vendor is relieved of all obligations to collect, pay, or

[28] "Direct mail" is "printed material delivered or distributed by United States mail or other delivery service to a mass audience or to addressees on a mailing list provided by the consumer or at the direction of the consumer when the cost of the items are not billed directly to the recipients." It includes tangible personal property supplied directly or indirectly by the consumer to the direct mail vendor for inclusion in the package containing the printed material, but excludes multiple items of printed material delivered to a single address.

[29] Generally, a direct pay permit holder is a manufacturer or consumer who purchases tangible personal property for which the taxable status cannot be determined at the time of purchase. These consumers are authorized to make sales and use tax payments directly to the state.

remit the applicable tax and the purchaser is obligated to pay that tax on a direct pay basis. A direct mail form remains in effect for all future sales of direct mail by the vendor to the purchaser until it is revoked in writing.

Upon receipt of information from the purchaser showing the jurisdictions to which the direct mail is delivered, the vendor is required to collect the tax according to the delivery information provided by the purchaser. The vendor is relieved of any further obligation to collect tax on any transaction where the vendor has collected tax based on the delivery information provided by the purchaser.

If the purchaser of direct mail does not have a direct payment permit and does not provide the vendor with either a direct mail form or delivery information, the vendor must collect the tax under an existing sourcing provision that requires that the sale be sourced to the address from which tangible personal property was shipped, or from which the service was provided, disregarding any location that only provided an electronic transfer of the property sold or service provided. Am. Sub. H.B. 95 provides that this provision does not limit a purchaser's obligation for sales or use tax to any state to which the direct mail is delivered.

If a purchaser of direct mail provides the vendor with documentation of direct payment authority, the purchaser cannot be required to provide direct mail form or delivery information to the vendor.

Sourcing Standards for Sales, Leases, and Rentals of Transportation Equipment

Under Am. Sub. H.B. 95, a sale, lease, or rental of "transportation equipment"[30] must be sourced under the existing general sourcing law. For leases of tangible personal property without recurring payments, Am. Sub. H.B. 95 requires that the attribution of a taxable transaction to a taxing jurisdiction must be done under the existing general sourcing law. For leases of tangible personal property with periodic payments, Am. Sub. H.B. 95 prescribes how they would be attributed to taxing jurisdictions. Rules would vary according to the type of equipment (motor vehicles, watercraft, aircraft, etc.). A complete description of the various sourcing standards for sales and leases of transportation equipment is available in the bill analysis for Am. Sub. H.B. 95 at www.lsc.state.oh.us.

Sourcing Telecommunications Sales

Am. Sub. H.B. 95 repeals the existing mobile telecommunications sourcing law and adopts the interstate agreement's sourcing standard, effective July 1, 2003. Under the bill, the amount of state and local sales taxes due on sales of telecommunications service, information service, or mobile telecommunications service, is the sum of those taxes imposed at the sourcing location of the consummation of the sale. Rules for the sourcing of telecommunication sales vary according to the type of telecommunication, whether a service address is available, the place of primary use of the service, and whether the calling service is

[30] For purposes of sourcing (attributing a taxable transaction to a taxing jurisdiction), "transportation equipment" is defined as locomotives and railcars that are utilized for the carriage of persons or property in interstate commerce; trucks and truck-tractors with a gross vehicle weight rating of greater than 10,000 pounds, trailers, semi-trailers, or passenger buses that are registered through the International Registration Plan and are operated under authority of a carrier authorized and certificated by the United States Department of Transportation or another federal authority to engage in the carriage of persons or property in interstate commerce; or aircraft that are operated by air carriers authorized and certificated by the United States Department of Transportation or another federal authority to engage in the carriage of persons or property in interstate or foreign commerce. Containers designed for use on and component parts attached to or secured on these items are also "transportation equipment."

prepaid or postpaid. A complete description of sourcing of telecommunication services is available in the bill analysis for Am. Sub. H.B. 95 at www.lsc.state.oh.us.

Bad Debt

Am. Sub. H.B. 95 modifies the bad debt provisions in the sales and use tax law. Generally, a vendor may deduct from its taxable receipts the amount of "bad debt" it has incurred. Bad debt is any debt that has become worthless or uncollectible for at least six months and that may be claimed as a federal tax deduction.[31] Under prior law, "bad debt" did not include any accounts receivable that have been sold to a third party for collection. Am. Sub. H.B. 95 removes this restriction. The bill also provides that in any reporting period in which the amount of bad debt exceeds the amount of taxable sales for the period, the vendor may file a refund claim. The refund claim will be for any tax collected on the bad debt in excess of the tax reported on the sales tax return. However, such refund claim must be filed within four years of the due date of the return on which the bad debt first could have been claimed.

When a vendor's filing responsibilities have been assumed by a certified service provider,[32] the certified service provider must claim the bad debt allowance on behalf of the vendor. The certified service provider must credit or refund to the vendor the full amount of any bad debt allowance or refund. Am. Sub. H. B. 95 provides that no person, other than the vendor in the transaction that generated the bad debt or a certified service provider, may claim the bad debt allowance.

Other Sales and Use Tax Law Changes in Am. Sub. H.B. 95

New Sales Tax Exemptions for Aircraft with Fractional Share Ownership

Am. Sub. H.B. 95 creates new exemptions for parts and services used in repairing and maintaining aircraft with fractional ownership (R.C. 5739.01(KKK)). The budget act also imposes a sales and use tax liability cap of $800 per plane (or for sale of interests in a plane) purchased in a fractional share ownership program in Ohio. To qualify for the tax exemptions and the sales tax liability cap, a fractional share ownership program is required to have at least 100 "air worthy" aircraft. A fractional aircraft ownership program provides significant management services to an aircraft owned by several persons where each owner has at least one-sixteenth interest. The management services include safety guidelines, maintenance, crew training, and record keeping. The application of the sales and use tax statutes to sales of fractional ownership of aircraft in Ohio is unclear and appears to be in dispute, thus affecting the estimation of potential state revenue loss from these provisions. Depending upon how the taxation of fractional ownership of planes and their servicing is ultimately resolved, the number of aircraft, parts, and services purchased by Ohio fractional aircraft ownership programs, GRF revenue loss from this new tax exemption may be up to $7.6 million per year.

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[31] "Internal Revenue Code of 1954," 68A. Stat. 50, 26 U.S.C. 166 and related regulations.

[32] The Streamlined Sales and Use Tax Agreement provides three technology models for sellers and vendors: the certified service provider model (CSP) model, the certified automated system (CAS) model, and any proprietary system certified by the states as CAS. A seller can choose one of the three technology models or continue to use the traditional tax collection system. Under the certified service provider model, the seller selects a CSP as an agent to perform all of the seller's sales and use tax functions. The certified service provider determines the amount of tax due, pays the state, and files returns with the state. The certified service provider is also liable for the tax due unless there are errors by the state or fraud by the seller. A complete description of the responsibility of the CSP, CAS, or vendors with proprietary systems is available at www.streamlinedsalestax.org.

Increase in the Filing Threshold for Accelerated Sales Tax Payments and Increase in the Vendor Discount

Am. Sub. H.B. 95 increases the liability threshold for accelerated sales tax payment[33] remittances from $60,000 to $75,000 per year, and temporarily increases the vendor discount from 0.75% to 0.90%. Increasing the threshold for accelerated sales tax payment for electronic filers decreases the number of such filers required to accelerate sales tax payments. This provision is estimated to decrease GRF revenues by $3.8 million in FY 2004, with no fiscal effect in FY 2005. Increasing the discount percentage also reduces GRF revenues. The revenue loss to GRF from raising the vendor discount to 0.90% is estimated at $22.5 million in FY 2004 and $24.5 million in FY 2005. This revenue loss includes the interaction of the vendor discount with the sales tax rate increase and the tax base expansion.

CORPORATE FRANCHISE TAX

Am. Sub. H.B. 95 includes several changes to corporate franchise tax law. The budget act modifies the treatment of certain business expenses, extends the carryforward for unused venture capital tax credits, imposes a new corporate franchise tax on local telephone companies (with a special treatment of the amortization of book-tax differences), and adopts new methods for determining business income and nonincome. Am. Sub. H.B. 95 also updates corporate franchise tax law for rights to lottery proceeds acquired by a corporation, and increases the minimum tax for companies with at least 300 employees and $5 million in sales.

Modification to the Treatment of Internal Revenue Code Section 179 Deduction and Extension of the "Bonus" Depreciation

In May 2003, Congress passed the Jobs and Growth Tax Relief Reconciliation Act (JGTRRA) of 2003 that included two provisions that affect the Ohio corporate franchise tax. One provision increased the first-year depreciation "bonus"[34] from 30% to 50% for qualified assets purchased after May 2003, and extended it beyond the original September 10, 2004 date to December 31, 2004. Another provision of the

[33] Am. Sub. H.B. 40 (125th General Assembly) accelerated the sales tax payment schedules for vendors and direct pay permit holders that remit sales tax electronically. Under prior law, sales and use tax payments were made on the 23rd of each month for prior-month sales. Under current law, direct pay permit holders pay each month one fourth of the tax liability for the same month in the preceding calendar year on the eleventh, eighteenth, and twenty-fifth day of each month; and on the twenty-third day of each month, the permit holder shall report the taxes due for the previous month less any amounts already paid during the month under H.B. 40. Vendors and sellers have the same required monthly payment dates as the direct pay permit holders. However, their accelerated tax payments are based on the amount of taxes collected during the month. The first payment (eleventh day) is based on tax collected in the first seven days of the month. The second payment (eighteenth) is for tax collected between the eighth day through the fourteenth day, and the third payment (twenty-fifth day) is for taxes collected between the fifteenth day and the twenty-first day of the month.

[34] The first-year depreciation "bonus" was created by the federal Job Creation and Worker Assistance Act of 2002. Corporate taxpayers could claim a first-year depreciation deduction equal to 30% of the adjusted basis of a qualified property. After the first year, the remaining depreciable amount from the purchased asset would be deducted under the pre-existing depreciation rules. To qualify, the property must: (1) be acquired after September 10, 2001 and before September 11, 2004, and (2) satisfy the general rules under the Modified Accelerated Cost Recovery System (MACRS). Eligible property includes: property with a recovery period of 20 years or less, water utility property, some computer software, and qualified leasehold improvements. Current first-year depreciation for a 5-year property, 7-year property, 10-year property, and 15-year property is 20%, 14.29%, 10%, and 5%, respectively.

JGTRRA expanded the maximum threshold for IRC Section 179 election[35] for certain businesses to $100,000, up from $25,000. Under these provisions, some businesses could entirely deduct, under certain conditions, purchases of capital equipment and certain computer software in the year of purchase, thus reducing their federal and Ohio taxable net incomes.

After Congress passed the Job Creation and Worker Assistance Act (JCWA) of 2002 that would have decreased state revenues, the 124th General Assembly enacted Am. Sub. S.B. 261 to mitigate JCWA's impact on revenue from the corporate franchise and personal income taxes. S.B. 261 required Ohio taxpayers who claimed the "bonus" depreciation in their federal tax returns to add-back five-sixths of the amount of "bonus" depreciation (deducted in the federal tax returns) to their Ohio corporate tax returns. In addition, S.B. 261 allowed such taxpayers to deduct one-fifth of that tax year's depreciation add-back for each of the next five consecutive years. Thus, for Ohio taxpayers, the benefits of the JCWA were extended over six years.

Using a mechanism similar to S.B. 261 and to respond to the JGTRRA of 2003, Am. Sub. H.B. 95 requires Ohio taxpayers who claim the new depreciation "bonus" and the special section IRC 179 expenses in their federal tax returns to add-back to Ohio income, five-sixths of the amount of additional deduction or "qualifying IRC section 179 depreciation expense"[36] (in the federal tax returns) in their Ohio corporate tax returns. Am. Sub. H.B. 95 also allows such taxpayers to deduct one-fifth of that tax year's add-back in each of the next five consecutive years. According to the Tax Department, these modifications to the corporate franchise tax law prevent a decrease of up to $12.0 million in FY 2004 and $20.0 million in FY 2005 in corporate franchise tax revenues, primarily from the IRC Section 179 expensing provision.

Carryforward of Unused Venture Capital Credit for Ten Years

Am. Sub. H.B. 95 allows taxpayers that have been issued a nonrefundable tax credit by the Ohio Venture Capital Authority (created by S.B. 180, 124th General Assembly) to carry forward any unused portion of the tax credit for a period of up to ten years. The Ohio Venture Capital Authority provides both nonrefundable and refundable tax credits that may be claimed against the corporation franchise tax, the personal income tax, the domestic insurance tax, or the foreign insurance tax. The carryforward of unused nonrefundable venture capital tax credits may minimally decrease revenues.

New Corporate Franchise Tax on Telephone Companies

Am. Sub. H.B. 95 removes telephone companies from the public utility excise tax (PUET) and imposes a corporation franchise tax on those companies.[37] A "telephone company" is any person engaged in the business of providing local exchange telephone service in Ohio. Telephone companies will no longer pay the PUET on their gross receipts billed after June 30, 2004 and will be subject to the corporate franchise tax starting in tax year (TY) 2005 (with revenue gained in FY 2005).

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[35] IRC Section 179 provides taxpayers the election to fully deduct as cost (i.e., expense) certain depreciable business assets in the year they are placed in service, rather than following regular depreciation schedules such as MACRS.

[36] For purposes of this calculation, the qualifying section 179 depreciation expense is the difference between the depreciation expense allowed under IRC section 179 and the depreciation expense allowed in that section as it existed on December 31, 2002.

[37] Also, Am. Sub. H.B. 95 imposes a new sales tax on sales of local telephone services.

Am. Sub. H.B. 95 transfers from the PUET to the corporate franchise tax nonrefundable credits for eligible nonrecurring 911 service and credits for services for the communicatively impaired.[38] The tax credit for nonrecurring 911 services may be carried forward until it is fully claimed. However, the maximum amount of all credits for 911 services that can be claimed will be $15 million. If the combined prior years and current credits in a tax year exceed this amount, the tax commissioner will reduce eligible credits allowed for that tax year such that the sum of all credits for 911 services does not exceed the maximum cap of $15 million. The tax credit allowed for the cost of providing services for the communicatively impaired may be carried forward until fully claimed.

Am. Sub. H.B. 95 creates a new nonrefundable corporate franchise tax credit for "incumbent local exchange carriers" existing on January 1, 2003, and with fewer than 25,000 access lines as shown on the company annual report filed with the Public Utilities Commission of Ohio. This tax credit is calculated by subtracting from these "small" telephone companies corporate franchise tax liability what the PUET liability for the company would have been in a year, prior to applying available PUET tax credits. Then, the resulting amount is multiplied by varying percentages between TYs 2005 and 2009. The applicable percentages are 100% for TY 2005, 80% for TY 2006, 60% for TY 2007, 40% for TY 2008, and 20% for TY 2009. This tax credit for "small" telephone local exchange carrier will not be available after TY 2009. Revenue gain from the corporate franchise tax on local telephone companies is estimated at $6.0 million in FY 2005 by the Department of Taxation.

Amortization of Book-Tax Differences for Telephone Companies

Am. Sub. H.B. 95 prescribes how differences between the accounting value and the tax value of a telephone company's assets will be treated under the corporate franchise law. Generally, corporations depreciate or expense certain items in their balance sheet in ways that may create a difference between the value of certain assets for accounting purposes and their value for tax purposes. Under current law, any difference between the two sets of values resulting from a tax law change would be recognized in a tax gain or a loss immediately in the year the tax change takes effect. However, Am. Sub. H.B. 95 defers the tax recognition of any book-tax difference for telephone companies, and requires amortization of the tax effect of the differences in the two sets of values over a ten-year period, beginning in 2010. Only assets on a company's books and other records on December 31, 2003, for a company that was subject to the public utility excise tax qualify for this treatment. This provision has no fiscal effect in the current biennium.

New Method for Determining Multi-State Corporation Business and Nonbusiness Income for Allocation and Apportionment Purposes

The corporation franchise tax liability for interstate corporations is based on the portion of their net income or net worth that is allocated or apportioned to Ohio. Under previous law and the Ohio method of treating income, a company allocated certain types of statutory-listed income whether or not the income was part of the company's active trade or business. Income from net rents and royalties from real or personal property, capital gains and losses on the disposition of property, dividends, and patent and copyright royalties (some of these sources of income may or may not be "business" income) were allocated entirely to Ohio or entirely outside Ohio. All other income not statutorily listed to be allocated was apportioned on the basis of three factors meant to measure the extent of a corporation's business

[38] This tax credit is calculated based on expenses incurred by telephone companies to provide services to visually or hearing impaired customers.

activity in Ohio: property (average cost of property owned in Ohio divided by cost of property owned everywhere), sales (sales in Ohio divided by sales everywhere), and payroll (total compensation in Ohio divided by total compensation everywhere).

Am. Sub. H.B. 95 adopts the distinction between "business" and "nonbusiness" income used by many other states in the Uniform Division of Income for Tax Purposes Act (UDITPA).[39] Generally, business income will be apportioned to Ohio according to the same three-factor formula, and nonbusiness income will be entirely allocated either to Ohio or to another state. As a general rule under this new method, all income is presumed to be business income. The budget act also changes how the property and sales factors are computed, and how certain sources of nonbusiness income are allocated. For example, any property a corporation rents or leases will be included in the calculation of the property factor if the net income from these operations is "business" income. If the income were "nonbusiness" income, the property would be excluded from the property factor and thus would be allocated to Ohio or elsewhere. The sales factor is changed to remove receipts that are excluded from a corporation's gross income, and to include in the factor certain receipts from insurance companies or nonelectric public utilities owned by a corporation, and receipts from financial institutions owned by a corporation.

Am. Sub. H.B. 95 makes other clarifications to the computation of apportionment for certain transactions such as sales or rents of property, and allocation of dividends, gains, and losses from stock sales by certain qualifying controlled groups. Generally, net rents and royalties from property not located or utilized in Ohio are allocable outside the state. Capital gains and losses from the sale or disposition of property not located or utilized in Ohio are allocable outside the state. If information on the physical location of assets were not available to the taxpayer, then certain gains and losses would be apportionable.

The Tax Department estimates that the new treatment of business and nonbusiness income for apportionment will increase state revenues by $23.8 million in FY 2004 and $34.0 million in FY 2005. The corresponding GRF revenue gain will be $22.7 million in FY 2004 and $32.4 million in FY 2005.

Update of Corporate Franchise Tax Law for the Allocation of Lottery Proceeds Purchased by a Corporation

Under existing law, individual income or corporate franchise taxes must be paid in connection with the transfer of Ohio lottery prize awards to a corporation at the time of the transfer. Am. Sub. H.B. 95 updates the corporation franchise law with respect to a corporation doing business in Ohio and elsewhere that receives current or future payment of lottery prize awards. Such a multi-state corporation may likely apportion or allocate certain items in their Ohio tax returns. Am. Sub. H.B. 95 specifies that prize awards awarded by the Ohio Lottery and acquired by a multi-state corporation are allocable to Ohio for calculation of the Ohio corporation franchise tax. The bill clarifies that non-Ohio lottery prize awards and related gains from non-Ohio lotteries (and purchased by a corporation doing business in Ohio) are allocable outside of Ohio for franchise tax purposes, i.e., that such corporate income will not be taxed in Ohio. This provision is expected to have only a minimal fiscal effect.

[39] UDITPA defines "business income" as income, including gains or loss, arising from transactions and activities in the regular course of the taxpayer's trade or business, and includes income from tangible and intangible property if the acquisition, management, and disposition of the property constitute integral parts for the taxpayer's regular trade or business operations. "Nonbusiness income" means all income other than business income and may include, but is not limited to, compensation, rents and royalties from real or tangible property, capital gains, interest, dividends and distributions, patent and copyright royalties, and lottery winnings, prizes and awards.

Increase in the Minimum Franchise Tax to $1,000 for Companies with at Least 300 Employees or at Least $5 Million in Sales

Am. Sub. H.B. 95 increases the minimum tax from $50 to $1,000 per year for corporations with at least 300 employees or at least $5 million in worldwide sales. The increase in the minimum tax also applies to financial institutions. According to the U.S. Census Bureau, approximately 2,300 companies in Ohio had at least 300 employees in calendar year 2000.[40] In FY 2001, 46,389 corporations paid the minimum $50 in tax liability. During the same fiscal year, 24,112 corporations paid between $50 and $1,000 in tax liability, and 29,412 had more than $1,000 in tax liability.[41] An undetermined number of corporations with at least 300 employees or at least $5 million in worldwide sales are among corporations that paid $50 through $1,000 in corporate tax liability. State revenue gain from the increase in the minimum tax is estimated at $1.2 million in FY 2004 and $2.3 million in FY 2005. This provision is estimated to increase GRF revenue by $1.1 million in FY 2004 and $2.2 million in FY 2005.

Extension of the Maximum Period for Claiming the Job Creation and the Job Retention Tax Credits

Under R.C. section 122.171, the Ohio tax credit authority may grant to an eligible business a nonrefundable credit against the corporate franchise or personal income tax for a period up to ten taxable years. The job creation or the job retention tax credits[42] shall be in an amount not exceeding 75% of the Ohio income tax withheld from the employees of the eligible business occupying full-time employment positions at the project site during the calendar year that includes the last day of the taxable year for which the credit is granted. Am. Sub. H.B. 95 extends the maximum period for claiming the job creation credit or the job retention credit from 10 years to 15 years.

This change would probably not affect the revenue loss under the recent job retention tax credit. However, there is a possibility that the provision might affect revenue loss under the job creation tax credit. The Department of Taxation estimates no revenue impact from the job creation tax credit in FY 2004 and $5.0 million revenue loss in FY 2005.[43] However, some of the tax credit agreements might be modified as a result of Am. Sub. H.B. 95. Assuming that current tax credit agreements are unchanged, this extension of the maximum period for claiming the job creation tax credit will have no fiscal impact in FY 2004 or FY 2005.

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[40] U.S. Census Bureau, *County Business Patterns 2001, Ohio*, Washington, D.C., 2003.

[41] Ohio Department of Taxation, 2002 Annual Report.

[42] S.B. 363 of 119th General Assembly created the refundable job creation tax credit. As of December 2002, 722 of the 1,266 projects that have received this tax credit are active. Am. Sub. H.B. 405 (124th General Assembly) created the nonrefundable job retention tax credit for manufacturing companies making capital investments exceeding $200 million over a three-year period at a specific project site as specified by the Ohio Tax Credit Authority. The job retention credit was substantially modified by H.B. 675 (124th General Assembly) that decreased the investment threshold to $100 million and also expanded the eligibility for this credit to companies that invest in research and development.

[43] Tax Expenditures Report for FYs 2004 and 2005.

MOTOR FUEL TAX

Tax Increase

Am. Sub. H.B. 87 increases the motor fuel tax, which had been 22 cents per gallon, by two cents per gallon effective July 1, 2003, and by an additional two cents per gallon effective July 1, 2004. The total tax will therefore become 24 cents per gallon from July 1, 2003 through June 30, 2004, and 26 cents per gallon from July 1, 2004 through June 30, 2005. The bill increases the tax by an additional two cents per gallon on July 1, 2005, which will make the total tax 28 cents per gallon, but that increase will not take effect if the Director of the Ohio Department of Transportation (ODOT) finds both (1) that the amount of federal motor fuel excise tax appropriated to Ohio is at least equal to 95% of federal taxes paid in Ohio, and (2) that Ohio no longer receives a net loss of federal motor fuel tax due to federal tax reductions, rebates, or assistance on behalf of ethanol-based or alcohol-based motor fuels.

The old 22-cent tax was the sum of five distinct tax levies, each created under a different section of the Revised Code. The tax increase is added to one of the existing five levies, a two-cent levy provided for by section 5739.29 of the Revised Code. Am. Sub. H.B. 87 alters the distribution of the previously existing two-cent levy and, in the process of doing so, creates a new formula for distribution of the revenues from the tax increase. The old formula first distributed a share of the tax proceeds to the Tax Refund Fund, the Waterways Safety Fund, and the Wildlife Boater Angler Fund, after which tax proceeds were used to pay debt service on Highway Obligation Bonds and Highway Improvement Bonds. If any funds remained after satisfying the debt service, they were deposited into the Highway Operating Fund.

The new formula retains the distribution to the Tax Refund Fund, the Waterways Safety Fund, and the Wildlife Boater Angler Fund, but requires that the remainder be deposited into the Gasoline Excise Tax Fund. A portion of this money is then distributed to local governments, with the proportion going to them increasing in stages from zero prior to August 15, 2003, to one-eighth beginning August 15, 2003, to one-sixth beginning August 15, 2004, to three-sixteenths beginning August 15, 2005. This total amount is distributed to local governments in the following proportions: 42.86% is distributed to municipal governments; 37.14% is distributed to counties; and 20% is distributed to townships. Remaining revenues from this tax levy then follow the original distribution formula: they are used first to pay debt service on Highway Obligation Bonds and Highway Improvement Bonds, and then are deposited into the Highway Operating Fund.

These changes are estimated to increase revenues from the tax by approximately $135 million in FY 2004 and by $273 million in FY 2005. In subsequent fiscal years, the increase in revenues is estimated to be either $276 million or $414 million, depending on the finding of the Director of ODOT. The increased revenue in FY 2004 would be distributed to the Waterways Safety Fund (approximately $1.2 million), the Wildlife Boater Angler Fund (approximately $0.2 million), and to local governments (approximately $14.8 million). Since the debt service on highway bonds would presumably be met under either the old formula or the new one, the remainder of the increased revenue, approximately $119.1 million, would go to the Highway Operating Fund. In FY 2005, the increased revenue would be distributed to the Waterways Safety Fund (approximately $2.4 million), the Wildlife Boater Angler Fund (approximately $0.3 million), to local governments (approximately $44.1 million), and to the Highway Operating Fund (approximately $226.4 million). In subsequent fiscal years, the Waterways Safety Fund would receive $2.4 million (or $3.6 million), depending on the finding of the Director of ODOT, the Wildlife Boater Angler Fund would receive $0.3 million (or $0.5 million), and local governments would receive $51.0 million (or $76.6 million).

Exempt Educational Groups

Am. Sub. H.B. 87 permits school districts to receive refunds of the increase in the tax for any fuel they use to transport students. Am. Sub. H.B. 95 extends this permission to joint vocational school districts and to educational service centers, and permits all school districts (and educational service centers) to receive refunds of the increase in tax for fuel they purchase for operational purposes other than transporting students. These provisions are estimated to reduce transportation costs to school districts and to educational service centers by approximately $700,000 in FY 2004 and by approximately $1.4 million in FY 2005. In subsequent fiscal years the estimated cost reductions total either $1.4 million or $2.1 million, depending on whether there is a third increase in the motor fuel tax on July 1, 2005. There would be corresponding reductions in revenue available to the Highway Operating Fund and to counties, municipalities, and townships for road and bridge projects. The reductions in revenue to the Highway Operating Fund are estimated to be approximately $525,000 in FY 2004, $1.1 million in FY 2005, and either $1.1 million or $1.6 million in subsequent fiscal years. The remaining savings to school districts, approximately $175,000 in FY 2004, $350,000 in FY 2005, and either $350,000 or $525,000 in subsequent fiscal years, would constitute a reduction in revenue to counties, municipalities, and townships.

Township Formula

Beginning August 15, 2003 the distribution of tax revenues from the levy provided under section 5735.29 of the Revised Code to individual townships follows a new formula. A township will receive the greater of (1) the amount derived from the formula described above, or (2) 70% of a formula amount based half on the number of motor vehicles registered in the township, and half on the number of township lane miles. The sum total of all distributions to townships under this formula is projected to exceed the amount provided by the distribution formula described above. The difference is made up by reducing the distributions described above to municipal governments, to counties, and to the Highway Operating Fund. The distributions to each of these three recipients are reduced by an equal amount. In addition to this enhancement of townships' share of the tax levy, townships are to receive a share of money retained by the Highway Operating Fund due to Am. Sub. H.B. 87 phasing out a transfer from that fund to the Department of Public Safety. That transfer has historically been used primarily to fund the operations of the Ohio State Highway Patrol. Details of the changes in financing Department of Public Safety programs may be found in that agency's section of the Final Analysis. Under these provisions the amount going to townships will eventually increase by approximately $7.2 million, assuming that the full six-cent increase in the tax levy is made, with the distributions to counties, municipal governments, and the Highway Operating Fund each reduced by approximately $2.4 million.

Credits to Highway Operating Fund

Am. Sub. H.B. 87 changes the distribution of the two-cent motor fuel tax levy provided by section 5735.05 of the Revised Code. Current law provides that municipal corporations, counties, and townships receive shares of this tax levy, which are distributed by way of the State and Local Government Highway Distribution Fund according to a formula specified in section 5735.23 of the Revised Code. Beginning August 15, 2004, the bill reduces the distributions to counties and municipal corporations by $248,625 apiece each month, and reduces the distribution to townships by $87,750 monthly. The Highway Operating Fund receives corresponding increases in its share of this tax levy.

Refunds for Water Intentionally Added to Fuel

Am. Sub. H.B. 95 permits people who use motor fuel to which water was intentionally added so that the resulting fuel contains at least 9% water by volume to receive a refund for motor fuel taxes and motor fuel use taxes paid on 95% of the water contained in the fuel.[44] This provision creates a minimal loss of revenue to the Highway Operating Fund, the Local Transportation Improvement Program Fund, the Waterway Safety Fund, the Wildlife Boater Angler Fund, and to local governments.

MOTOR FUEL USE TAX

The motor fuel use tax is imposed on the use of fuel to operate commercial vehicles on public highways in Ohio. Prior to the enactment of Am. Sub. H.B. 87, the tax rate was equal to the motor fuel tax rate, 22 cents per gallon, plus a supplemental tax of three cents per gallon. Am. Sub. H.B. 87 reduces the supplemental tax to two cents per gallon effective July 1, 2004 and Am. Sub. H.B. 95 makes changes to the wording of this provision in order to clarify the intent. If the motor fuel tax is increased to 28 cents per gallon on July 1, 2005, the two-cent supplement will be reduced to zero effective on that date. If the supplemental tax is fully phased out, the Department of Taxation estimates that revenue will decrease by approximately $35 million. The three-cent supplemental tax was traditionally used first to retire highway bonds, with the remaining revenue deposited in the Highway Operating Fund.

PUBLIC UTILITY EXCISE TAX

Am. Sub. H.B. 95 exempts local telephone companies from this tax beginning with gross receipts received by those companies after June 30, 2004. Telephone companies must make a final filing under the tax on or before August 1, 2004. Telephone companies will be newly subject to both the corporate franchise tax and the sales and use tax under the bill. This change would have no fiscal effect in FY 2004, but would reduce GRF revenues from the tax by approximately $105 million in FY 2005, and would reduce revenues to the local government funds by an additional $5 million that year.

KILOWATT-HOUR TAX

Am. Sub. H.B. 95 overrides the statutory distribution of the kilowatt-hour tax for the biennium. Under the statutory distribution, the Local Government Fund receives two and six hundred forty six one-thousandths percent of the revenue from the tax, and the Local Government Revenue Assistance Fund receives three hundred seventy eight one-thousandths percent of the revenue. Am. Sub. H.B. 95 continues a provision of Am. Sub. H.B. 94 of the 124th General Assembly that distributes this revenue share to the GRF instead. This provision is estimated to increase revenues to the GRF by approximately $19.2 million in FY 2004 and $19.6 million in FY 2005, and would reduce total revenues to the local government funds by the same amounts.

[44] One commercially-available product of which Department of Taxation officials are aware that would qualify for the refunds is a clean-burning fuel that reduces vehicular emissions.

PROPERTY TAXES

Inventory Tax

Am. Sub. H.B. 95 accelerates the rate at which the inventory tax is phased out. Inventories currently are assessed at 23% of their true value. The bill provides that in TYs 2005 and 2006, the assessment rate will be reduced by two percentage points each year, if statewide collection of tangible personal property taxes for the second preceding year exceeds that in the third preceding year. If this condition is not met, the assessment rate will remain unchanged in that tax year at the rate in the preceding tax year. In tax years 2007 and thereafter, the assessment rate will be reduced by two percentage points each year, with no trigger mechanism to slow the decline. Once the assessment rate reaches zero, inventories will no longer be listed for taxation.

This change will reduce revenues to school districts and other local governments by an estimated $35 million in CY 2005. Revenue losses will increase over time. This will increase the cost of the state basic aid formula due to the reduction in property valuation. The CY 2005 reduction will increase costs to the state by approximately $10 million in FY 2007, because of a lag in the formula. These costs also will increase over time.

Elimination of Reimbursement of Tangible Property Tax Exemption

The budget act eliminates, over a ten-year period, the state's reimbursement of the loss of tax revenue to local governments that results from tax exemption for tangible personal property on the first $10,000 of taxable value at each business. In FY 2004, the reimbursement will be reduced to 90% of the amount reimbursed in FY 2003. Subsequently, the reimbursement will be reduced an additional ten percentage points each year. No reimbursement will be paid after FY 2012. Businesses with $10,000 or less in taxable value of tangible personal property will no longer be required to report that value, so reimbursements will continue to be based on FY 2003 data.

General Revenue Fund payments to school districts and other local government for reimbursement of the tax loss associated with this exemption will decline by an estimated $9.7 million in FY 2004, by $19.7 million in FY 2005, and by larger amounts in subsequent years. However, increased school foundation payments would offset some of the school district loss.

Property Tax Administration Fund

Am. Sub. H.B. 95 creates the Property Tax Administration Fund to defray costs incurred by the Department of Taxation in administering property taxes and equalization of real property valuations. Amounts to be transferred to this new fund from the GRF are calculated as 0.3% of the 10% real property tax rollback plus 0.15% of the public utility personal property tax plus 0.75% of the tangible personal property tax. All of these tax amounts are for the preceding tax year. The costs are then shifted to local governments. This is accomplished by reducing reimbursement from the GRF of tax losses to local governments resulting from the 10% rollback by an amount equal to the transfers to the Property Tax Administration Fund.

This part of the tax bill will reduce payments to school districts and other local governments by an estimated $11.6 million in FY 2004 and $11.9 million in FY 2005. These amounts would have been paid out of line items 110-901, Property Tax Allocation – TAX, and 200-901, Property Tax Allocation – EDU.

Public Utility Property Tax – Telephone Companies

Am. Sub. H.B. 95 reduces the assessment rate for telephone company property installed prior to 1995, from 88% of true value currently. The assessment rate is reduced to 67% in TY 2005, 46% in TY 2006, and 25% in tax years 2007 and thereafter. The assessment rate for telephone company property installed more recently remains unchanged at 25% of true value.

These changes will reduce tax revenues to school districts and other local governments by an estimated $11.0 million in FY 2006, $20.1 million in FY 2007, and $27.7 million in FY 2008.

Remission of Penalties for Late Payment of Property Taxes

Am. Sub. H.B. 95 permits county boards of revision to remit penalties for late payment of real and personal property taxes if the failure to make timely payment was due to reasonable cause and not willful neglect. It changes existing law to permit county auditors, rather than the Tax Commissioner, to remit late payment penalties under certain circumstances. It permits a taxpayer to request review by the Tax Commissioner of a denial of remission of a penalty by a board of revision or a county auditor.

The addition of reasonable cause to the list of reasons for remission of penalties for late payment of taxes may reduce revenue from penalties.

Abatement of Taxes on Qualifying Property

The tax bill temporarily permits the Tax Commissioner to abate collection of past-due taxes, penalties, and interest on properties qualified for tax exemption, but for which a tax exemption application was not filed. Included in the list of types of property qualified for this abatement are school property, churches, colleges, government and public property, charities, and graveyards. The opportunity to apply for this abatement is limited to 12 months from the effective date of this temporary law. The Tax Commissioner is given discretion to extend the abatement to taxpayers that apply for tax-exempt status but do not separately apply for abatement of past-due amounts.

This law may reduce revenues from taxes, penalties, and interest, on qualifying property for which no application was made for tax exemption.

TEMPORARY ADJUSTMENTS TO LOCAL GOVERNMENT DISTRIBUTIONS

Am. Sub. H.B. 95 freezes, for FY 2004 and FY 2005, amounts of state tax receipts that are deposited into and distributed from the Local Government Fund, the Local Government Revenue Assistance Fund, and the Library and Local Government Support Fund at the lower of the formula amounts or the levels of FY 2003 (after all adjustments and reductions). The freezes affect deposits of receipts from the personal income tax, the sales tax, the use tax, the corporate franchise tax, the public utilities excise tax, and the kilowatt-hour tax. Tax receipts that would otherwise have been credited to the local funds will instead be credited to the GRF. The freezes are estimated to add $121.2 million to the GRF in FY 2004 and $187.9 million in FY 2005.

MUNICIPAL INCOME TAX

Am. Sub. H.B. 95 makes several changes to the municipal income tax. The definition of "qualifying wages" subject to municipal income tax withholding requirements is revised and made uniform. The budget act also redefines the business net profit tax base. Municipal corporations are authorized to exempt from taxation certain compensation attributable to nonqualified deferred compensation plans and extend a tax credit to taxpayers for certain losses associated with nonqualified deferred compensation plans. Additionally, employers are not required to notify municipal tax administrators of the identity of employees for whom compensation has been deferred. Businesses are required to adjust their municipal income tax bases to account for certain intercorporate transactions involving intangible property and interest expense. In addition, rental income from rental activity not constituting a business or profession is subject to net profit tax only by the municipal corporation in which the property that generated the profit is located. The budget act establishes new rules and procedures for appeals of tax administrators' decisions. These new rules apply to taxable years beginning on or after January 1, 2003. The tax credit for S corporation shareholders whose distributive shares of net profits are subject to municipal income taxation at both entity and individual levels is restored. This credit was deleted in S.B. 180 of the 124th General Assembly. Beginning in January 2004, telephone companies are subject to municipal income tax and businesses are required to use "Business Gateway" (a centralized and computer network system) to file their municipal income tax returns.

OTHER TAX PROVISIONS

Lodging Tax for Port Authority Military-use Facilities

Am. Sub. H.B. 95 authorizes a county to use revenue from existing lodging tax authority, or to increase its lodging tax rate by up to 2%, or both to help fund operations of port authority facilities on which or adjacent to which is located an installation of the armed forces of the United States, reserves, or national guard. This change may result in increased lodging tax revenues to local authorities.

- In total, about $506 million of additional revenue will be generated for the biennium, of which $32 million will go to the GRF.
- H.B. 87 increased four fees in the Department of Public Safety generating an estimated revenue increase of $317,030,000 for the biennium
- H.B. 95 increased or added 298 fees generating an estimated revenue increase of $189,004,319 for the biennium.

Fee Increases

Edward Millane, LSC Intern

INTRODUCTION

Overall, 302 fees were increased or added in H.B. 87 and H.B. 95. There were no fee increases in H.B. 91 or H.B. 92. The total estimated state revenue increase for the biennium is $506,034,319. The total revenue increase from both budget bills is estimated at $222,481,764 for FY 2004 and $283,552,555 for FY 2005. Non-GRF funds will receive $473,966,493 while GRF funds will accumulate $32,067,826. The bills, combined, affected 21 state agencies or local government units.

H.B. 87 increased four fees in the Department of Public Safety, generating an estimated revenue increase of $317,030,000 for the biennium. The total revenue increase is estimated at $135,890,000 for FY 2004 and $181,140,000 in FY 2005.

Furthermore, for increased and new fees in H.B. 95, the total estimated state revenue for the biennium is $189,004,319.[45] The total revenue increase is estimated at $86,591,764 for FY 2004 and $102,412,555 for FY 2005. The new and increased fees are generated by 17 state agencies and boards, plus two state fee categories which are locally collected. In terms of state revenue, there are a total of 265 individual new and increased fees, within 36 fee categories, in the main appropriations act.[46] In addition, H.B. 95 increased 33 sheriff fees, which provide revenue to counties. Thus, there are a total of 298 individual state and local fees in H.B. 95.[47]

[45] These total revenues are estimates based on the information we received from the corresponding agencies. For some fees, this office or the agency was not able to develop an estimate. Thus, the total numbers may actually be higher than those reported here.

[46] Most of the additional fee revenue will be received by non-GRF funds; for example the Housing Trust Fund is the largest recipient.

[47] Each individual fee is counted separately in this report. Related fees are grouped into fee categories. When the same fee contains different dollar ranges, it is counted as one fee.

Summary of Fees and Fee Revenue Generated by H.B. 87					
Fee Description	**Old Fee**	**New Fee**	**Fund Group**	**Estimated FY 2004 Revenue Increase**	**Estimated FY 2005 Revenue Increase**
Driver's License	$6	$18 (effective 10/01/03)[48]	HSF	$28,800,000	$38,400,000
Vehicle Registration[49]	$23.25	$34.25 (effective 10/01/03)[50]	HSF	$99,000,000	$132,000,000
Temporary License Placard	$4	$9 (effective 10/01/03)	HSF	$7,950,000	$10,600,000
Bus Safety Inspection[51]	$100	$200	HSF	$140,000	$140,000
			Total	**$135,890,000**	**$181,140,000**

[48] Persons under 21 years of age are charged a different fee, between $2.25 and $7.25, depending on the person's age. Therefore, the new fee for these persons will be between $14.25 and $19.25.

[49] The bill requires commercial fleets to be reassigned vehicle registration expiration dates beginning in 2004 that will spread out the number of expirations quarterly throughout the year. This will cause a large number of these vehicles to be registered twice in the same year. The law allows most of the fees and taxes associated with vehicle registration to be prorated. However, the additional $11 fee added by the bill to support the State Highway Patrol will not be prorated. Thus, the vehicle owner will be required to pay this $11 fee twice in one year on many of his vehicles. This will only be a one-time occurrence. The Legislative Service Commission does not know the amount of revenue likely to be generated by this provision and it is not included in this chart.

[50] This figure is for passenger vehicles and includes state fees and state taxes. Other vehicles, such as motorcycles and commercial trucks, have different registration fees and taxes, ranging from $13.25 for mopeds to $1,630 for buses with a gross vehicle weight over 78,000 pounds. Political subdivisions may add further taxes, up to $20, on motor vehicle registrations.

[51] Originally, this fee was deposited in the General Revenue Fund. Am. Sub. H.B. 87 requires the Bus Safety Inspection fee to be deposited into the State Highway Safety Fund. Therefore, the fee increase raises an additional $140,000 in revenue annually, however, the State Highway Safety Fund will realize a $280,000 increase in revenue annually.

H.B. 95 Fee Increases and Revenue Estimates					
Agency	**# of Fees**	**Fee Categories (# in ())**	**Fund Group**[52]	**Estimated FY 2004 Revenue Increase**	**Estimated FY 2005 Revenue Increase**
Department of Aging	1 fee	(1) - Bed Fee	SSR	$380,000	$380,000
Department of Agriculture	11 fees	(2) - Plant Industry Fees, Gypsy Moth Fees	GRF	$262,000	$262,000
Athletic Commission	5 fees	(1) - Boxing and Wrestling Fees	GSF	$14,720	$14,720
Attorney General	6 fees	(2) - Bingo License Fees, Collection of Moneys Due to the State	SSR[53] GSF	$5,957,500 $4,510,000	$7,593,375 $4,010,000
Ohio State Barber Board	22 fees	(1) - Barber Fees	GSF	$41,865	$413,705
Department of Commerce	51 fees	(3) - Boiler Inspection Fees, Elevator Fees, Liquor Permit Fees	SSR GRF	$3,544,634 $6,220,434	$4,294,692 $9,214,692
Ohio Dietetics Board	4 fees	(1) - Dietetics Board Fees	GSF	N/A (not effective until 7/1/04)	$48,000
Board of Embalmers and Funeral Directors	7 fees	(1) - Embalmer and Funeral Director Fees	GSF	$26,985	$133,925
Ohio Environmental Protection Agency (EPA)	30 fees	(4) - Solid Waste Fees, Air Pollution Fees, Water System Fees, EPA Certification Fees	SSR	$6,650,000	$6,650,000
Environmental Review Appeals Commission	1 fee	(1) - ERAC Fees	GRF	$2,350	$2,350
Ethics Commission	7 fees	(1) - Ethics Commission Financial Disclosure Filing Fees	GSF	$150,000	$150,000
Department of Health	31 fees	(9) - Radiology Fees, Vital Statistics Copies, Asbestos Examiners Licenses, Agricultural Labor Camp Fees, Health Care Specialist Licenses, Hearing Aid Licensing, Nursing Facility Inspections, Maternity Licensure Fees	SSR	$4,316,600	$4,316,600
Joint Legislative Ethics Committee	5 fees	(2) - JLEC Financial Disclosure Filing Fees, JLEC Lobbyist Registration Fees	GRF	$52,000	$52,000

52 GRF = General Revenue Fund Group; GSF = General Services Fund Group; SSR = State Special Fund Group; WLF = Wildlife Fund Group; N/A = Not Applicable (county receives revenue)

53 The Attorney General will retain all revenue generated from fees to recover the cost of returned checks, to the credit of Fund 419 (SSR). However, the remainder of the fees will be distributed amongst the various agencies for whom the Attorney General is collecting the debt, with a small portion being retained by the Attorney General to cover the costs of collection. At the time of this writing, it is uncertain to which agency fund(s) the various collection fees will be deposited.

H.B. 95 Fee Increases and Revenue Estimates					
Agency	**# of Fees**	**Fee Categories (# in ())**	**Fund Group[52]**	**Estimated FY 2004 Revenue Increase**	**Estimated FY 2005 Revenue Increase**
Department of Natural Resources	25 fees	(2) - Dam Fees, Wildlife Fees	SSR WLF	$260,000 $5,953,000	$260,000 $6,118,000
Ohio Nursing Board	7 fees	(1) - Nursing Board Fees	GSF	$3,459,750	$1,508,570
Board of Sanitarian Registration	4 fees	(1) - Sanitarian Fees	GSF	$19,986	$19,986
Secretary of State	2 fees	(1) - Notary Commission Fees	GSF	$369,940	$369,940
Housing Trust Fund Fees (locally collected, state revenue)	44 fees	(1) - Housing Trust Fund Fees	SSR	$36,400,000	$48,600,000
Miscellaneous Provision (locally collected, state revenue)	2 fees	(1) - Court Fees	GRF	$8,000,000	$8,000,000
Sheriff's Fees (county revenue, not included in state totals)	33 fees	(1) - Sheriff Fees	N/A	N/A	N/A
Totals	**298 fees**	**37 fee categories**		**$86,591,764**	**$102,412,555**

Summary of Fees and Fee Revenue Generated by H.B. 95					
	# of State Agencies/ Local Units	**Fee Categories**	**Individual Fees**	**FY 2004 Revenue**	**FY 2005 Revenue**
State Agency Revenue	17	34	219	$42,191,764	$45,812,555
Locally - collected, state revenue	2	2	46	$44,400,000	$56,600,000
Total State Revenue	**19**	**36**	**265**	**$86,591,764**	**$102,412,555**
Local Revenue (Sheriff Fees)	1	1	33	N/A	N/A
Total State and Local Revenue	**20**	**37**	**298**	**$86,591,764**	**$102,412,555**

- Increase in 30 county sheriff fees
- Increase of competitive bidding threshold for various political subdivisions
- Vetoed provisions

Local Government Provisions

Carol Robison, Budget Analyst

OVERVIEW

Local government provisions address various budgetary and policy issues applicable to local government entities. The scope of these policy and budgetary issues is rather large. Therefore, unlike past Final Fiscal Analyses Reports, the Final Fiscal Analysis for the FY 2004 - 2005 budget presents local government provisions in this separate section. The provisions are organized alphabetically by the title of each provision followed by a description of each of these provisions.

BUDGET ISSUES

COMPETITIVE BIDDING THRESHOLD FOR VARIOUS POLITICAL SUBDIVISIONS

(Sec. 307.86, 307.87)

Cities, Villages, Libraries, and Townships

This permanent law provision raises the competitive bidding threshold from $15,000 to $25,000 applicable to the award of various contracts by: (1) village legislative authorities and administrators, (2) city directors of public service and public safety, (3) boards of library trustees (for the construction and repair of library buildings, and (4) boards of township trustees (for the construction of memorial buildings, for the procurement of artificial lighting for roads, public places, or buildings under its supervision or control, and for the purchase or lease of machinery and tools for road or culvert construction, maintenance, or repair. Cities, villages, libraries, and townships could experience potential administrative cost savings associated with less frequent competitive bidding.

Fire Ambulance Districts and Townships

This permanent provision raises the competitive bidding threshold from $10,000 to $25,000 applicable to the award of contracts by (1) fire and ambulance districts (for any expenditure other than for employee compensation) and (2) boards of township trustees (for maintenance or repair improvement of private sewage collection tiles located within a township road right-of-way). Administrative expenses could potentially decrease due to the possibility of fewer competitively bid projects or work.

Counties

The competitive bidding threshold is raised from $15,000 to $25,000 above which county contracts must be awarded by competitive bidding. Contracts for the purchase of services related to information technology, including programming, which are proprietary or limited to a single source, are exempted from county competitive bidding requirements. The provision permits counties to post notices of competitive bidding to be placed on their websites and eliminates the requirement that second notices of competitive bidding be placed in newspapers.

Counties may experience a potential reduction in expenses due to posting bidding notices on websites and the elimination of one of the two current bidding notices in a newspaper, and a reduction in administrative costs associated with fewer competitive bids.

COUNTY AUTHORIZATION TO CREATE LOCAL FUNDING OPTIONS FOR CONSTRUCTION OF CONVENTION CENTERS

(Section 145.03QQ)

The act grants permissive authority to counties with populations of 1,000,000 or more to levy an additional 2% in food and beverage and lodging taxes to fund construction, improvement, expansion, and operation of convention centers, including a port authority educational and cultural facility. The maximum lodging tax that may be levied by affected counties ranges from 3% to 5%. In addition, the tax may be levied for an extended period not to exceed an additional 40 years. Proceeds of the tax that may no longer be needed for their original purpose are to be deposited into the county general fund. Counties may potentially experience a revenue gain, as well as an increase in administrative expenses associated with implementing such changes.

Currently, this provision would apply to Cuyahoga and Franklin counties. A 2% tax on food and beverages consumed on premises would raise an estimated $15.1 million per year in Cuyahoga County. A 2% increase in the "bed tax" would raise $5.2 million per year in Cuyahoga County. The current bed tax in Cuyahoga County is 1.5%, which generates approximately $3.9 million per year.

COUNTY DRAINAGE FACILITIES RATE AND FEE ADJUSTMENTS

(Sec. 6117.02)

Changes to permanent law authorize boards of county commissioners to fix rates and charges for the use of county drainage facilities in order to pay the costs of complying with storm water expansion requirements prescribed under Phase II of the National Pollutant Discharge Elimination System (NPDES) program. Phase II expands the NPDES program by designating additional sources of storm water for regulation, including small municipalities, small construction sites, and municipal-owned industrial facilities. The provision also authorizes these rates and fees to be paid annually or semiannually with real property taxes. Fiscally, the provision creates a potential gain in county revenues and a potential increase in municipal expenditures.

COUNTY SHERIFF FEES INCREASES

(Sec. 311.17)

Various fees that are charged by county sheriffs, shown in the following table, have been increased in permanent law, which will result in an unknown revenue gain.

Service	Current Fee	Increased Fee
1. Service and return of writs and orders:		
Execution when money is paid without levy or no property is found	$5	$20
Execution when levy is made on real property, *for first tract*	$20	$25
Execution when levy is made on real property *for each additional tract*	$5	$10
Execution when levy is made on *goods and chattels, including inventory*	$25	$50
2. Writ of attachment of property, except for purpose of garnishment	$20	$40
3. Writ of attachment for purpose of garnishment	$5	$10
4. Writ of replevin	$20	$40
5. Warrant to arrest, for each person named in the writ	$5	$10
6. Attachment for contempt, for each person named in writ	$3	$6
7. Writ of possession or restitution	$20	$60
8. Subpoena, for each person named in the writ – civil case	$3	$6
Subpoena, for each person named in the writ – criminal case	$1	$6
9. Venire, for each person named in the writ – civil case	$3	$6
Venire, for each person named in the writ – criminal case	$1	$6
10. Summoning each juror, other than on venire – civil case	$3	$6
Summoning each juror, other than on venire – criminal case	$1	$6
11. Writ of partition	$15	$25
12a. Order of sale on partition, for the first tract	$25	$50
Each additional tract	$5	$25
13a. Other order of sale of real property, for first tract	$20	$50
Each additional tract	$5	$25
14. Administering oath to appraisers	$1.50	$3
15. Furnishing copies for advertisements for each 100 words	$.50	$1
16. Copy of indictment for each defendant	$2	$5
17a. All summons, writs, orders, or notices, for the first name	$3	$6
Each additional name	$.50	$1
18a. In addition to the fee for service and return, the sheriff shall charge – on each summons, writ, order, or notice per mile for the first mile	$.50	$1
Each additional mile	$.20	$.50
19. Taking bail bond	$1	$3
20. Jail fees: Receiving a prisoner, each time a prisoner is received	$4	$5
21. Jail fees: Discharging or surrendering a prisoner, each time	$4	$5

Service	Current Fee	Increased Fee
22. Jail fees: Taking a prisoner before a judge or court, per day	$3	$5
23. Jail fees: Calling action	$.50	$1
24. Jail fees: Calling jury	$1	$3
25. Jail fees: Calling each witness	$1	$3
26. Bringing prisoner before court on habeas corpus	$4	$6
27. Poundage on all moneys actually made and paid to the sheriff on execution, decree, or sale of real estate	1%	1.5%
28. Making and executing a deed of land sold on execution, decree, or order of the court, to be paid by the purchases	$25	$50
29. Foregoing services rendered by an officer or employee, whose salary or per diem compensation is paid by the county, shall be taxed in costs of the case and paid to a county's general revenue fund	No tax	Tax
30. Any other extraordinary expenses, including overtime, are also taxed.	No tax	Tax

COURTS REALIZE AN INCREASE IN AMOUNTS CHARGED FOR BAIL AND COURT COSTS

(Sec. 2949.091)

This permanent law provision increases the amount from $11 to $15 that Courts will (1) impose in court costs upon an offender who is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, and (2) charge as an additional fee to any bail to be paid by a person who is charged with any offense other than a traffic offense that is not a moving violation.

According to information provided by the office of Budget and Management, this increase in additional court costs imposed on an offender and charged for bail will generate an additional $8 million annually for deposit into the GRF.

LIEN RENEWAL LIMITATIONS AND REQUIREMENTS ARE ELIMINATED

(Sec. 2305.26, 2329.07)

This permanent law revision eliminates (1) the six-year statute of limitations during which the state, or an agency or political subdivision of the state, must enforce a lien, (2) the requirement that the state, or an agency or political subdivision of the state, must file a notice of continuation of a lien in order to renew statutory liens every six years, and (3) the requirement that the state must renew judgment liens every ten years.

This provision will likely create some minimal savings in administrative costs by eliminating the requirement that the state or an agency or political subdivision of the state continually renew such liens.

LOCAL CORRECTIONAL FACILITIES COMMISSARIES

(Sec. 307.93, 341.05, 341.25, 753.22, 2301.58, 2929.38)

The permanent law provision permits profits from a commissary of a jail or other local correctional center to be used for the salary and benefits of employees who work in or are employed by the jail or as a service provider to the commissary. The provision allows increased flexibility in spending profits because currently those profits must be used for the benefit of the incarcerated persons.

LODGING TAX FOR PORT AUTHORITY MILITARY-USE FACILITIES

(Sec. 5705.41)

This permanent law provision grants permissive authority to counties to use revenue from existing lodging tax authority, or to increase its lodging tax rate by up to 2% or both to help fund operations of port authority facilities serving as, or adjacent to, a military installation and used by the military.

METROPOLITAN HOUSING AUTHORITIES

(Sec. 3735.27)

This provision in permanent law changes the method for appointing members of Metropolitan Housing Authorities located in counties (1) with a population of at least 400,000 and (2) that have no cities with a population greater than 30% of the total county population. The provision requires that in affected districts, one member is appointed by the probate court (identical to current law), one member is appointed by the chief executive officer of the most populous city in the district (appoints two members under current law), and two members are appointed by the board of county commissioners (appoints one member under current law); and the provision specifies terms of office and procedures for the transition in appointments.

The provision also requires that two additional members must be appointed in specified Metropolitan Housing districts (those that have 300 or more assisted units and do not already have a resident member). One of the two additional members must reside in assisted housing. The chief executive officer of the most populous city is directed to appoint the member who resides in assisted housing, and the board of county commissioners is directed to appoint the other additional member, who need not reside in assisted housing.

PRE-TRIAL DIVERSION PROGRAM

(Sec. 2935.36)

This change to permanent law authorizes Ohio's county prosecuting attorneys to charge persons entering pre-trial diversion programs a fee for supervision services. The provision provides explicit statutory authority for a prosecuting attorney to charge such a fee. Currently, some prosecuting attorneys charge a fee and some do not. The amount of annual revenue gain to local jurisdictions is uncertain, but could theoretically be sufficient to offset all, or a portion, of the costs associated with operating a pre-trial diversion program.

POLITICAL SUBDIVISION OR TAXING UNIT PURCHASE ORDERS

(Sec. 5705.41)

Permission is granted in permanent law so that purchase orders of a political subdivision or taxing unit may extend for a period established by the legislative authority of the subdivision or taxing unit that does not extend beyond the end of the fiscal year instead of not beyond three months or the end of the fiscal year as under current law. Also the amount of the purchase order may be for any amount established by the legislative authority rather than the $5,000 limit as under current law. Affected subdivisions or taxing units could experience a decrease in expenses due to the possibilities of extended payment options on purchases of contracted goods or services.

REGIONAL WATER AND SEWER DISTRICT COMPETITIVELY BID CONTRACTS

(Sec. 6119.10)

The act increases from $15,000 to $25,000 the threshold above which contracts of regional sewer and water districts must be competitively bid. This change in the competitive bidding threshold may cause a potential decrease in administrative costs to certain political subdivisions.

RICHLAND COUNTY COURT OF COMMON PLEAS JUDGE

(Sec. 2301.02, 2301.03)

The act creates one new judgeship in the Juvenile Division of Richland County's Court of Common Pleas. The judge's term will begin January 3, 2005. Therefore, starting with FY 2006, the annual amount in GRF funding that the Supreme Court of Ohio will disburse in the form of state support for the new judge is estimated at $124,562, which consists of: (1) $102,100 in salary, (2) $13,590 in PERS contributions, and (3) $8,872 in miscellaneous other contributions. Since this new judgeship begins at the halfway point in the state's FY 2005, the amount of state support in FY 2005 would total $62,281.

The cost to Richland County for the new judgeship will amount to $15,897 ($14,000 for base salary and $1,897 for PERS benefits). Currently, the Richland County Board of County Commissioners does not anticipate the need to hire any additional staff to support the new judgeship, and until assessment is completed in January 2005, the board does not believe that any new facilities or renovations will be needed.

TOWNSHIP AUTHORITY TO HAVE FIVE-MEMBER BOARD OF TRUSTEES REPEALED

(Sec. 504.03, 504.04, 504.21)

This provision bars a limited home rule township that does not already have a five-member board on the amendment's effective date from creating a five-member board of trustees, as under current law. The continuation of a five-member board of trustees in cases where a five-member board already exists is permitted, but only until the limited home rule form of government is terminated by the electors under existing law. This would limit possible increases in salary and benefit compensation costs for limited home rule townships that would have otherwise occurred if they expanded from three to five trustees.

TOWNSHIP CLERK SALARIES

(Sec. 507.09)

The act creates a pay raise for township clerks. In townships with a budget of less than $6 million for the years 2003 and 2004, clerks will receive a 3% increase or the percentage increase in the Consumer Price Index, whichever is lower.

Starting in calendar year 2004, township clerks in townships with a budget of more than $6 million, but not more than $10 million will receive a salary of $22,087. In townships having a budget of more than $10 million in 2004, the clerk's salary is $25,553. Until 2009, the clerk's salary will increase annually either by 3% or a percentage based on the increase in the Consumer Price Index, whichever is lower. As such, a township's new expenses for clerk salary increases could be reduced, assuming the inflation rate continues at less than 3%.

TOWNSHIP PARKS

(Sec. 511.181)

Under this permanent law provision, certain township park districts are allowed to convert parks owned and operated by the district into parks owned and operated by the township. There may be a decrease in expenditures for certain township park districts and a potential increase in expenditures for certain townships.

VETERANS SERVICE COMMISSIONS

(Sec. 5901.021)

This permanent law provision requires that any additional members of a county veteran's service commission who are appointed in certain counties under certain conditions must be honorably discharged or separated veterans. The provision also increases from 400,000 to 500,000 the county population necessary for adding members to county veterans' service commissions that submit budget requests that exceed a specified amount. This provision carries no fiscal effect.

VETOED PROVISIONS

Limit the Right to Appoint Counsel in Juvenile Court Proceedings (Sec. 2151.352)

The Governor vetoed this provision that would have limited the right to appoint counsel in specified proceedings in a juvenile court dealing with the custody or support of a child or dealing with companionship, visitation, and other issues related to a parentage action. The practical effect of amending this preexisting provision will be to remove the legal right to appointed counsel, which currently exists in juvenile courts for cases involving visitation, custody, and support. The change will make juvenile court more like domestic relations court, which does not guarantee the right to legal representation in visitation, custody, and support cases.

Apparently, it is currently the practice in some areas of the state in these cases where an individual cannot afford legal counsel for a domestic relations judge to transfer the case to juvenile court where appointed counsel is mandated. Eliminating the use of appointed counsel in the select number of cases that will be covered by the provision could result in a decrease in annual county and state expenditures. While the size of the court would have a significant impact on the amount of that potential savings, it is also likely that different juvenile judges and different courts may have different attitudes about how vigilant they are in making individuals appearing before the court aware of their right to representation. Those jurisdictions where judges vigilantly appoint counsel would most likely realize a greater savings if the practice were limited.

State Agency Planning for Client and Customer Needs (Sec. 107.31)

This permanent law provision would have required submission to the General Assembly of specified information describing how a state agency plans to meet the needs of clients served by a state institutional facility that is proposed to be closed.

New Commission for the Closure of State Facilities (Sec. 107.32, 107.33)

Authorization is given in permanent law for the creation of a State Facilities Closure Commission regarding the possible closure of state institutional facilities for the purpose of expenditure reductions or budget cuts. The fiscal effect would be an occasional one-time state administrative cost for the commission to perform its reporting duties under this codified law provision. Costs to the state would unlikely exceed minimal, and the process should not create any local fiscal effects.