LSC Final Fiscal Analyses

Am. Sub. H.B. 66, General Operating Budget

Am. Sub. H.B. 68, Transportation Budget

Am. H.B. 67, Workers' Compensation Budget

H.B. 65, Industrial Commission Budget

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126th General Assembly

Ohio Legislative Service Commission

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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 126th General Assembly – Am. Sub. H.B. 66 (the General Operating Budget); Am. Sub. H.B. 68 (the Transportation Budget); Am. H.B. 67 (the Workers' Compensation Budget); and H.B. 65 (the Industrial Commission Budget). These bills were all passed by June 30, 2005. An executive summary of the main appropriations act 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 Increases, 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 affect 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. 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. These and other budget related documents are accessible on the Internet at: **http://www.lsc.state.oh.us/budgetdocuments.html**.

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Enacted Operating Budgets

Steve Mansfield, Chief of Fiscal Analysis
Allan Lundell, Fiscal Supervisor
and other LSC staff

- New commercial activities tax adopted
- Cigarette tax increased from 55 cents to $1.25 per pack
- Purchasing power of total GRF plus LPEF appropriations for the biennium expected to fall by 0.8%

OVERVIEW

The *LSC Final Fiscal Analyses* focuses on the funding for each state agency that was appropriated in the budget acts. The introductory section presents an overview of the main operating budget, along with information that cuts across all state agencies, and provides highlights of all the budget acts. 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"), and 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 2006-2007 biennium: Am. Sub. H.B. 66 (the Main Operating Budget), Am. Sub. H.B. 68 (the Transportation Budget), Am. H.B. 67 (the Workers' Compensation Budget), and H.B. 65 (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 2006-2007 Appropriations by Budget Act

Budget	FY 2006	FY 2007	Biennium Total	Share
Main Operating (H.B. 66)	$49,616,818,142	$51,198,851,371	$100,815,669,513	92.7%
Transportation (H.B. 68)	3,559,511,704	3,605,968,197	7,165,479,901	6.6%
Workers Compensation (H.B. 67)	321,561,811	322,027,501	643,589,312	0.6%
Industrial Commission (H.B. 65)	59,999,383	59,999,383	119,998,766	0.1%
Total	$53,557,891,040	$55,186,846,452	$108,744,737,492	100.0%

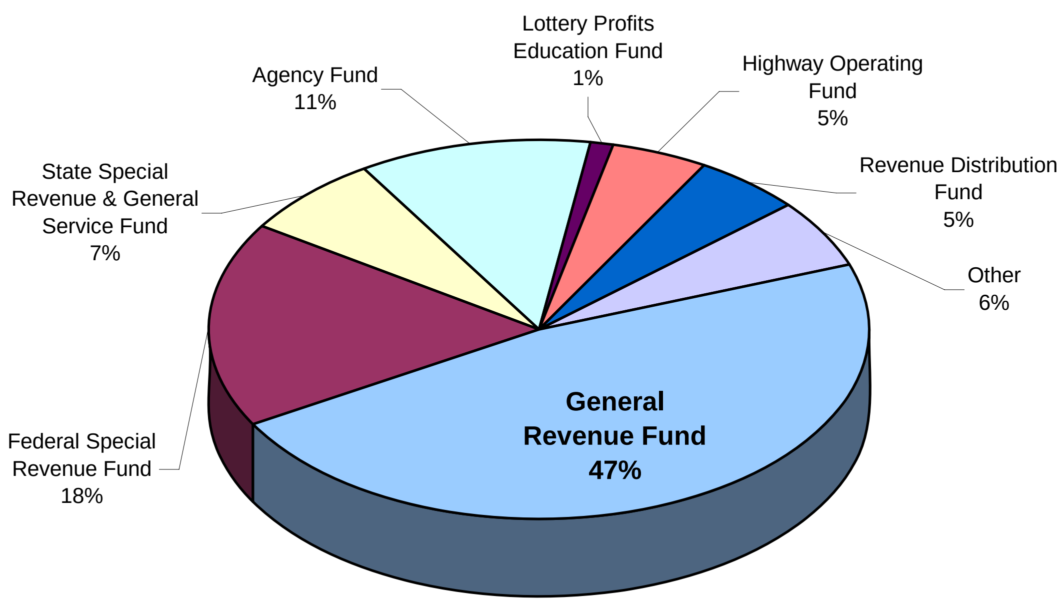
Total appropriations for all budgets and all fund groups in FY 2006 exceed actual FY 2005 expenditures by 8.4%. (The largest factors behind this increase are found in the appropriations of federal funds in the Department of Job and Family Services and in the Department of Education.) Fiscal year 2007 appropriations exceed FY 2006 appropriations by 3.0%. The Main Operating Budget, with over 92% of all appropriations, obviously governs these rates of increase.

Appropriations by Fund Group

Chart 1 shows the portion of total state appropriation funded by each of the state fund groups for the FY 2006-2007 biennium. See the *Budget in Detail* for information on funding by agency, by line item, and by fund group within each agency for FYs 2003 through FY 2007.

The state General Revenue Fund (GRF) is the largest source for current appropriations. For the FY 2006-2007 biennium, GRF appropriations are 47% of total appropriations. In the previous biennium appropriations to the GRF were 49% of the total. The rest of this section provides an historical context to the current appropriation levels of state GRF, along with the Lottery Profits Education Fund (LPEF). Following this are sections that provide highlights of the operating budget acts.

Chart 1. FY 2006-2007 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 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 5.3% over actual expenditures for the prior FY 2004-2005 biennium. Fiscal year 2006 GRF appropriations exceed FY 2005 expenditures by 1.9%, while FY 2007 GRF appropriations exceed FY 2006 appropriations by 2.6%.

The purchasing power of total GRF plus LPEF appropriations for the biennium is expected to fall by 0.8% over actual FY 2004-2005 expenditures. Chart 2 shows the state GRF and LPEF expenditures for FYs 1985 through 2005, along with the appropriations for FYs 2006 and 2007 in both nominal amounts and amounts adjusted for inflation using the Consumer Price Index. Between 1985 and 2005, expenditures have grown by 186% in nominal dollars – or by 58% 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 4.6%, but are expected to fall back to 4.4% in the FY 2006-2007 biennium (see Chart 3).

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

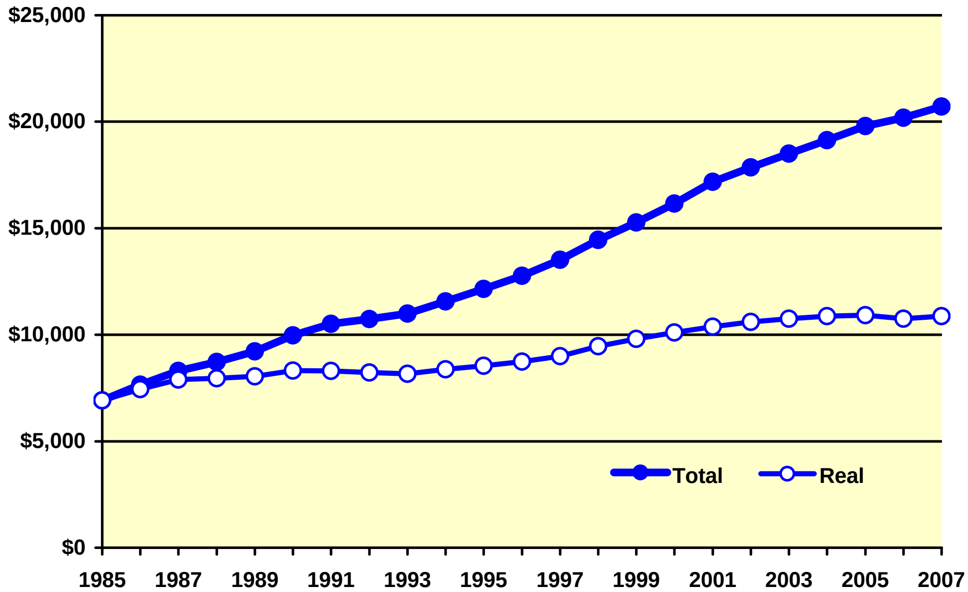
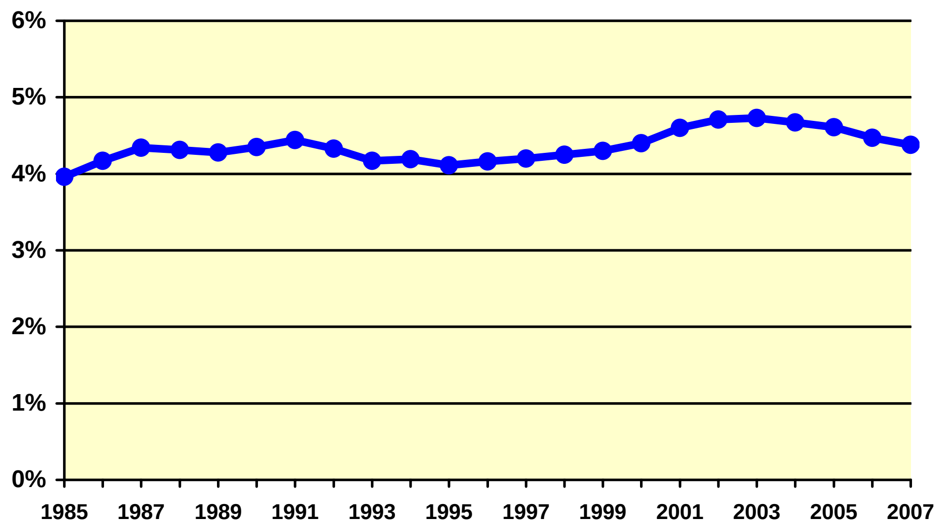


Chart 3. State GRF and LPEF Appropriations as a percentage of Ohio GSP



As depicted in Charts 4 and 5, Primary and Secondary Education continues to receive the largest share of GRF appropriations ($16.8 billion over the biennium, or 41.2% of total state GRF plus LPEF funding, and excluding the Local Government Funds), followed by Human Services ($12.3 billion, or

30.0%), Higher Education ($5.0 billion, or 12.3%), and Corrections ($3.5 billion, or 8.5%). Histories of expenditure amounts (and appropriation amounts for the FY 2006-2007 biennium) are included in the charts, below. Chart 4 presents the history of spending in four of the state's major program categories, plus the "Other Government" category, while Chart 5 presents the historical share of the four major program areas (here the "Other Government" category is included in the calculations, but omitted from the chart). Individual agency appropriations and policy changes along with a brief discussion of revenues and taxation are presented in the highlights section below.

Chart 4: Total State GRF and LPEF Expenditures by Major Category
(in millions)

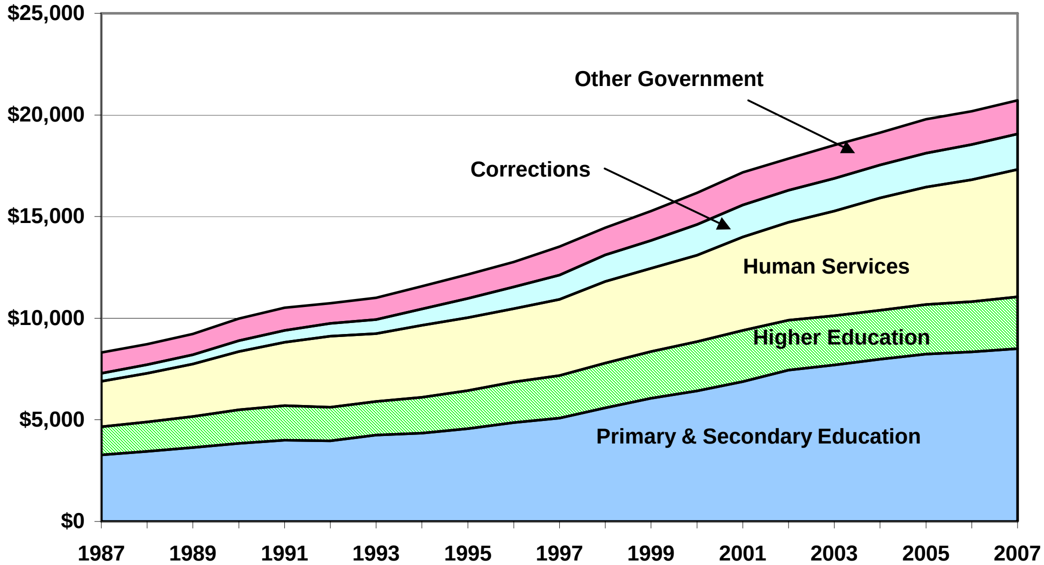
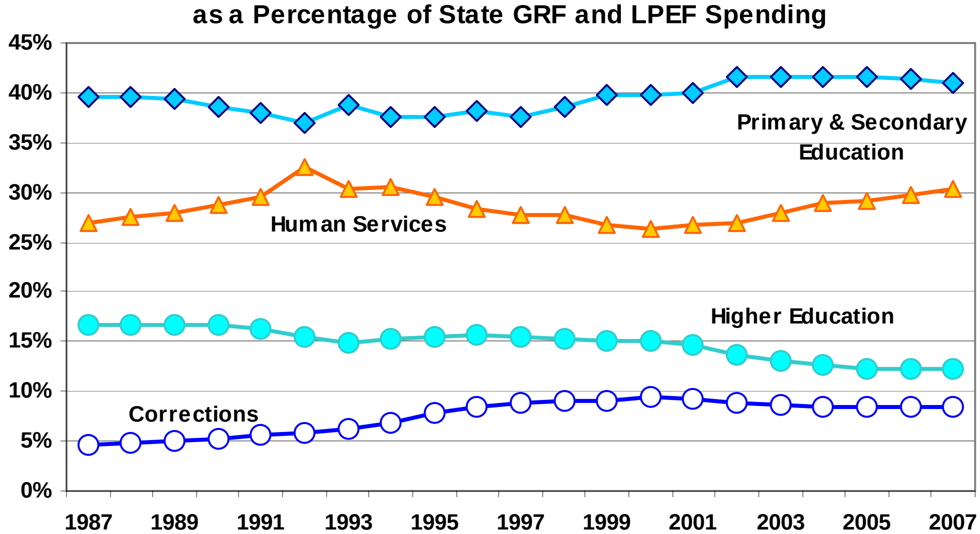


Chart 5. Major Program Spending as a Percentage of State GRF and LPEF Spending

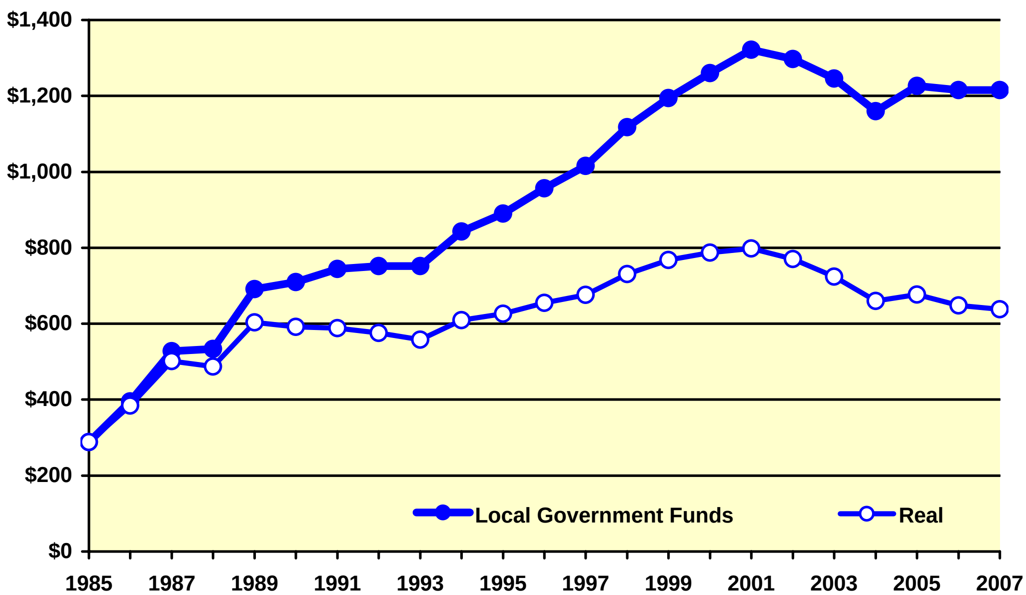


Highlights of the Main Appropriations Act (Am. Sub. H.B. 66)

Revenues and Taxation

The enacted main operating budget bill makes many changes to Ohio's tax structure. The changes are designed to improve the competitiveness of the Ohio economy by reducing disincentives for investment and employment. Tax reductions include a phased-in 21% cut in the personal income tax, the phase-out of the corporate franchise tax for general businesses, and the phase-out of the tangible personal property tax for general businesses and telecommunications companies. Tax increases include the new commercial activity tax (CAT), an increase in the sales tax rate from 5% to 5.5%, and an increase in the cigarette tax from 55 cents per pack to $1.25 per pack. Once again, deposits into and distributions from the three local government funds were frozen at the levels of the most recent fiscal year (see Chart 6).

Chart 6. Distributions to the LGF, LGRAF, and LLGSF
(in millions)



Primary and Secondary Education

State GRF and Lottery (LPEF) appropriations over the biennium for primary and secondary education total $16.8 billion, 38.9% of the $43.3 billion biennial total of state GRF, LPEF, and LGF. Total GRF and LPEF appropriations for the Department of Education, disregarding tax reimbursements, grow by 1.9% in FY 2006 and 2.2% in FY 2007.

***Base Cost Funding*.** The budget adopts a new inputs-based "building blocks" approach to determine the base cost formula amount and provides an increase in the formula amount of 2.2% in FY 2006 and 2.3% in FY 2007, resulting in $5,283 per pupil in FY 2006 and $5,403 per pupil in FY 2007. In addition, the budget provides base funding supplements amounting to $40.00 per pupil in FY 2006 and $47.99 per pupil in FY 2007. The budget also begins to phase out the cost-of-doing-business factor adjustment, providing a differential of 5% in FY 2006 and 2.5% in FY 2007.

***Poverty-Based Assistance*.** The budget replaces disadvantaged pupil impact aid with poverty-based assistance, which distributes over $800 million over the biennium to districts with high concentrations of poverty.

***Tangible Personal Property Tax*.** The budget begins to phase out the tangible personal property tax and provides replacement revenues to school districts through higher state education aid and direct reimbursements. The budget appropriates $49.4 million in FY 2006 and $369.1 million in FY 2007 for direct reimbursements.

***Educational Choice Scholarship Pilot Program*.** The budget establishes the Educational Choice Scholarship Pilot Program, which will begin to award up to 14,000 scholarships in FY 2007. Students in kindergarten through eighth grade who attend a school that has been in academic emergency for three or more consecutive years may apply for a scholarship to attend a chartered, nonpublic school. Scholarship students are counted in the ADM of their resident districts for the purpose of calculating base cost funding, then $5,200 is deducted from the district and used to pay for the program.

***Early Learning Initiative*.** The budget replaces state Head Start and Head Start Plus programs with the TANF-funded Early Learning Initiative. The budget appropriates $106.6 million in FY 2006 for up to 10,000 slots and $127.5 million in FY 2007 for up to 12,000 slots for this new program.

***Student Assessments*.** The budget continues to fund the overhaul of the state's testing system mandated by Am. Sub. S.B. 1 of the 124th General Assembly and Am. Sub. H.B. 3 of the 125th General Assembly. The budget appropriates $54.4 million in FY 2006 and $60.0 million in FY 2007 for the testing program, increases of 72.1% and 10.2%, respectively.

***Half-Mill Maintenance Equalization*.** The budget appropriates $10.7 million in FY 2007 for a new program that equalizes to the state average valuation per pupil the one-half mill school districts with less than the state average valuation per pupil and participating in the Ohio School Facilities Commission's school building assistance program are required to levy to help pay for the maintenance of their new buildings.

***eTech Ohio*.** The budget creates eTech Ohio to merge the functions of the Ohio Educational Telecommunications Network Commission and the Ohio SchoolNet Commission. This new agency is charged with advancing education through the use of technology. The budget appropriates $31.2 million in FY 2006 and $30.7 million in FY 2007 for eTech Ohio.

Higher Education

The enacted budget appropriates $2.49 billion for the Board of Regents in FY 2006, a 1.3% ($39.5 million) increase over the FY 2005 expenditure level, and $2.57 billion in FY 2007, a 3.2% ($79.1 million) increase over the FY 2006 appropriation level. For the FY 2006-2007 biennium, the total appropriations of $5.06 billion represent a 3.6% ($177.7 million) increase from the FY 2004-2005 biennium.

***Subsidies*.** The State Share of Instruction (SSI) supports all of Ohio's state 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 $1.56 billion in FY 2006, approximately the same as FY 2005, and $1.59 billion in FY 2007, a 1.9% ($30 million) increase over FY 2006. The disbursement of the additional $30 million in FY 2007 is contingent on the approval of the Controlling Board following the issuance of the report by the Higher

Education Funding Study Council. The four main Challenges (Jobs, Access, Success, and Research) provide additional subsidies to campuses for specific purposes that are not directly funded by the SSI. The budget appropriates $155.8 million in FY 2006 for these four items, an increase of 9.6% ($13.6 million) over FY 2005. In FY 2007, the budget appropriates $158.1 million, a 1.5% ($2.3 million) increase over FY 2006.

Higher Education Funding Study Council. The enacted budget creates the Higher Education Funding Study Council, which is to review all aspects of higher education funding, including appropriation items, instructional and general fees, and room-and-board charges at the 13 state universities, as well as receive the results of three other studies that will be conducted by the Board of Regents. The Council is to report its findings to the Governor, the Speaker of the House of Representatives, and the President of the Senate by May 31, 2006.

Tuition Caps. The enacted budget sets the limitations on increases in in-state undergraduate instructional and general fees (known as the tuition caps) at state institutions of higher education. For each academic year of the biennium the limitation is the lesser of 6% of the amount charged in the prior academic year or $500 per full-time student.

Ohio College Opportunity Grant. The enacted budget creates a new state need-based financial aid program, the Ohio College Opportunity Grant (OCOG) program, which will eventually replace the Ohio Instructional Grant and Part-time Instructional Grant programs. The OCOG will use the federally determined "Expected Family Contribution" as the basis for determining the grant awards. The enacted budget appropriates $58.1 million to OCOG in FY 2007 to begin the phase-in of the program. The phase-in of OCOG will begin in FY 2007; only students who have not received college credit (excluding post-secondary enrollment option and early college high school students) prior to the start of the 2006-2007 academic year will be eligible to receive an Ohio College Opportunity Grant.

Human Services

Department of Job and Family Services

For FY 2006, the budget appropriates $17.1 billion in all funds for the Department. This exceeds FY 2005 spending by $1.7 billion, or 10.8%. The budget also appropriates $17.4 billion in all funds for the Department in FY 2007. This is an increase of $334.5 million, or 2.0%, over the amount appropriated for FY 2006. An increase of 26.2% for FY 2006 in appropriations over FY 2005 actual expenditures occurs in federal funding. When looking solely at GRF appropriations, we see that the FY 2006 appropriation of $10.5 billion is an increase of $251.7 million, or 2.5%, over the FY 2005 actual 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 $5.7 billion in FY 2006, and over $5.8 billion in FY 2007. As a portion of the Department's total budget, federal funds make up 61.9% in FY 2006 and 62.8% in FY 2007 of the total. The federal component of GRF funds combined with federal special revenues totals approximately $10.6 billion in FY 2006 and $10.9 billion in FY 2007.

Early Learning Initiative. The FY 2006-2007 budget includes plans for the Early Learning Initiative, which will replace state-funded Head Start and Head Start Plus. This initiative is a full day, full year early learning/child care program. The Ohio Department of Education is creating school readiness program guidelines, which this program will follow. The Early Learning Initiative will allow for the enrollment of up to 10,000 eligible children in FY 2006 and up to 12,000 eligible children in FY 2007. Family copayments for the Early Learning Initiative will be the same as for the publicly funded child day care program. The budget bill earmarks up to $104.4 million in FY 2006 and $125.3 million in FY 2007 from the Temporary Assistance for Needy Families (TANF) Block Grant, appropriation item 600-689, for the Early Learning Initiative. (According to the Department's spending plan for TANF dollars, of the earmark that was authorized by the budget bill, the Department plans to spend $94.4 million in FY 2006 and $113.3 million in FY 2007 on reimbursement for early learning initiative providers.) An additional amount, up to $3.0 million per fiscal year, may be used by the Department of Job and Family Services ($800,000) and by the Department of Education ($2.2 million) for administration of the program.

TANF Block Grant. The budget appropriates $767.1 million for FY 2006 and $792.5 million for FY 2007 to appropriation item 600-689, TANF Block Grant. These appropriations exceed the annual TANF Block Grant award by $39.1 million in FY 2006 and $64.5 million in FY 2007. The expenditure of the full appropriation in each year will have the effect of reducing the amount of unspent TANF grant funds that have accumulated from previous years.

Due to some issues regarding the county consolidated allocation method, it became apparent at the beginning of FY 2005 that the Department would have to reimburse the TANF Block Grant for misspent dollars. For the period FYs 2000 through 2003, repayment ($133.0 million) has already been made. The Department estimates that the repayment for FY 2004 will total $150.0 million. The bill authorizes the transfer of up to $60.0 million in FY 2005 surplus revenue and up to a total of $96.0 million in FYs 2006 and 2007 surplus revenue to Fund 5AX, Public Reconciliation Fund, to pay the state's TANF liability to the federal government.

Medicaid. The budget appropriates $9.36 billion in combined federal and state GRF funds in FY 2006 and $9.53 billion in FY 2007 for the line item that funds most Medicaid programs. The enacted budget makes many changes to the Medicaid program. Major policy changes include, but are not limited to the following. The budget act:

- Requires the Department to seek federal approval to reduce to 90% of the federal poverty guideline the family income the parent of a child under age 19 may have and remain eligible for Medicaid.
- Requires that the Department establish copayments for dental, vision, nonemergency emergency department services, and prescription drugs other than generic drugs, to the extent permitted by federal law.
- Provides half funding for adult dental care.
- Allows freezing of inpatient hospital reimbursement rates in FYs 2006 and 2007 at the FY 2005 level.
- Requires the care management system to be implemented in all counties and requires the Department to designate the Covered Families and Children population for participation.
- Requires the Department to implement in all counties the care management system for certain aged, blind, and disabled Medicaid recipients.
- Revises substantially the statutory formula used to determine the Medicaid reimbursement rate for nursing facilities. However, because the uncodified sections of the act override the new statutory formula for FYs 2006 and 2007, the revisions will not fully take effect until FY 2008.

- Requires the Department's Director to seek federal approval for a Medicaid waiver authorizing the Intermediate Care Facilities for the Mentally Retarded (ICF/MR) Conversion Pilot Program under which no more than 200 individuals are to receive home and community-based services in lieu of the ICF/MR service.

- Gives authority to the Department to seek federal approval for an Assisted Living Medicaid waiver.

- Creates the Medicaid Administrative Study Council to study the administration of the Medicaid program under the assumption that the General Assembly will enact by July 1, 2007, a law establishing a new cabinet level department to administer the program.

- Creates the Joint Legislative Committee on Medicaid Technology and Reform, with five members of the Senate and five members of the House of Representatives, and permits the committee to employ an executive director.

- Includes funding to develop the new Medicaid Information Technology System (MITS) to replace the Medicaid Management Information System. If approved by the federal Centers for Medicare and Medicaid Services, the federal government will provide federal matching funds for up to 90% of the cost of the project.

Disability Assistance. The bill would have terminated the Disability Medical Assistance (DMA) program; however, the Governor vetoed this provision. Under continuing law, however, the Department has authority to modify the program. The budget act provides funding of $19.5 million in FY 2006 and $25.5 million in FY 2007 for the DMA program through GRF appropriation item 600-513, Disability Medical Assistance, in the Department's budget. In addition, appropriation item GRF 335-419, Community Subsidy Medication, under the Department of Mental Health is increased by $4.3 million in FY 2006 over FY 2005, and by $5.7 million in FY 2007, to provide funding for DMA. Under the Disability Financial Assistance program, the enacted funding level will be sufficient to provide a subsidy of $115 per month to approximately 14,600 individuals per month in the upcoming biennium, regardless of the number of eligible individuals applying for the program.

Department of Health

For FY 2006, the Department received a total appropriation of $568.2 million, an increase of 4.9% over FY 2005 actual expenditures. For FY 2007, the total appropriation is $575.2 million, which amounts to a 1.2% increase over FY 2006 appropriations. GRF appropriations represent 13.2% of the Department's total funding for the biennium. Federal appropriations make up 72.3% of total funding, while general service funds and state special revenue funds are 14.5% of the total funding.

In FY 2006, up to $5 million will be transferred to the Department's Healthy Ohioans Fund (Fund 5BL) from the Tobacco Master Settlement Agreement Fund. The program will focus on promoting healthy lifestyle choices for Ohioans to reduce chronic disease.

In FY 2007, 12 independent occupational licensing boards are to be consolidated into the Department – 8 others are to be consolidated into either the Department of Commerce or the Department of Public Safety. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, the Office of Budget and Management (OBM), and three representatives selected by the affected boards.

The budget act appropriates $275,000 in FY 2006 and $325,000 in FY 2007 in GRF appropriation item 440-431, Free Clinic Liability Insurance. Up to $20,000 in each fiscal year may be used for administrative expenses related to the Medical Liability Insurance Reimbursement Program. The remainder in each fiscal year shall be used to pay for medical liability insurance for free clinics, including the clinics' staff and volunteer health care professionals and volunteer health care workers.

The budget act specifies that the Public Health Council is to return financial eligibility requirements to the Bureau for Children with Medical Handicaps Program for FYs 2006 and 2007 to pre-October 13, 2003 levels (there was a change in financial eligibility requirements that made approximately 5,000 families ineligible for services). The act also eliminates a provision that provides that a medically handicapped child is not required to apply for Medicaid as a condition of eligibility for the program if applying for or receiving Medicaid violates a religious belief of the child or child's parent or guardian. The act creates the Legislative Committee on the Future Funding of the Bureau for Children with Medical Handicaps to examine issues involving the program's operation, services, and funding. The Committee is required to make recommendations on December 1, 2006.

Department of Aging

The enacted budget increases the Department's budget by 18.1% from FY 2005 actual spending and then by 7.8% from FY 2006 appropriations. General Revenue Fund appropriations represent approximately 31.1% of the Department's budget, with 73.9% of the GRF funding appropriated for PASSPORT. The GRF portion of the Department's budget increases by 14.6% in FY 2006 and by 5.2% in FY 2007. Growth in the PASSPORT program and the addition of the PACE program account for the majority of the GRF increase.

GRF funding for PASSPORT is increased by $8.4 million (8.1%) in FY 2006 and by $9.0 million in FY 2007 (8.0%). According to the Department, the funding will not meet the projected demand for PASSPORT services. According to the Department, additional GRF funding of $6.0 million in FY 2006 and $23.7 million in FY 2007 would be needed to fully fund PASSPORT. Thus, the Department expects to institute a waiting list during the biennium based on the level of funding.

The enacted budget authorizes the Ohio Department of Job and Family Services to seek an Assisted Living Medicaid waiver for eligible individuals residing in residential care facilities. The enacted budget limits participation to 1,800 individuals and specifically permits any residential care facility to participate in the program.

The enacted budget allows an individual admitted to a nursing facility, while on a waiting list for the PASSPORT program, to be enrolled in PASSPORT if (1) it is determined that the PASSPORT program is appropriate for the individual and (2) the individual would rather participate in the PASSPORT program than continue residing in the nursing facility. The bill requires that individuals enrolled in PASSPORT because of this provision are to be in addition to the individuals enrolled in PASSPORT during FYs 2006-2007 based on the program's appropriations.

Department of Mental Retardation and Developmental Disabilities

In FY 2006, the enacted budget provides $1.12 billion for the Department, a 1.4% decrease from FY 2005 estimates. In FY 2007, this figure decreases to $1.10 billion, a 2.0% decrease from FY 2006 appropriations. GRF appropriations for FY 2006 total $352.9 million, an increase of 0.4% over FY 2005 estimates. For FY 2007, GRF appropriations increase by 0.2% to $353.4 million. In total, GRF funds make up approximately 32% of the Department's budget. For the most part, the enacted budget provides for level GRF funding.

The enacted budget repeals all statutes regarding the Community Alternative Funding System (CAFS) and certified habilitation centers, effectively terminating the program at the end of FY 2005. The enacted budget includes appropriations in FY 2006 and FY 2007 to account for residual claiming that will occur during the biennium. According to the Department, making CAFS compliant with CMS requirements is not fiscally possible.

The enacted budget creates an Intermediate Care Facilities for the Mentally Retarded (ICF/MR) Conversion Pilot Program. Ultimately, the goal of the pilot program is to study the effects and feasibility of converting the current state ICF/MR entitlement program to a facility-based Medicaid waiver. The bill mandates that the pilot program be implemented for no less than three years and limits participation to 200 voluntary individuals. According to the Department, services for individuals participating in the program will not be interrupted.

Department of Alcohol and Drug Addiction Services

This enacted budget provides a 3% increase over FY 2005 actual spending. The Department plans to direct a portion of the increased funding to treatment services for adolescents, which has been consistently identified by the alcohol and drug field as the highest treatment need. The remaining funds will be distributed to local ADAMHS/ADAS boards for the state share of Medicaid funding for additional alcohol and other drug services. The increase in the Prevention Services appropriation item will allow the agency to continue to provide resources at the local level, as well as place greater emphasis on initiatives such as Fetal Alcohol Spectrum Disorder. Other highlights of the budget include the following:

- ***Medicaid Business Plan.*** The Department of Job and Family Services, the Department of Mental Health and the Department of Alcohol and Drug Addiction Services will work in conjunction with the behavioral health providers and boards to specify procedures that are consistent with federal law for implementation of the State of Ohio Community Behavioral Health Medicaid Business Plan. A report on the progress of the Plan will be submitted to the Speaker of the House, President of the Senate, and Minority Leader of the House and Senate on the first day of March and the first day of October until all components of the plan have been implemented.

- ***Disability Medical Assistance.*** The budget provides $60.0 million over the biennium for Disability Medical Assistance, a program that serves the medical needs of indigents in treatment programs. The funding break-out is as follows: Department of Mental Health, $4.3 million in FY 2006, $5.7 million in FY 2007; Department of Alcohol and Drug Addiction Services, $2.2 million in FY 2006, $2.8 million in FY 2007; and Department of Job and Family Services, $19.5 million in FY 2006, $25.5 million in FY 2007.

- ***Ohio Use Prevention and Control Foundation Grant.*** The Department received an additional $470,000 in FY 2006 and FY 2007 in grant funds.

Department of Mental Health

A key provision of the budget for the Department of Mental Health is the increased funding for children's behavioral healthcare. The new funding for this priority in the Department's budget includes approximately $8.3 million in FY 2006 ($6.0 million in newly created line item 335-404, Behavioral

Health Services – Children, and $2.3 million in newly created line item 335-405, Family and Children First) and approximately $9.3 million in FY 2007 ($7.0 million in line item 335-404 and $2.3 million in line item 335-405). Most funds will be disbursed by local ADAMH/CMH/ADAS boards based on a plan developed by the local interagency Family and Children First Council. The funding will provide treatment services and other necessary supports to families who might otherwise have to relinquish custody of their children to obtain needed behavioral health services. Other highlights of the budget include the following:

- Transfer of Ohio Family and Children First resources (funds to local councils, and for statewide and regional coordinators) from the Department of Mental Retardation and Developmental Disabilities to the Department of Mental Health. Temporary language transfers the duties and responsibilities, staff, and the cash to the Department of Mental Health. Therefore, the fiscal effect to the General Services Fund will most likely be revenue neutral.

- Line item 335-419, Community Subsidy Medication, is increased by $4.3 million in FY 2006, and by $5.7 million in FY 2007. This increase is related to the phasing out of the Disability Medical Assistance program. This funding will provide indigent medication subsidy for individuals who would have previously been eligible for the Disability Medical Assistance program.

- Additional funds are included in line item 334-408, Community and Hospital Mental Health Services, to sustain current levels of hospital beds and staff (an increase of $4.8 million in 2006 and $14.7 million in 2007).

Justice and Corrections

Department of Rehabilitation and Correction

With respect to most of the major programs within the Department of Rehabilitation and Correction's program series, generally speaking the enacted budget does not quite provide sufficient funding to fully cover the future cost of delivering continuous FY 2005 levels of programs and services over the FY 2006-2007 biennium. Thus, the Department will likely have to trim certain expenditures related to institutional operations as well as parole and community service operations over the new biennium, which could mean some reductions in payroll, maintenance projects, equipment and other programmatic expenses. According to the Department, the exact number of staff positions to be eliminated in this program is unknown at this time. The Department's intention, if possible, is to incur the loss of staff via attrition so as to avoid the need for layoffs. In the first quarter of FY 2006, the Department has lost approximately 300 employees through natural attrition, and a limited hiring freeze has been instituted, thereby improving their ability to absorb the enacted funding levels.

The nature and size of the Department's institutional operations – composed of 32 correctional facilities, roughly 43,500 inmates, and 14,000-plus 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 has had a particularly notable impact on medical/healthcare services delivered in correctional institutions. The Department's inflation rate for medical/healthcare services over the previous biennium has been 10%, and is expected to continue at, or above, this level into FYs 2006 and 2007.

Department of Youth Services

The Department of Youth Services is using funding to hire 71 new staff for the Ohio River Valley Juvenile Correctional Facility, to open a housing unit that had been sitting empty for several fiscal years. This unit is intended to house certain sex-offending youth.

Given the level of funding provided under the enacted budget and the escalating costs of providing institutional services in general over the last several years, it may prove fiscally problematic to maintain the Department's current service levels in all of its facilities and parole services. However, at this time, the Department is waiting until at least mid-FY 2006 before making any determination on whether it will be necessary to eliminate any full-time equivalent (FTE) staff positions in order to stay within the available funding. During the previous two biennia, the Department has eliminated approximately 600 FTEs, two juvenile correctional facilities, and two juvenile court subsidies.

Office of the Attorney General

At the Attorney General's request during the legislature's biennial budget deliberations, the agency's total GRF appropriations were reduced by approximately $10.5 million from the executive recommended FY 2006 funding level. The Office of the Attorney General's plan is to offset a significant portion of this voluntary reduction in total FY 2006 GRF appropriations by tapping into the agency's non-GRF funding streams. This non-GRF cash will largely be drawn from the Claims Section Fund (Fund 419), which has enhanced revenues due to an increase in the amount of delinquent debt collected by the Attorney General's Collections Enforcement Section over the last biennium. Although the FY 2006 increase in non-GRF appropriations does not fully offset the FY 2006 GRF appropriations decrease, staff of the Attorney General has indicated that the agency's existing service levels will not be affected. The Office of the Attorney General's GRF funding, as measured by spending group, from actual FY 2002 disbursements through enacted FY 2007 appropriations will have decreased by $5.5 million, or 9.2%. During that same six-year period, the GRF portion of the Office of the Attorney General's budget will have dropped from 39.7% down to 31.5%. The Office of the Attorney General has filled that difference by tapping into other non-GRF funds, most noticeably the revenue-generating capability of its accounts lodged in the State Special Revenue Fund Group.

Judicial Agencies

The enacted Judiciary/Supreme Court annual operating budget, 95% of which is covered by moneys appropriated from the GRF, will essentially fund: (1) the salaries and fringe benefits of the judges of the Supreme Court of Ohio and the courts of appeals, (2) the state's share of the judge's salaries and fringe benefits in the courts of common pleas, municipal courts, and county courts, (3) the expenses of the state's judicial system, including supplements to the clerks of the courts of common pleas, (4) the operating expenses of the Supreme Court of Ohio, and (5) the operating expenses of the Ohio Criminal Sentencing Commission. The GRF component of the JSC annual operating budget is increased: (1) by $8.3 million, or 7.4%, in FY 2006 relative to the total amount of GRF expended in FY 2005, and (2) by $3.0 million, or 2.5%, in FY 2007 relative to the amount of GRF appropriated for FY 2006.

As of this writing, it appears that the total amount of funding appropriated in each of FYs 2006 and 2007 will be sufficient for Judiciary/Supreme Court to maintain current service levels. In addition, the enacted budget amends section 141.04 of the Revised Code to provide a $500 vehicle allowance per month for the Chief Justice and six Justices of the Supreme Court. According to the Court, for over 30 years the Justices of the Supreme Court have been assigned Court-owned vehicles for travel purposes. By transitioning to a vehicle allowance method, the Court anticipates a cost savings of approximately

$20,000 to $25,000 per year based on eliminating the costs of buying, maintaining, and fueling vehicles, as well as staff time in performing those tasks. As for the Ohio Judicial Conference, the enacted budget provides GRF appropriations totaling $957,000 in each of FYs 2006 and 2007, which is relative to actual FY 2005 GRF expenditures of $956,998. With that amount of GRF funding, the Conference anticipates being able to maintain current service levels and cover the payroll costs associated with its existing 11 full-time staff positions.

Department of Public Safety

Under the enacted budget, the Office of Criminal Justice Services is merged into the Department of Public Safety as the Division of Criminal Justice Services. According to the Office of Criminal Justice Services, its merger within the Department of Public Safety as the Division of Criminal Justice Services will likely result in a reduction of 14 funded positions. Both the Office of Criminal Justice Services and the Department of Public Safety have indicated that an effort would be made to reassign Criminal Justice Services staff to other departmental programs. Also under the enacted budget, GRF line items and related funding for the Criminal Justice Information System (CJIS), the Center for Violence Prevention, and domestic violence shelter subsidies was eliminated. The enacted budget does, however, establish a replacement fee-driven revenue stream to continue support for those subsidies to domestic violence shelters.

The enacted budget also includes two new funds to be used by the Division of Criminal Justice Services for grants. The Public Safety Services Fund (Fund 5CC) is earmarked for distribution to certain cities for the purpose of assisting in the provision of essential public safety services. The Federal Justice Programs Fund (Fund 3AY) is to be used to provide funding to local criminal justice programs.

General Government

Department of Commerce

The enacted budget reduces the minimum price discount for wholesale purchases of spirituous liquor from 12.5% to 6% of the retail price. This provision is expected to result in a revenue gain of $16.0 million in FY 2006 and $16.3 million in FY 2007 to the Liquor Control Fund (Fund 043), which will increase the transfer of excess liquor profits to the GRF to approximately $127.9 million in FY 2006 and $124.9 million in FY 2007.

The enacted budget provides for the transfer of $100 million in Unclaimed Funds to the GRF over the course of the biennium and for transfers of $1.7 million and $1.6 million in FY 2006 and FY 2007, respectively, from the State Fire Marshal's Fund (Fund 546) to the Budget Stabilization Fund.

According to the consolidation proposal included in the enacted budget, the Department of Commerce is to absorb the Ohio Athletic Commission, the Barber Board, the State Board of Cosmetology, the Board of Embalmers and Funeral Directors, the Manufactured Homes Commission, the Board of Motor Vehicle Collision Repair Registration, and the State Board of Sanitation Registration. The enacted budget includes no funding in FY 2007 for these boards and commissions. The specifics of the consolidation plan will be addressed during FY 2006 by a task force consisting of the agencies acquiring the boards, as well as the Department of Administrative Services, the Office of Budget and Management, and representatives from the boards involved in the consolidation.

Two provisions reduce the Department of Commerce's reliance on the GRF by almost 50% to $2.1 million in FY 2006 and $2.0 million in FY 2007. A grant program for volunteer fire departments is moved from the GRF to the State Fire Marshal's Fund, which is funded through a surcharge on the total value of fire insurance premiums sold statewide, retaliatory taxes, and fees from fireworks licenses and building inspections. Also, the Bureau of Workers' Compensation budget moved the Public Employer Risk Reduction Program (PERRP) and the OSHA On-site Consultation program from the partially GRF-funded Division of Labor and Worker Safety to the Bureau of Workers' Compensation.

Department of Agriculture

The enacted budget includes several fee increases for the Department of Agriculture, which are estimated to bring in an additional $1.8 million to the Department's rotary funds. These increases in fees are used to offset a reduction in GRF funding. In addition, the enacted budget also includes several fund mergers.

Ohio Expositions Commission

The enacted budget reduced the Expositions Commission's GRF funding for the Junior Fair, a part of the Ohio State Fair, by approximately 7.5%. The GRF funding received is less than what is needed to fully support the Junior Fair program. As a result, the Commission plans to use a portion of the State Fair operating expenses rotary fund in an effort to maintain the Junior Fair at current levels.

Liquor Control Commission

The enacted budget does not allow the Liquor Control Commission to fund one of its six administrative staff positions, which is currently a vacant hearings bailiff position. While the Commission is not able to afford to fill the vacant position, it is attempting to reclassify the remaining three bargaining unit staff members to a slightly higher pay range in order to replace the vacant hearing bailiff position's duties and to add other additional administrative tasks.

Office of Budget and Management

Along with the Department of Administrative Services, the Auditor of State, and the Treasurer of State, OBM continues to move forward with the implementation of the Ohio Administrative Knowledge System (OAKS), which will integrate the functions of five major statewide business functions. The financial modules, including budget and accounting, are scheduled for implementation in 2006. Procurement, fixed assets, capital improvement projects, and human resources modules are scheduled to go live in late 2006 or early 2007.

The enacted budget directs state payment card rebates, formerly deposited in the Accounting and Budgeting Fund (Fund 105), to the OAKS Project Implementation Fund (Fund 5N4). The rebate amount, approximately $600,000 in each fiscal year, will help reduce OAKS' reliance on GRF transfers. While the enacted budget transfers $675,000 in GRF each fiscal year, this amount is approximately $575,000 less than the GRF transfer in each of FYs 2004 and 2005. In turn, the loss of payment card rebate revenue to Fund 105 will be offset by increased payroll check-off charges assessed by OBM.

The enacted budget supplements GRF funding in the Budget Development program with funding from Fund 105 in the coming biennium. Previously, the Budget Development program was funded entirely through GRF. This funding alone was not sufficient for OBM to maintain its current staff and continue to offer current services. Fund 105 consists of payments for accounting and budgeting services from each agency and is a fixed percentage of each agency's payroll, a so-called "check-off." Since the 4% pay increase required by collective bargaining will increase payroll, and because OBM intends to collect this check-off for all 26 pay periods in FY 2006, the additional revenue will be sufficient to fund both the Budget Development and various Financial Accounting Services programs.

Finally, the enacted budget will allow OBM to hire up to four intermittent or part-time employees (the equivalent of two FTEs) to assist with the increased workload experienced by those involved in the Financial Planning and Supervision Commissions program from the increase in the number of school districts declared to be in fiscal emergency.

Occupational Licensing and Regulatory Boards

The enacted budget recommended that 20 independent occupational licensing boards be absorbed into the departments of Health, Commerce, and Public Safety. As such, the enacted budget does not appropriate funding in FY 2007 for the boards and commissions included in the consolidation proposal. The specifics of the consolidation plan will be addressed during FY 2006 by a task force consisting of the agencies acquiring the boards, the Department of Administrative Services, the Office of Budget and Management, and three individuals selected by the boards included in the consolidation proposal. According to the plan, current staff will be retained through FY 2006, and a hiring freeze and early retirement incentives will be offered to regulatory board staff. These incentives should result in staff reductions. The plan also calls for all remaining regulatory board staff to be transferred to the applicable agency effective July 1, 2006. However, board and commission members will be retained and continue to serve in the manner in which they were appointed.

Department of Transportation

The enacted budget is $2.87 billion in FY 2006 and $2.91 billion in FY 2007, for a total of $5.78 billion over the biennium. These funding levels include those appropriated in the transportation budget as well as the main operating budget.

In FY 2006, funding to the Department's Highway Operating Fund increases 17.2%. These increases occur in planning, highway construction, and bond line items and are attributable to the final two-cent phase-in of the 28-cent state motor fuel tax, as well as new federal revenues from the new six-year federal transportation bill, otherwise known as the Safe, Accountable, Flexible, and Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU).

On the other hand, the Department's GRF funding continues to decline. In FY 2006, GRF funding levels decreases by 21.1% compared to FY 2005 levels. These decreases largely affect public transportation and aviation. Overall, the budget allows for expansion of the Department's major/new construction program and will continue current service and staffing levels in the planning, maintenance, administration, and rail programs. Public transportation and aviation will continue to see service level reductions.

Department of Natural Resources

The enacted budget provides $331 million in FY 2006 and $332 million in FY 2007, for a total of $663 million over the biennium. Overall, the enacted funding levels will force the Department to continue implementing cost savings measures as staffing levels continue to decline while service demands continue to rise. Little program expansion will occur across all program areas over the biennium. As for staffing, the Division of Recycling and Litter Prevention will experience a 75% staff reduction, and the Division of Natural Areas and Preserves and the Division of Engineering will each layoff one current staff member.

The 75% staff reduction in the Division of Recycling and Litter Prevention is due to a 38.5% decrease in the Litter Control and Recycling Fund (Fund 532). The funding reduction is the result of changing the funding source from the corporate franchise tax on litter stream products to an additional $1.00 per ton fee on the disposal of construction and demolition debris. The change in funding source will result in an overall decrease of approximately $6.3 million in FY 2006 and $6.2 million in FY 2007 in available grant money for local government recycling and litter prevention programs.

As for parks, the Department will not implement a parking fee as originally planned. Total combined GRF and non-GRF funding levels of approximately $71 million in FY 2006 and $73 million in FY 2007 will allow for basic updates to current facilities at large and medium-sized parks. The budget does not support any updates for smaller parks. Maintenance repairs will likely concentrate on critical needs with limited resources for preventive maintenance.

GRF and non-GRF funding for the Soil and Water Conservation District Program totals approximately $12.8 million in both FY 2006 and in FY 2007. Despite these funding levels, the Department estimates funding will only allow for the Division to match 87% of district project costs in both FY 2006 and in FY 2007. This will result in fewer resources being available to the 88 Soil and Water Conservation Districts to provide technical and informational services to local landowners.

Environmental Protection Agency

Overall, the Agency's enacted budget is essentially a continuation budget. The enacted budget includes a new Environmental Protection Fee of $1.50 on solid waste disposed in Ohio's landfills, which would replace all GRF that currently funds seven environmental programs by FY 2007. The new fee will also provide additional funding for the Division of Air Pollution Control's initiatives aimed at meeting new federal Clean Air Act requirements. The new fee is expected to generate $22.1 million per year. The budget also includes a new Surface Water Protection Fee that will allow the Section 401 Certification/Wetlands Permitting program to become more self-sufficient. These fees include various wetland, stream, and lake review fees and range from $3 up to $500. Finally, the enacted budget includes a requirement that the Ohio Environmental Protection Agency continue to implement an enhanced motor vehicle inspection and maintenance (E-check) program in counties in which such a program is federally mandated.

Department of Administrative Services

Not accounting for roughly $2.05 billion in the enacted budget for payroll deductions, the Department's budget each fiscal year is approximately $379 million. Overall, the enacted budget will maintain FY 2005 service and staffing levels across the majority of program areas.

The budget makes several changes to the Fleet Management Law, including requiring state agencies subject to the State Fleet Management Law to acquire passenger motor vehicles by lease through the master-leasing program established by the Department; prohibiting reimbursement to state employees who use their own motor vehicles for any mileage incurred above an amount the Department determines annually, with exceptions; and requiring state institutions of higher education to use the Department's vehicle fleet management software system, its fuel card program to pay for fuel and vehicle maintenance, and its bulk fuel purchases contract to make bulk fuel purchases.

In other program areas, funding levels will not provide for a needed consultant to look at expanding the centralized insurance policies offered to state agencies, including collision insurance policies required when leasing vehicles. As for the State Architect, the budget will not provide funding to fill four new positions needed by the office; however, the funding levels will help alleviate some of the current project management overload. As for information technology issues, the budget establishes the Office of Information Technology and provides approximately $452,000 over the biennium for development and implementation of the fixed asset management components of the OAKS system.

Secretary of State

The enacted budget appropriates $55.4 million in FY 2006 and $18.0 million in FY 2007. The FY 2006 amount reflects an expected $37.4 million for the purchase of Direct Recording Electronic or optical scan voting machines to comply with HAVA guidelines. This $37.4 million in funding is in addition to the approximately $79 million in FY 2005 for the purchase of voting machines as well.

The Secretary of State anticipates increased costs over the biennium as a result of H.B. 1 of the Special Session of the 125th General Assembly. The bill amended current campaign finance law. Several new filing requirements were created in the bill. In addition to these new filing requirements, the Secretary of State's office will also be required to make this information available to the general public on their web site. Additional staff will likely be needed as well as training, and hardware and software upgrades.

Auditor of State

Conducting financial audits will continue to be the Auditor of State's primary responsibility over the biennium. The enacted budget appropriates about $55 million each fiscal year for this purpose. The Auditor of State will also be conducting several audits of the BWC over the biennium. The Auditor recently had three Controlling Board items approved to contract with several firms to conduct audits. The Auditor will contract with various entities to investigate the practices of Capital Coin Fund Limited & Capital Coin Fund Limited II and MDL Capital Management, to review inventories, appraisals, and internal policies and procedures.

As for the maintenance of accounting records, the budget will allow the Auditor of State to continue providing hardware, software, support, and training to political subdivisions across Ohio. However, enacted appropriations of $6.5 million in each fiscal year for providing financial and accounting assistance to local governments may not be adequate due to the increasing demand for services needed by local governments and school districts that find themselves in a state of fiscal watch, caution, or emergency.

The enacted budget also includes an earmark of $50,000 from line item 070-321, Operating Expenses for the purposes of conducting a pilot review of the billing practices of facilities licensed by the Department of Mental Health and the Department of Job and Family Services that serve children in a residential setting for whom mental health treatment services are provided. The Auditor must prepare a report on the conclusions of the pilot review by June 30, 2006.

Bureau of Workers' Compensation

The enacted budget contains numerous changes to investment practices and policies of the Bureau of Workers' Compensation. Highlights of these changes include: (1) hiring a Chief Investment Officer who must be designated by the CFA Institute as a Chartered Financial Analyst and who must be licensed by the Division of Securities within the Department of Commerce, (2) conducting criminal background checks on all employees of the Bureau's investment managers and all employees of business entities with whom investment managers enter into contract for the investment of Bureau of Workers'

Compensation assets, (3) increasing membership on the Workers' Compensation Oversight Commission by two members who are to be "investment expert members," (4) prohibiting the award of BWC contracts to persons or business entities who have contributed more than $1,000 within the previous two years to the political campaigns of Governor, Lieutenant Governor, or to any candidate for Governor or Lieutenant Governor, (5) enacting protections against conflicts of interest with regard to the gains or profits of any investment of the Bureau, and (6) prohibiting the investment of the Bureau's assets in coins, artwork, horses, jewelry or gems, stamps, antiques, artifacts, collectibles, memorabilia, or "similar unregulated investments that are not commonly part of an institutional portfolio, that lack liquidity, and that lack readily determinable valuation."

Highlights of the Transportation Budget Act (Am. Sub. H.B. 68)

Department of Public Safety

Am. Sub. H.B. 68 was the primary funding act for the Department of Public Safety. Funding for the Department remains essentially flat for the biennium. As started in Am. Sub. H.B. 87 of the 125th General Assembly, the enacted budget continues the reduction of funds received by the Ohio State Highway Patrol from the motor vehicle fuel tax. It is anticipated that this phase-out will be complete by the end of FY 2007.

Highlights of the Bureau of Workers' Compensation and Industrial Commission Budget Acts (Am. H.B. 67 and H.B. 65)

Bureau of Workers' Compensation

Under Am. H.B. 67, the Public Employment Risk Reduction Program and Occupational Safety and Health Administration's on-site consultation program are transferred from the Department of Commerce to the Bureau. A pilot program known as Fast Response, or Auto Adjudication, is also codified under H.B. 67. The program provides for electronic review, processing, and approval of certain Bureau insurance claims. Also under H.B. 67, the Bureau must establish and administer a Long-Term Care Loan Fund program, the purpose of which is to make interest-free loans to nursing home employers to assist in purchasing "no-lift" equipment such as sit-to-stand floor lifts, ceiling lifts, and fast electric beds.

Ohio Industrial Commission

H.B. 65, the budget act for the Ohio Industrial Commission, contains a single codified section that precludes the Department of Administrative Services from operating, superintending, or making contracts on behalf of the Industrial Commission for telephone, other telecommunication, or computer services.

Accountancy Board of Ohio

Jason Phillips, Budget Analyst

- Enacted budget of $1.28 million per year for FY 2006 and FY 2007
- Licensed and registered over 29,000 certified public accountants and public accountants in FY 2004

OVERVIEW

Duties and Responsibilities

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

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
12	$1.28 million	$1.28 million	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

4K9 Fund

The Accountancy Board is funded by Fund 4K9, which is a fund in the General Services Fund group that serves as a repository for license fees and other assessments collected by the state's occupational licensing and regulatory boards. The 4K9 Fund allows the agencies that it funds the ability to maintain operations during years where licenses are not renewed and revenue is much lower. However, the philosophy of the 4K9 fund is that each board must generate enough revenue to cover their expenses. Yet, it is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

The Accountancy Board handles the administrative work for roughly 29,000 public accountant and certified public accountant licenses. The Board renews its licenses triennially with $3.47 million in revenue versus $3.22 million in expenditures over the three-year period from FY 2002 to FY 2004. This has resulted in a net gain of $248,099 to the 4K9 fund in that span. The Accountancy Board's enacted budget appropriates a total of $1.28 million in FY 2006 and 1.28 million in FY 2007, representing flat funding for the biennium.

Board Consolidation

The executive budget recommended that 27 occupational licensing and regulatory boards be consolidated into the departments of Health, Commerce, and Public Safety. The enacted budget excluded the Accountancy Board (and six other boards) from the recommendation and thus exempts the Board from the consolidation's provisions. It is uncertain what the impact of the board consolidation will be on costs for the boards that were exempted. However, it is likely that the boards will be able to absorb any potential increase within existing resources.

Increased Enforcement Power

The passage of the federal Sarbanes-Oxley Act of 2002 concerning corporate and accounting responsibilities has had little effect on the Accountancy Board to this point. The bill gives the Board added enforcement powers, but it is slowly being implemented as accounting firms have up to a year to begin complying with the laws. However, the Accountancy Board is now named as an appropriate state regulatory authority for purposes of sharing Public Company Accounting Oversight Board (PCAOB) investigative information. The Board also continues to experience an increased workload resulting from the added enforcement provisions of S.B 200 of the 122nd General Assembly, which redefined the practice of public accounting, added to the Board's registration requirements, and added sanctions for the violation of these regulations. As a result of these changes, the Board continues to experience an increasing number of disciplinary hearings.

Vetoed Provisions

The Governor did not veto any provisions affecting the Accountancy Board.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Accountancy Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

Purpose: Tests, licenses, and regulates the individuals and firms who practice accounting in this state.

The following table shows the line items that are used to fund the Ohio Accountancy Board as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4J8	889-601	CPA Education Assistance	$209,510	$209,510
4K9	889-609	Operating Expenses	$1,069,776	$1,069,776
		General Services Fund Subtotal	**$1,279,286**	**$1,279,286**
Total Funding: Accountancy Board of Ohio			**$1,279,286**	**$1,279,286**

The Accountancy Board operates two programs:

- ***Operating Expenses***
- ***Educational Assistance***

Operating Expenses

Program Description: (R.C. Chapter 4701.) The Accountancy Board of Ohio tests, licenses, and regulates individuals and firms who practice accounting in this state to ensure that the services being provided are ethical and professional in manner and in accordance with all appropriate laws and standards.

Funding Source: GSF Fund 4K9

Implication of the Enacted Budget: The Accountancy Board received funding of $1.28 million in FY 2006 and $1.28 million in FY 2007. The enacted funding for the biennium should allow the Board to maintain FY 2005 service levels.

Educational Assistance

Program Description: (R.C. section 4701.26) In August 1992, the Ohio General Assembly enacted legislation that raised the basic educational requirements that individuals must meet to become licensed as CPAs. The CPA Education Assistance Program was established to reduce the burden of the increased education requirement to low income students. The first scholarships were awarded in January 1998 and will continue through future bienniums. The Board awards funding in two tiers: tier one grants are awarded to minority students and tier two grants are awarded directly to Ohio colleges.

Funding Sources: GSF Fund 4J8; surcharge on license renewals are deposited into Fund 4K9; money is transferred quarterly to Fund 4J8 to fund this program

Implication of the Enacted Budget: The enacted budget fully funds the Accountancy Board's CPA Education Assistance program for FY 2006 and FY 2007. The CPA Educational Assistance Scholarship currently comprises 17% of the Accountancy Board's total budget. The Fund continues to provide educational assistance to qualified candidates. Previously a shortage of qualified candidates existed, limiting the funds that could be disbursed for the scholarship program. However, the Board states that there has been a marked increase in the number of applicants as a result of colleges more effectively advertising the availability of these scholarships.

Adjutant General

Edward Millane, Budget Analyst

- $1.4 million per year in GRF funding to provide Ohio National Guard members' life insurance and death benefits
- Total funding in each year is approximately 6.2% above FY 2005
- 63% of the Adjutant General's state budget is funded by federal funds

OVERVIEW

Duties and Responsibilities

Organized in 1803, the Adjutant General's Department provides administration, oversight, and command control of the Ohio organized militia, which consists of the Army National Guard, the Air National Guard, the Ohio Military Reserve, and the Ohio Naval Militia. The Adjutant General is responsible for equipping and maintaining the combat readiness standard of the Ohio Army and Air National Guard in accordance with both national defense and state missions and is the custodian of all military equipment owned by or issued to the state including armories, air bases, military vehicles, jets, and planes.

The Ohio National Guard is currently authorized a military force structure consisting of more than 15,250 members in approximately 150 Army and Air National Guard units throughout the state. For federal support, the force is trained for roles in combat, peacekeeping, humanitarian support, and nation building in accordance with national defense strategies. For state support, the members are trained to respond to public disturbances, natural disasters, homeland security or defense initiatives, and to assist law enforcement and emergency response agencies in the protection of lives and property in Ohio.

The Adjutant General oversees the recruitment of Ohio National Guard members. The most effective recruitment tool has been the National Guard Scholarship program. Under the Board of Regents' budget since 1999, the program provides 100% tuition to Ohio National Guard members attending state colleges and universities and has helped both the Ohio Army and Air National Guard achieve 100% strength.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
339	$36.87 million	$36.87 million	$11.49 million	$11.49 million	Am. Sub. H.B. 66

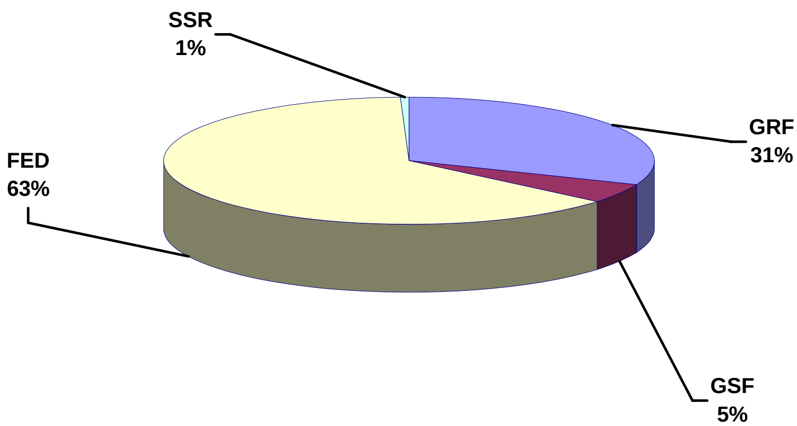
*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Summary of Am. Sub. H.B. 66 Appropriations

The enacted budget appropriates total funding of $36,870,306 in FY 2006, an increase of 6.2% from the FY 2005 expenditure level. The total funding level for FY 2007 is largely flat at $36,874,628. GRF funding is $11,493,735 for both FY 2006 and FY 2007. Chart 1 shows the Adjutant General's state biennial budget by fund group. As can be seen from the chart, approximately 63% of the Adjutant

General's budget comes from federal funds. GRF accounts for 31% and the General Services Fund and State Special Revenue Fund groups account for the remaining 6%.

Chart 1. Adjutant General FY 2006-2007 Budget by Fund Group



Federal funds are the primary funding source of the Adjutant General's operations. Through the state budget, the Adjutant General is provided federal funding to meet portions of operations and maintenance costs for facilities and infrastructure. Additionally, the federal government provides funding directly to support the Ohio National Guard. The operating costs for the Ohio National Guard, including payroll, training, and equipment for the members, are provided entirely by the federal government.

Ohio National Guard Scholarship Program

As indicated earlier, the National Guard Scholarship program provides 100% tuition to Ohio National Guard members attending state colleges or universities. An equivalent amount of the state tuition average can be used to attend a private university. The scholarship is available for up to 12 full-time quarters or 8 full-time semesters and is available to participants committed to or who have already served a six-year enlistment in the Ohio National Guard.

The enacted budget appropriates $15,128,472 in FY 2006 to GRF appropriation item 235-599, Ohio National Guard Scholarship Program, which is an increase of 12.1% from the FY 2005 expenditure level. The program's appropriation level increases an additional 9.8%, to $16,611,063 in FY 2007. Additionally, the enacted budget creates the National Guard Scholarship Reserve Fund (Fund 5BM) and allows unspent and unencumbered funds from GRF appropriation item 235-599, Ohio National Guard Scholarship Program, to be transferred into Fund 5BM to use under appropriation item 235-623, National Guard Scholarship Reserve Fund. Moneys in the reserve fund are to be used to pay scholarship obligations above the GRF scholarship appropriation level. Upon the request of the Adjutant General, the Board of Regents is required to seek Controlling Board approval to establish appropriations as necessary for appropriation item 235-623, National Guard Scholarship Reserve Fund.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 — Ohio Army National Guard

Purpose: Provides organized, trained, and equipped military army force units that serve the peace, order, and public safety of the communities, the state, and the nation.

The following table shows the line items and the portion of the funding levels from these items that are used to fund the Ohio Army National Guard program series. Some line items are used to fund multiple programs in different program series. As a result, each line item's appropriations shown in the table, below, may not be the total appropriations for that item.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	745-409	Central Administration	$511,415	$511,415
GRF	745-499	Army National Guard	$3,769,215	$3,769,215
GRF	745-502	Ohio National Guard Unit Fund	$65,000	$65,000
		General Revenue Fund Subtotal	**$4,345,630**	**$4,345,630**
State Special Revenue Fund				
5U8	754-613	Community Match Armories	$90,000	$91,800
		State Special Revenue Fund Subtotal	**$90,000**	**$91,800**
General Services Fund				
534	745-612	Armory Improvements	$279,000	$279,000
537	745-604	Ohio National Guard Facility Maintenance	$100,000	$100,000
		General Services Fund Subtotal	**$379,000**	**$379,000**
Federal Special Revenue Fund				
342	745-616	Army National Guard Agreement	$8,101,892	$8,101,892
		Federal Special Revenue Fund Subtotal	**$8,101,892**	**$8,101,892**
Total Funding: Ohio Army National Guard			**$12,916,522**	**$12,918,322**

Program series 1 has only one program, the Ohio Army National Guard Program. This program provides operations and maintenance support to the 63 armories statewide that are serving approximately 10,000 Army National Guard members. The program supports 77 facility management and maintenance personnel. Of the $25.8 million total biennial funding for this program, 62.8% comes from the Federal Special Revenue Fund group, 33.6% from the General Revenue Fund, 2.9% from the General Services Fund group, and 0.7% from the State Special Revenue Fund group.

Funds from GRF appropriation item 745-499, Army National Guard, are used, in part, as the 25% state match for federal funds received through the Army Cooperative Agreement Grant in Fund 342 appropriation line item 745-616, Army National Guard Agreement. Funds from these two appropriation items are used to pay for operating and maintenance expenses for armory facilities where all federally assigned vehicles in the state are repaired and maintained as well as for two army aviation facilities, the central warehouse in Newark, and the U.S. Property and Fiscal Office at Beightler Armory. Funds are distributed among the various facilities based on the size and type of the facility, number of vehicles serviced, and number of staff persons. Funds from GRF appropriation item 745-502, Ohio National

Guard Unit Fund, are distributed to each of the National Guard units to cover incidental unit expenses and some minor maintenance costs. Funds from GRF appropriation item 745-409, Central Administration, provide administrative support for centralized staff members who oversee the maintenance and repairs of 63 armories.

Program Series 2 — Ohio Air National Guard

Purpose: Provides organized, trained, and equipped military air force units that serve the peace, order, and public safety of the communities, the state, and the nation.

The following table shows the line items and the portion of the funding levels from these items that are used to fund the Ohio Air National Guard program series. Some line items are used to fund multiple programs in different program series. As a result, each line item's appropriations shown in the table, below, may not be the total appropriations for that item.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	745-404	Air National Guard	$1,780,089	$1,780,089
GRF	745-502	Ohio National Guard Unit Fund	$37,973	$37,973
		General Revenue Fund Subtotal	**$1,818,062**	**$1,818,062**
Federal Special Revenue Fund				
3E8	745-628	Air National Guard Agreement	$12,076,131	$12,076,131
341	745-615	Air National Guard Base Security	$2,424,740	$2,424,740
		Federal Special Revenue Fund Subtotal	**$14,500,871**	**$14,500,871**
Total Funding: Ohio Air National Guard			**$16,318,933**	**$16,318,933**

The Ohio Air National Guard program series contains two programs. Program 2.01, Air National Guard Support, receives 46.6% of the total funding in the series, while Program 2.02, Firefighters and Security Guards, receives 53.4%. Of the $32.6 million total biennial appropriations for this program series, 88.9% comes from the Federal Special Revenue Fund group, and the remaining 11.1% comes from the General Revenue Fund.

Program 2.01, Air National Guard, provides operations and maintenance support for the four Air Wings and seven subordinate Air National Guard units with over 5,000 members. These four wings are located in Columbus, Springfield, Mansfield, and Toledo and serve a variety of purposes such as providing air-refueling support, training for active duty pilots, air-land and airdrop services of passengers and cargo, and use of conventional air-to-surface and air-to-air weapons from its aircraft, if necessary. The seven support wings supplement the four main wings as well as provide additional services.

GRF appropriation item 745-404, Air National Guard, funds the 25% state share of the operating expenses of the Air National Guard facilities under the Air Cooperative Agreement Grant. The 75% federal share of the agreement is deposited in Fund 3E8 appropriation item 745-628, Air National Guard Agreement. In addition to sharing the costs of utilities, supplies, and maintenance, funding under this cooperative agreement supports approximately 61 maintenance personnel. Funds from GRF appropriation item 745-502, Ohio National Guard Unit Fund, are distributed to each of Ohio's National Guard units to cover incidental unit expenses and some minor maintenance costs.

Program 2.02, Firefighters and Security Guards, is a 100% federally funded program that provides funding for fire protection and suppression services as well as security protection services for the four major air wings in Columbus, Springfield, Mansfield, and Toledo. The program funds salary and benefits for 141 firefighters and security guards. Ninety-four firefighters are supported by Fund 3E8 appropriation item 745-628, Air National Guard Agreement, and 47 security guards are supported by Fund 341 appropriation item, 745-615, Air National Guard Base Security.

Program Series 3 Central Administration

Purpose: Provides oversight, executive management, state response coordination, and support to the Ohio Army and Air National Guard and Adjutant General's functions.

The following table shows the line items and the portion of the funding levels from these items that are used to fund the Central Administration program series. Some line items are used to fund multiple programs in different program series. As a result, each line item's appropriations shown in the table, below, may not be the total appropriations for that item.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	745-401	Ohio Military Reserve	$15,188	$15,188
GRF	745-404	Air National Guard	$159,673	$159,673
GRF	745-407	National Guard Benefits	$1,400,000	$1,400,000
GRF	745-409	Central Administration	$3,438,175	$3,438,175
GRF	745-499	Army National Guard	$317,007	$317,007
		General Revenue Fund Subtotal	**$5,330,043**	**$5,330,043**
State Special Revenue Fund				
528	745-605	Marksmanship Activities	$126,078	$128,600
		State Special Revenue Fund Subtotal	**$126,078**	**$128,600**
General Services Fund				
534	745-612	Armory Improvements	$255,304	$255,304
536	745-620	Camp Perry/Buckeye Inn Operations	$1,094,970	$1,094,970
537	745-604	Ohio National Guard Facility Maintenance	$119,826	$119,826
		General Services Fund Subtotal	**$1,470,100**	**$1,470,100**
Federal Special Revenue Fund				
3E8	745-628	Air National Guard Agreement	$98,629	$98,629
3R8	745-603	Counter Drug Operations	$25,000	$25,000
342	745-616	Army National Guard Agreement	$585,001	$585,001
		Federal Special Revenue Fund Subtotal	**$708,630**	**$708,630**
Total Funding: Central Administration			**$7,634,851**	**$7,637,373**

The Central Administration program series contains three programs. Program 3.01, Executive/Administrative, receives 67.8% of the funding in the series, Program 3.02, Revenue Operations, receives 32.0%, and Program 3.03, Militia, receives 0.2%. Of the $15.3 million total appropriation for this program series over the biennium, 69.8% comes from the General Revenue Fund, 19.3% from the General Services Fund group, 9.3% from the Federal Special Revenue Fund group, and 1.6% from the State Special Revenue Fund group.

Program 3.01, Executive/Administrative, provides executive and administrative support services to the Ohio Army and Air National Guard programs and the Adjutant General's Department. Almost 91.7% of the funding for this program comes from the General Revenue Fund. The program supports 49 administrative positions. Thirty-eight of these positions are funded by GRF appropriation item, 745-409, Central Administration, including four full-time positions that process and monitor the National Guard Scholarship Program.

The enacted budget requires the Adjutant General to reimburse active duty Ohio National Guard members participating in a federal group life insurance program, excluding members who are on full time active duty or who are performing special active duty under federal law (full-time administrative personnel). It also requires $100,000 payments to beneficiaries of Ohio National Guard members who have died while serving state or federal active duty since October 7, 2001. The enacted budget appropriates $1.4 million in each fiscal year to GRF appropriation item 745-407, National Guard Benefits, for the costs of life insurance and death benefits. It also allows the Adjutant General to seek Controlling Board approval for additional appropriations when necessary.

Program 3.02, Revenue Operations provides various services to National Guard members, families, and the general public that generate revenue through overnight and event rentals at the Camp Perry complex, near Port Clinton, and the Buckeye Inn at Rickenbacker Airport. The operations of these two facilities are supported by 31 personnel who are mainly funded through Fund 536 appropriation item 745-620, Camp Perry/Buckeye Inn Operations, which receives revenue from use and rental of the facilities.

Program 3.03, Militia, funds the Ohio Military Reserve, a volunteer force of retired or veteran military personnel with recent military experience and those who cannot actively participate in the Ohio National Guard or Reserves. The Ohio General Assembly established the Ohio Military Reserve as part of the Adjutant General's Department. The primary missions of the Ohio Military Reserve are to assist civil authorities in the preservation of law and order, to provide support and security for the protection of critical facilities, and to assume control of state armories and property as well as providing security of federal property when the Ohio National Guard is mobilized. Funds from GRF appropriation item 745-401, Ohio Military Reserve, helps provide meals and supplies during training at Camp Perry and the Ohio Military Reserve Academy.

The enacted budget requires the Commander of the Ohio Military Reserve to report annually to the General Assembly on Ohio Military Reserve fund expenditures. It also creates the Ohio Military Homeland Security Study Commission to evaluate the role and effectiveness of the Ohio Military Reserve and to report its findings to the General Assembly prior to January 1, 2006.

Department of Administrative Services

Jonathan Lee, Senior Analyst

- Enacted budget provides $2.43 billion in each fiscal year of which 87%, or $2.05 billion is for state payroll deductions
- Fleet Management Law changes
- Funding for fixed asset management function of OAKS

OVERVIEW

Duties and Responsibilities

The Department of Administrative Services (DAS) is responsible for providing state agencies 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 these services. These fees are deposited into and disbursed from the General Services and Intergovernmental Service Fund Groups. Rates for DAS services are calculated using a cost pool that includes approved allotments for the fiscal year, adjustment for prior year gains and losses, and operating cash needs.

DAS consists of the following four divisions, and also the Office of Collective Bargaining and the Office of Information Technology. The Office of Information Technology (OIT), previously the Computer Services Division, was created by executive order in January 2004. The executive order created the position of State Chief Information Officer, a cabinet level position that oversees the OIT. OIT is housed within DAS and is not a separate state agency.

The **General Services Division** administers the state's procurement system. The Division also houses the State Architect's Office, which oversees the construction, renovation, and management of state facilities. Other responsibilities include printing, mail, fleet management, and records management services for state agencies.

The **Human Resources Division** handles matters related to personnel administration, benefits administration, accounting for accrued leave liability funds, and payroll for agencies. This Division will be faced with finding ways to manage rising health care costs on behalf of state agencies over the biennium.

The **Equal Opportunity Division** ensures that minorities and underrepresented populations are fairly considered in the economic and employment opportunities of the state. Over the biennium, this Division will implement a new program called Encouraging Diversity, Growth and Equity (EDGE), created to assist small socially and economically disadvantaged businesses in Ohio in the FY 2004-2005 biennium.

The **Administrative Support Division** includes the Director's Office, Quality Services, Legislative Affairs, Employee Services, Communications, Finance, the Central Services Agency, and the Centralized MIS unit.

The **Office of Collective Bargaining** provides for the central administration and negotiation of labor contracts. The office is also responsible for training state agencies in the administration of the collective bargaining contracts.

The **Office of Information Technology** consists of two divisions, the Investment & Governance Division and the Service Delivery Division. The OIT's mission is to optimize the state's information technology infrastructure with the goal of achieving the use of common technology across the executive branch and in doing so, provide statewide oversight, leadership, and direction for all activities related to information technologies by coordinating and superintending their use statewide.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
871	$2.43 billion	$2.43 billion	$162.3 million	$163.1 million	Am. Sub. H.B. 66

FYs 2006-2007 Enacted Budget

The enacted budget provides $2.43 billion in each FY of the 2006-2007 biennium. Note that state payroll deductions are clustered in the Agency Fund Group (AGY) accounting for about 84% of this total. Payroll deductions are state employee paycheck withholdings. These withholdings pass through DAS and should not be considered part of DAS' operating budget.

DAS' enacted budget includes several noteworthy provisions. First, the budget provides for a 4% raise in FY 2006 as well as increased benefit costs. Second, the State Fleet Management Program may experience an increase in workload to ensure that state institutions of higher education comply with the Fleet Management Law. Furthermore, funding levels will not provide for a needed consultant to look at expanding the centralized insurance policies offered to state agencies, including collision insurance policies required when leasing vehicles. As for the State Architect, the budget will not provide funding to fill four new positions needed by the office; however, the funding levels will help alleviate some of the current project management overload. As for information technology issues, the budget establishes the Office of Information Technology and provides approximately $452,000 over the biennium for development and implementation of the fixed asset management components of the OAKS system.

Overall, the enacted budget will maintain FY 2005 service and staffing levels across the majority of program areas.

Funding Distribution

Table 1 displays the total enacted appropriations by fund group. Without considering $2.05 billion of DAS' budget is for payroll deductions, DAS' operating budget is primarily funded through the General Revenue Fund and the General Services Fund.

Table 1. Total FYs 2006-2007 Budget by Fund Group

Fund Group	FY 2006	FY 2007
General Revenue Fund Group	$162,295,547	$163,129,980
General Services Fund Group	$216,927,684	$216,576,090
Federal Special Revenue Fund Group	$82,048	$82,048
Agency Fund Group	$2,050,000,000	$2,050,000,000
Holding Account Redistribution Fund Group	$20,000	$20,000
TOTAL	**$2,429,325,279**	**$2,429,808,118**

Table 2 shows that the State Support Services program series (Program Series 13) receives the largest portion of the budget. The State Support Services program series provides centralized support services to various state entities through the Central Service Agency and pays for the rent and operations of all state owned buildings.

Table 2. Total FYs 2006-2007 Budget by Program Series
(excludes payroll deductions of $2.05 billion in each fiscal year)

Program Series	FY 2006	FY 2007	% of Total Budget
1 – State Architect	$8,082,217	$8,092,691	2.0%
2 – Procurement Services	$4,963,104	$5,322,341	1.4%
3 – Document Management	$8,761,466	$8,684,447	2.3%
4 – Fleet Management	$3,997,792	$4,004,315	1.1%
5 – Risk Management	$3,625,850	$3,626,168	1.0%
6 – Property Facilities Management	$20,134,878	$20,617,405	5.4%
7 – Enterprise Information Technology	$4,712,975	$4,704,144	1.2%
8 – Information Technology Governance	$14,370,312	$13,752,139	4.0%
9 – Information Technology Services	$105,745,876	$104,369,912	28.0%
10 – Human Resources	$35,760,308	$35,816,743	9.4%
11 – Collective Bargaining	$3,410,952	$3,410,952	.08%
12 – Equal Opportunity Programs	$2,957,818	$2,992,419	.07%
13 – State Support Services	$151,150,269	$151,763,603	40.0%
14 – Program Management	$11,651,462	$11,950,839	3.1%
TOTAL	**$379,325,279**	**$379,808,118**	**100%**

Selected Issues in the FYs 2006-2007 Enacted Budget

Encouraging Diversity, Growth and Equity Program (EDGE)

The enacted budget provides roughly $880,000 in each fiscal year to continue the Encouraging Diversity, Growth and Equity Program (EDGE) and other equal opportunity certification programs. The EDGE Program was codified during the FY 2004-2005 budget process to provide economically and socially disadvantaged business enterprises equity in regard to state contracts for goods and services and construction.

Information Technology

The budget establishes the Office of Information Technology in the Department of Administrative Services to advise the Governor regarding the superintendence and implementation of statewide information technology policy and to lead, oversee, and direct state agency activities regarding the development and use of information technology. Furthermore, DAS will allocate approximately $87 million for IT service delivery and $20 million for major IT purchases. Over the biennium, DAS plans to consolidate and centralize multiple help desk services as well as centralize agencies' e-mail applications to eliminate the need for individual agencies to have their own servers. DAS also plans to continue work on the Ohio Business Gateway (OBG), and will coordinate and develop the use of geographic information systems through the state through the Ohio Geographically Referenced Information Program (OGRIP).

Ohio Administrative Knowledge System (OAKS)

DAS plans to proceed with the development and implementation of the Ohio Administrative Knowledge Systems (OAKS). OAKS is an Enterprise Resource Planning system that will integrate the five major statewide business operations: capital improvements, financials, fixed assets, human resources, and procurement. The enacted budget provides approximately $452,000 to advance efforts to develop and implement the fixed asset management components of the system. While DAS is a partner in the OAKS project, the lead agency responsible for the implementation is the Office of Budget and Management.

Fleet Management

The enacted budget requires state agencies subject to the State Fleet Management Law to acquire passenger motor vehicles by lease through the master-leasing program established by DAS. Also, state agencies will be required to submit data and other information to DAS about motor vehicles that otherwise are not subject to the Fleet Management Law. The budget prohibits reimbursement to state employees who use their own motor vehicles for any mileage incurred above an amount DAS determines annually, with exceptions. Furthermore, the budget requires state institutions of higher education to use DAS' vehicle fleet management software system, DAS' fuel card program to pay for fuel and vehicle maintenance, and DAS' bulk fuel purchases contract to make bulk fuel purchases.

Vetoed Provisions

The Governor did not veto any provisions affecting the Department of Administrative Services in the main appropriations bill, Am. Sub. H.B. 66.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 — State Architect

Purpose: Provides architectural, engineering, construction management services, and project oversight for public improvement projects.

The following table shows the line items that are used to fund the State Architect program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	130-321	State Agency Support Services	$689,000*	$623,000*
		General Revenue Fund Subtotal	**$689,000**	**$623,000**
General Services Fund				
117	100-644	General Services Division-Operating	$395,943*	$402,264*
131	100-639	State Architect's Office	$6,977,274	$7,047,427
		General Services Fund Subtotal	**$7,373,217**	**$7,449,691**
Holding Account Redistribution Fund				
R08	100-646	General Service Refunds	$20,000	$20,000
		Holding Account Redistribution Fund Subtotal	**$20,000**	**$20,000**
Total Funding: State Architect			**$8,082,217**	**$8,092,691**

* Amounts do not reflect total funding because line items are used to fund programs in other program series. Amounts shown are the budgeted amount provided in the executive budget.

The following programs are in the State Architect program series:

- ***Program 1.1: Capital Project Management Services***
- ***Program 1.2: Space Planning and Interior Design***
- ***Program 1.3: Energy Services***

Program 1.1 - Capital Project Management Services

Program Description: The Office of the State Architect (SAO) provides for the proper management of capital facility development for a large portion of state agencies' capital projects. In addition, the SAO develops and maintains the master contractual requirements for the professional services design contracts, construction management contracts, and the construction contracts used in the development of most state agencies' facilities; serves state agencies with guidance and support in the competitive selection of architects, engineers, and construction managers; and subsequently negotiates contracts and amendments for their services. The SAO also establishes procedures and policies for effective project management of the state's capital project design and construction management, and maintains a list of pre-approved consultants who are available on short notice to submit proposals for services required by agency customers.

Funding Source: Charges paid by state agencies and universities for assistance with completion of their capital improvement projects and administrative assessments

Implication of the Enacted Budget: The enacted budget will not provide funding to fill four new positions needed by the office; however, the funding levels will help alleviate some of the current project management overload.

Permanent Law Provision:* *Local Administration Certification Program for State Universities and Community Colleges (R.C. section 123.17). The enacted budget directs the Ohio Board of Regents to start up the Local Administration Certification Program (authorized by Am. Sub. H.B. 16, the capital appropriations act, to certify state universities and state community colleges to administer their own building projects without DAS oversight) by December 30, 2005. Specifies that certification remains valid as long as the State Architect determines that the institution (1) employs a sufficient number of personnel who have completed the certification program, and (2) conducts biennial audits of its self-administered building projects. The budget also authorizes the State Architect to revoke the certification of an institution if the State Architect determines that either requirement is no longer met. The budget subjects the State Architect's authority to set the fees for the program to the approval of the Director of Budget and Management. Specifies that the fees are to cover the cost of implementing the program.

Program 1.2 - Space Planning and Interior Design

Program Description: The Interior Design program, a part of the General Service Division, provides space-planning services to tenants in state owned buildings and the Ohio Building Authority, and for state tenants in buildings that the state leases. This program develops space usage analysis, based on a standard methodology, as recommended by the Management Improvement Commission 2000 report, to provide more consistent use of office space and creates a more efficient, and therefore, a more economical use of state office areas. This program also compiles square footage information, which is used for accurate quarterly billings, as well as for federally required Statewide Indirect Cost Allocation Plan reporting.

Funding Sources: General Revenue Fund and administrative assessments

Implication of the Enacted Budget: Funding at enacted levels will allow for the continuation of staffing and services at FY 2005 levels.

Program 1.3 - Energy Services

Program Description: The Office of Energy Services facilitates the cost-effective, efficient use of energy resources in state government operations and facilities through a review of existing energy systems in state buildings and the design and construction of new systems that result in energy savings to agencies. These savings are a result of promoting and implementing performance-based contracts and through capital improvement funds authorized by the state. These performance-based contracts are financed through Air Quality Development Authority bonds, which are retired by the owner agency and paid with a portion of the operating funds saved by the project.

Funding Sources: General Revenue Fund, fees charged to customers for managing their energy conservation performance projects, and administrative assessments

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels.

Program Series 2 Procurement Services

Purpose: Provides centralized procurement of supplies and services used in the daily operations of most state agencies, with the exception of data and telecommunication products and services.

The following table shows the line items that are used to fund the Procurement Services program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	100-404	CRP Procurement Program	$248,040	$268,040
GRF	100-421	OAKS Project Implementation	$239,392*	$202,815*
GRF	130-321	State Agency Support Services	$213,318*	$217,078*
		General Revenue Fund Subtotal	**$700,750**	**$687,933**
General Services Fund				
117	100-644	General Services Division-Operating	$4,262,354*	$4,634,408*
		General Services Fund Subtotal	**$4,262,354**	**$4,634,408**
Total Funding: Procurement Services			**$4,963,104**	**$5,322,341**

* Amounts do not reflect total funding because the line items are used to fund programs in other program series. Amounts shown are the budget amounts provided in the executive budget.

The following programs are in the Procurement Services program series:

- ***Program 2.1: State Purchasing***
- ***Program 2.2: Cooperative Purchasing***
- ***Program 2.3: Competitive Sealed Proposal***

Program 2.1 - State Purchasing

Program Description: State Purchasing assists state agencies with procuring a number of goods and services by establishing and administering contracts. According to DAS, approximately $285 million out of the statewide $2 billion in supplies and services are competitively bid by State Purchasing, representing a savings to the state of over $20 million after subtracting out the cost of the operation.

Funding Sources: General Revenue Fund and fees charged to customer agencies based upon their expenditures for goods and services utilizing State Purchasing contracts

Implication of the Enacted Budget: The enacted budget may result in hiring fewer positions resulting in some delays in the purchasing of goods and services for agencies. The budget also contains language that transfers the State Use Program from MR/DD to DAS. Any additional costs to the program are likely to be offset by an increase in GRF appropriations of $248,040 in FY 2006 and $268,040 in FY 2007.

Permanent Law Provision: ***Transfer of State Use Program to DAS (R.C. sections 125.11, 125.60, 125.601, 125.602, 125.603, 125.604, 125.605, 126.606, 125.607, 125.608, 125.609, 125.6010, 125.6011, 125.6012, 127.16, 307.86, 731.14, 731.141, 4115.32, 4115.34, 4115.36, and Sections 203.12, 203.12.01, and 209.09.03).*** The budget transfers the state committee for the purchase of products and services provided by persons with severe disabilities, a procurement program currently housed with the Department of Mental Retardation and Developmental Disabilities, otherwise known as the State Use Program, to the Department of Administrative Services.

Program 2.2 - Cooperative Purchasing

Program Description: The goal of the Cooperative Purchasing program is to combine the purchasing power of participating political subdivisions to procure quality goods and services at the lowest price. This voluntary program offers Ohio counties, townships, municipalities, school districts, public libraries, regional transit authorities, park districts, and others the benefit and cost savings of building goods and services through state contracts.

Funding Source: Membership fees charged to local governments to participate in the state's purchasing program

Implication of the Enacted Budget: Funding at enacted levels will allow for the continuation of services at FY 2005 levels.

Program 2.3 - Competitive Sealed Proposal

Program Description: The Competitive Sealed Proposal process is generally used for the procurement of professional and other services. This process involves Requests for Proposals, from which responses are evaluated based on many factors. The price is not revealed until the other aspects of the proposal are reviewed and is then considered in the final contract award decision.

Funding Source: Fees charged to customer agencies based on their purchases from contracts established by this program

Implication of the Enacted Budget: The enacted budget may result in a reduction in the number of positions funded by this program.

Program Series 3 Document Management

Purpose: Allows agencies to copy, print, distribute, store, and retrieve written information.

The following table shows the line items that are used to fund the Document Management program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	130-321	State Agency Support Services	$833,580*	$854,974*
		General Revenue Fund Subtotal	**$833,580**	**$854,974**
General Services Fund				
117	100-644	General Services Division-Operating	$343,991*	$344,892*
122	100-637	Fleet Management	$99,474*	$100,160*
201	100-653	General Services Resale Merchandise	$1,553,000	$1,553,000
210	100-612	State Printing	$5,931,421	$5,931,421
		General Services Fund Subtotal	**$7,927,886**	**$7,929,473**
Total Funding: Document Management			**$8,761,466**	**$8,784,447**

* Amounts do not reflect total funding because line items are used to fund programs in other program series. Amounts shown reflect the budgeted amount provided in the executive budget.

The following programs are in the Document Management program series:

- ***Program 3.1: Printing-Document Reproduction***
- ***Program 3.2: Printing-Commercial Printing***
- ***Program 3.3: Records Management***
- ***Program 3.4: State Mail Services***

Program 3.1 - Printing-Document Reproduction

Program Description: The Office of State Printing operates a network of one main and six satellite copy centers. These copy centers are utilized by the executive and judicial branches of state government. According to DAS, work produced in these copy centers is 30% to 50% lower than commercial and agency copy centers because of the cost efficiencies associated with the economy of scale realized through centralized production services. These costs savings are realized by the state agencies that utilize the services of State Printing. State Printing offers a variable cost per impression of $0.10 to $0.20 per copy.

Funding Sources: Fees charged to customer agencies based upon the services provided, and administrative assessments

Implication of the Enacted Budget: The enacted budget will support current service and staffing levels; however, many agencies may continue to utilize the Internet and email rather than produce printed materials, thus reducing the services of DAS.

Program 3.2 - Printing-Commercial Printing

Program Description: The Commercial-Printing program provides a wide range of printing services for state agencies, boards, and commissions for those printing projects that are more cost effective to contract out rather than perform in-house. State Printing writes detailed bid specifications that establish material requirements, production methods, and delivery parameters, which result in significantly lower prices for Ohio's printed goods.

Funding Sources: Fees charged to customer agencies based upon the services provided, and administrative assessments

Implication of the Enacted Budget: Funding at enacted levels will allow for the continuation of services at FY 2005 levels.

Program 3.3 - Records Management

Program Description: Records Management establishes standards, reviews disposal requests, and establishes general schedules for retention for the records, both paper and electronic, of all state agencies. In addition, Records Management establishes and maintains a records management training program, and provides for the disposition of any remaining records of any state agency, board, or commission that has terminated its operations.

Funding Sources: General Revenue Fund and administrative assessments

Implication of the Enacted Budget: The enacted budget will provide for one employee to continue performing a combination of records management and forms management duties.

Program 3.4 - State Mail Services

Program Description: State Mail Services provides interdepartmental mail delivery, metering, pre-sort services, and flat sorting services to enable agencies to meet their mailing needs. The State Mail Service is not statutorily required, but DAS believes it provides significant cost savings opportunities for its users. According to DAS, interoffice mail delivery sorts approximately 6,100 pieces of inter-office mail daily, and based upon current U.S. Postal Service rates, this equates to annual savings of over $1.1 million.

Funding Sources: General Revenue Fund and administrative assessments

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels.

Program Series 4 — Fleet Management

Purpose: Supports the state's motor vehicle fleet management functions and provides guidance on vehicle purchases, assignment, usage, maintenance, operation, and disposal.

The following table shows the line items that are used to fund the Fleet Management program series, as well as the enacted recommended funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
117	100-644	General Services Division-Operating	$72,223*	$71,507*
122	100-637	Fleet Management	$3,925,569*	$3,932,808*
Total Funding: Fleet Management			**$3,997,792**	**$4,004,315**

* Amounts do not reflect total funding because line items are used to fund programs in other program series. Amounts shown are the amounts provided in the executive budget.

The following programs are in the Fleet Management program series:

- ***Program 4.1: Statewide Fleet Services***
- ***Program 4.2: Vehicle Lease and Rental Services***

Program 4.1 - Statewide Fleet Services

Program Description: The Office of Fleet Management serves almost all state agencies by providing an on-line fleet program (FleetOhio) that provides vehicle management reports and vehicle inventory data, a review of all requests for the purchase or lease of motor vehicles, and the fleet fuel card system. The FYs 2004-2005 budget bill increased the authority and scope of the Fleet Management program by charging DAS with the reduction of the number of passenger vehicles by 10%, or 693 vehicles by June 30, 2005. In February 2003, the size of the overall state fleet was 12,563. The office has since successfully reduced the overall fleet by 900 vehicles.

Funding Sources: Fees charged to customer agencies based upon the number of vehicles for which service is provided and administrative assessments

Implication of the Enacted Budget: The enacted budget may not provide the resources for personnel and professional services to implement the requirements of the new fleet program. The State Fleet Management Program may experience an increase in workload to ensure that state institutions of higher education use DAS' fleet management software, use the fuel card program, and use DAS' bulk fuel purchases contract. Also, the enacted budget will allow for the continuation of the state's Voyager Fleet Card Payment program. DAS will allocate approximately $859,000 in FY 2006 and $879,000 in FY 2007 for this program.

Permanent Law Provision: ***Changes to Fleet Management Law (R.C. sections 125.831 and 125.832).*** The enacted budget authorizes proceeds from the disposition of motor vehicles under the Fleet Management Law to be deposited, at the discretion of the Director of Administrative Services, to the credit of either the Fleet Management Fund or the Investment Recovery Fund, rather than just into the Fleet Management Fund. Changes the definitions of "state agency" and "law enforcement officer" as used in the Fleet Management Law to include or exclude various individuals or entities from those terms. Generally requires state agencies subject to the State Fleet Management Law to acquire passenger motor vehicles by lease through the master-leasing program established by DAS. Requires state agencies to submit data and other information to DAS about motor vehicles that otherwise are not subject to the Fleet Management Law. Prohibits reimbursement of state employees who use their own motor vehicles for any mileage incurred above an amount DAS determines annually unless DAS approves the excess mileage in accordance with specified standards. Requires state institutions of higher education to use DAS' vehicle fleet management software system, DAS' fuel card program to pay for fuel and vehicle maintenance, and DAS' bulk fuel purchases contract to make bulk fuel purchases. Requires DAS, rather than the Board of Regents, to receive each state institution of higher education's annual report concerning its acquisition and management of motor vehicles and to document savings made by the various institutions.

Program 4.2 - Vehicle Lease and Rental Services

Program Description: The Vehicle Rental and Lease program provides state agencies with vehicles for long-term lease or short-term rent use.

Funding Sources: Fees charged to customer agencies based upon the usage of rental or leased vehicles; administrative assessments

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels. The budget will allow DAS to continue to provide its 58 customer agencies with vehicles for lease, vehicle maintenance, and replacement of those vehicles. The budget provides approximately $3.1 million each fiscal year for this program.

Program Series 5 Risk Management

Purpose: Coordinates insurance coverage to protect the state's assets from major loss and to insure agencies against losses that would adversely impact their financial stability.

The following table shows the line items that are used to fund the Risk Management program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
117	100-644	General Services Division-Operating	$57,302*	$57,620*
127	100-627	Vehicle Liability Insurance	$3,344,644	$3,344,644
130	100-606	Risk Management Reserve	$223,904	$223,904
Total Funding: Risk Management			**$3,625,850**	**$3,626,168**

* Amount does not reflect total funding because line item is used to fund programs in other program series. Amount shown is the amount provided in the executive budget.

The following programs are in the Risk Management program series:

- ***Program 5.1: Vehicle Liability Services***
- ***Program 5.2: Property, Casualty, and Bonding Services***

Program 5.1 - Vehicle Liability Services

Program Description: The Vehicle Liability Services program administers the state's self-insured vehicle liability program, which covers a wide variety of vehicles, including emergency units. This program provides vehicle liability insurance for state agencies and acts as a liaison between agencies and private firms to enable agencies to reduce the cost for processing claims against vehicles. The program also helps state agencies recover money owed to the state from at-fault parties or their insurance carrier and for damages to state owned motor vehicles.

Funding Sources: Fees charged to customer agencies based upon the number of vehicles for which liability coverage is provided and administrative assessments

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels and allow DAS to continue providing risk management services through the provision of property and casualty insurance from private vendors. The enacted budget provides approximately $3.34 million each fiscal year for vehicle liability insurance coverage for approximately 17,900 vehicles.

Program 5.2 - Property, Casualty, and Bonding Services

Program Description: The Property, Casualty, and Bonding Services program provides state agencies with professional risk management services. The program procures property and casualty insurance coverage for state agencies through private insurers, acting on behalf of the agencies in contacting insurance markets.

Funding Sources: Fees charged to customer agencies based on the dollar volume of private insurance coverage placed or the number of exposure units for which coverage is placed; administrative assessments

Implication of the Enacted Budget: The enacted budget will continue this program at FY 2005 levels. Funding levels will not provide for a needed consultant to look at expanding the centralized insurance policies offered to state agencies, including collision insurance policies required when leasing vehicles. As a result, DAS will try to utilize its own staff to perform this review.

Program Series 6 — Property and Facilities Management

Purpose: Supports the activities of state government by providing accommodations for state agencies' space needs and building management services.

The following table shows the line items that are used to fund the Property and Facilities Management program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	100-421	OAKS Project Implementation	$244,608*	$208,024*
GRF	100-734	Major Maintenance-State Buildings	$50,000	$50,000
GRF	130-321	State Agency Support Services	$429,920*	$439,526*
		General Revenue Fund Subtotal	**$724,528**	**$697,550**
General Services Fund				
117	100-644	General Services Division-Operating	$1,702,434*	$1,735,081*
132	100-631	DAS Building Management	$10,721,430	$11,066,228
427	100-602	Investment Recovery	$5,580,208	$5,683,564
5C3	100-608	Skilled Trades	$1,406,278	$1,434,982
		General Services Fund Subtotal	**$19,410,340**	**$19,919,855**
Total Funding: Property and Facilities Management			**$20,134,878**	**$20,617,405**

* Amounts do not reflect total funding because line item are used to fund programs in other program series. Amounts shown are the budgeted amounts provided in the executive budget.

The following programs are in the Property and Facilities Management program series:

- ***Program 6.1: State and Federal Surplus***
- ***Program 6.2: Real Estate Services***
- ***Program 6.3: Safety and Security Services***
- ***Program 6.4: Facilities Management***
- ***Program 6.5: Skilled Trades***
- ***Program 6.6: Fixed Asset Management***

Program 6.1 - State and Federal Surplus

Program Description: The State Surplus Property program receives excess property from state agencies, boards, and commissions. The surplus property is stored in a warehouse and surplus vehicles are stored on a parking lot at 4200 Surface Road. The property is then offered to eligible recipients, such as state agencies, state-supported or state-assisted institutions of higher education, tax-supported agencies such as public schools and political subdivisions of the state, and nonpublic elementary and secondary schools chartered by the State Board of Education. Any surplus property that is not reused is auctioned off to the highest bidder at a public auction. The Federal Surplus Property program allows eligible entities access to surplus federal property.

Funding Sources: A portion of the sales proceeds from property sold for state agencies and administrative assessments

Implication of the Enacted Budget: The enacted budget will allow for the continuation of this program at current service levels and provide additional funds to make refunds. The budget provides $1.6 million in FY 2006 and $1.7 million in FY 2007 to eliminate the annual Controlling Board request to increase appropriation authority to enable the State and Federal Surplus activity to make refunds.

Temporary Law Provision: ***Investment Recovery Fund (Section 203.12.30).*** The budget law allows cash balances in the Investment Recovery Fund (Fund 427) to be used to support the operating expenses of the Federal Surplus Operating Program, and the operating expenses of the State Property Inventory and Fixed Assets Management System Program. Earmarks up to $2,147,024 in FY 2006 and up to $2,205,594 in FY 2007 from appropriation item 100-602, Investment Recovery, for the operating expenses of the State Surplus Property Program, the Surplus Federal Property Program, and the State Property Inventory and Fixed Assets Management System Program. Earmarks $3,433,184 in FY 2006 and $3,477,970 in FY 2007 from appropriation item 100-602, Investment Recovery, to be used to transfer proceeds from the sale of surplus property from the Investment Recovery Fund to non-General Revenue Funds under division (A)(2) of section 125.14 of the Revised Code.

Program 6.2 - Real Estate Services

Program Description: Real Estate Services represents most state agencies, boards, commissions, colleges, and universities in leasing of commercial facilities, state property appraisal review, preparation and processing of easements involving state property, and the purchase and sale of real estate. According to DAS, this office manages over 300 leases with an annual dollar value in excess of $57 million for 59 state entities.

Funding Sources: General Revenue Fund, new fees charged to customer agencies based upon the dollar volume of their commercial leases, and administrative assessments

Implication of the Enacted Budget: The enacted budget will maintain program and staffing levels at FY 2005 levels.

Program 6.3 - Safety and Security Services

Program Description: The Safety and Security Services program ensures the safety of tenants and visitors in certain state owned and leased facilities in the Metro Columbus area. These facilities include: 25 S. Front Street (Department of Education); 4200 Surface Road (Department of Administrative Services); the State of Ohio Computer Center; and commercially leased space occupied by the Environmental Protection Agency, Ohio Data Network Print Services, and the Department of Health Vital Statistics. Security is maintained 24 hours a day, seven days a week through a network of digital Closed Circuit Television (CCTV) and Card Access Systems at proprietary stations located at 4299 Surface Road. The expansion of Homeland Security measures has put additional emphasis on this program.

Funding Sources: Fees charged to customer agencies based on the square footage of building space for which services are provided; administrative assessments

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels. DAS will allocate approximately $1.2 million each fiscal year to continue providing safety and security services in five state-owned agency facilities in Columbus.

Program 6.4 - Facilities Management

Program Description: The Facilities Management program provides centralized building operations and maintenance services for DAS owned and managed buildings, including custodial, preventive maintenance, HVAC operations, maintenance and repair, major remodeling and renovation, customer requested alterations, snow removal, and landscaping. Inflationary costs of electric, gas, and water utilities have increased beyond normal inflation, driving the cost of this program.

Funding Sources: General Revenue Fund, fees charged to customer agencies based on the square footage of office space occupied in DAS owned and managed buildings, and administrative assessments

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels. The budget provides roughly $10 million each fiscal year for facilities management.

Program 6.5 - Skilled Trades

Program Description: The Skilled Trades Work Unit provides limited alteration and renovation work in state owned facilities. This unit employs a small number of skilled trade workers that are primarily used to respond to emergency situations. This unit also provides minor alteration, renovation, and construction services to state agencies.

Funding Sources: Fees charged to customer agencies on a time and materials basis for project work performed; administrative assessments

Implication of the Enacted Budget: The enacted funding levels may result in a delay in the scheduling of some detailed facilities work.

Program 6.6 - Fixed Asset Management

Program Description: The Office of Fixed Asset Management provides asset management services to state agencies as a means for agencies to fulfill their own internal inventory reporting needs, and the state of Ohio statutory inventory and capital asset financial reporting requirements. This office also maintains and provides an on-line/real-time access to the state's Fixed Asset Management System (FAMS). This program will eventually be a part of the OAKS system.

Funding Sources: General Revenue Fund, a portion of sales of property sold for state agencies, and administrative assessments

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels. The budget provides approximately $452,000 over the biennium for development and implementation of the fixed asset management components of the OAKS system.

Program Series 7 — Enterprise Information Technology

Purpose: Provides senior leadership and strategic direction for the state of Ohio on issues of Information Technology.

The following table shows the line items that are used to fund the Enterprise Information Technology program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	100-418	Web Sites and Business Gateway	$3,275,280	$3,275,280
General Services Fund				
229	100-630	IT Governance	$1,355,647*	$1,346,816*
Federal Special Revenue Fund				
3AJ	100-623	Information Technology Grants	$82,048	$82,048
Total Funding: Enterprise Information Technology			**$4,712,975**	**$4,704,144**

* Amount does not reflect total funding because line item is used to fund programs in other program series. Amount shown is the budgeted amount provided in the executive budget.

The following programs are in the Enterprise Information Technology program series:

- ***Program 7.1: Enterprise Information Technology Leadership***
- ***Program 7.2: Digital Government***

Program 7.1 - Enterprise Information Technology Leadership

Program Description: The State Chief Information Officer position was created by executive order in January 2004. This position will provide collaboration, oversight, and communications essential to the future of state information technology by working with state agencies, local governments, and the federal government. One of the Chief Information Officer's top priorities is IT security.

Funding Source: Fees charged to user agencies for IT services

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels.

Temporary and Permanent Law Provisions: ***Office of Information Technology (Section 203.12.48).*** The enacted budget maintains continuing temporary law that allows the Director of Administrative Services, with the approval of the Director of Budget and Management, to establish an information technology assessment for the purpose of recovering the cost of selected infrastructure and statewide programs. Such assessment shall comply with applicable cost principles issued by the federal Office of Management and Budget. The information technology assessment shall be charged to all organized bodies, offices, or agencies established by the laws of the state for the exercise of any function of state government except for the General Assembly, any legislative agency, the Supreme Court, the other courts of record in Ohio, or any judicial agency, the Adjutant General, the Bureau of Workers' Compensation, and institutions administered by a board of trustees. Any state entity exempted by this section may utilize the infrastructure or statewide program by participating in the information technology assessment. All charges for the information technology assessment shall be deposited to the credit of the IT Service Delivery Fund (Fund 133) created in section 125.15 of the Revised Code.

Office of Information Technology (R.C. section 125.18). The budget establishes the Office of Information Technology in the Department of Administrative Services to advise the Governor regarding the superintendence and implementation of statewide information technology policy and to lead, oversee, and direct state agency activities regarding the development and use of information technology. Budget language also states that the creation of the Office of Information Technology does superintend the office of state-elected officials, other than the offices of the Governor and Lieutenant Governor, as well as the five state retirement systems, in their development or use of information technology.

Program 7.2 - Digital Government

Program Description: The Digital Government program coordinates the strategic delivery of on-line services to the citizens and business of the state by collaborating with state agencies to create effective and consistent on-line service offerings and interfaces. One project funded by this program is the Ohio Business Gateway, a system that currently allows businesses to file and pay eight different tax forms with four different agencies, all from within the same system. The maintenance and operating costs of the OBG are funded through the GRF, and the state has made a commitment to municipalities that these changes will take place at no cost to them. Other projects funded by this program are the Ohio Portal group, the Internet Portal, the Ohio Server Project, which provides web site hosting to state agencies, and the Appalachian Broadband project. The Appalachian Broadband project is an economic development effort to help the underserved areas of Southeast Ohio to achieve equal footing relative to the other areas of the state in terms of access to the benefits of high-speed Internet access. This project is funded through a federal grant, requiring a 50% match.

Funding Sources: General Revenue Fund, fees charged to user agencies of IT services, and federal grants

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels.

Program Series 8 Information Technology Governance

Purpose: Provides enterprise-wide structure for management in the area of technology acquisition, policy, planning, project management, and project portfolio management to support agencies, boards, and commissions in their acquisition and use of information technology.

The following table shows the line items that are used to fund the Information Technology Governance program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
229	100-630	IT Governance	$14,370,312*	$13,752,139*
Total Funding: Information Technology Governance			**$14,370,312**	**$13,752,139**

* Amount does not reflect total funding because line item is used to fund programs in other program series. Amount shown is the budgeted amount provided in the executive budget.

The following programs are in the Information Technology Governance program series:

- ***Program 8.1: Superintendence***
- ***Program 8.2: Research & Advisory Services***

Program 8.1 - Superintendence

Program Description: The Office of Information Technology has approval authority, in collaboration with the Director of Budget and Management, over all information technology budgeting and spending by agencies, establishing and running a new statewide advisory council, and continuing a comprehensive approach to steering the state of Ohio's investment in information technology.

Funding Source: Fees charged to user agencies for IT services

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels. The budget will allow DAS to yield savings across all state agencies in excess of $50 million annually on IT purchases. DAS will allocate approximately $12 million each fiscal year for IT superintendence.

Program 8.2 - Research & Advisory Services

Program Description: The Information Technology Research & Advisory Services program provides services to all state agencies. Agencies can receive unlimited research, advice, and insights to support IT decision making through four research partners: Gartner, META, the Columbus Technology Council, and NOREX. These partners offer help on higher-level strategic and trend-based research and for IT research and advice. Agencies often use these services when developing applications. These services are accessible via the Internet, over the telephone, in person, via on-site briefings, in peer-to-peer discussion groups, through white papers and discussion groups, and via e-mail. Previously, agencies contracted independently with these partners. These contracts are now consolidated into a statewide subscription that is paid for by OIT.

Funding Source: Fees charged through payroll check-off for IT services

Implication of the Enacted Budget: The enacted budget will maintain program and staffing at FY 2005 levels.

Program Series 9 — Information Technology Services

Purpose: Provides a variety of services including network infrastructure, data storage, and maintenance of operating system environments.

The following table shows the line items that are used to fund the Information Technology Services program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	100-419	IT Security Infrastructure	$1,636,247	$1,636,247
		General Revenue Fund Subtotal	**$1,636,247**	**$1,636,247**
General Services Fund				
133	100-607	IT Service Delivery	$81,418,432	$80,345,564
229	100-630	IT Governance	$2,805,853*	$2,502,757*
4N6	100-617	Major IT Purchases	$10,617,166	$10,617,166
5C2	100-605	MARCS Administration	$9,268,178	$9,268,178
		General Services Fund Subtotal	**$104,109,629**	**$102,733,665**
Total Funding: Information Technology Services			**$105,745,876**	**$104,369,912**

* Amount does not reflect total funding because line item is used to fund programs in other program series. Amount shown is the budgeted amount provided in the executive budget.

The following programs are in the Information Technology Services program series:

- ***Program 9.1: Enterprise Computing***
- ***Program 9.2: Unified Network Services***
- ***Program 9.3: Enterprise Shared Services***

Program 9.1 - Enterprise Computing

Program Description: The Enterprise Computing program (formerly known as the Ohio Data Network) offers agencies a variety of data center services across various mainframe open platforms, and provides technical support and tools enabling agencies to develop systems that seamlessly cross platform boundaries. Agencies utilize these services when developing unique applications.

Funding Source: Fees charged to user agencies for IT services

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels, and allow DAS to allocate approximately $87 million for IT service delivery and $20 million for major IT purchases. Over the biennium, DAS plans to consolidate and centralize multiple help desk services as well as centralize agencies' e-mail applications to eliminate the need for individual agencies to have their own servers.

Program 9.2 - Unified Network Services

Program Description: The Unified Network Services program has two components: Network Operations and the Multi-Agency Radio Communications System (MARCS). Network Operations provides network services including Internet services, network connectivity, local area network support, video conferencing, remote network access, network security services, and voice communication services. Funding in the FY 2006-2007 biennium will be used to design and implement the OH*1-The Next Generation Network for Ohio. The OH*1 program will consolidate the multiple data, voice, and video networks throughout the state. The most recent capital bill (Am. Sub. H.B. 16 of the 126th General Assembly) appropriated $4 million in the FY 2006-2007 biennium to start the development of the OH*1 Network.

MARCS provides statewide mobile voice and data communications to public safety and service providers at all levels of government. Participants include state agencies involved with law enforcement, health, emergency management, and emergency medical services. Ohio has invested $272 million in capital to create the infrastructure for this communication system. Funding in FYs 2006-2007 will be used to support the MARCS operational unit, including technical support, network operations, and remote communications.

Funding Sources: General Revenue Fund, fees charged to user agencies for IT services and MARCS users

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels. DAS will allocate approximately $9.3 million each fiscal year for administration of the MARCS program.

Temporary Law Provisions: Multi-Agency Radio Communications System (Section 203.12.33). The budget maintains continuing temporary law that allows the Director of Administrative Services to collect user fees from participants in the MARCS system. The Director of Administrative Services, with the advice of the Multi-Agency Radio Communications System Steering Committee and the Director of Budget and Management, shall determine the amount of the fees and the manner by which the fees shall be collected. Such user charges shall comply with the applicable cost principles issued by the federal Office of Management and Budget. All moneys from user charges and fees shall be deposited in the state treasury to the credit of the Multi-Agency Radio Communications System Administration Fund (Fund 5C2), which is hereby established in the state treasury. All interest income derived from the investment of the fund shall accrue to the fund.

Program 9.3 - Enterprise Shared Services

Program Description: The Enterprise Shared Services (ESS) program focuses on the effective use of technologies in support of multi-agency functions and services by providing a wide range of services to streamline governmental operations and provide economies of scale to increase efficiencies, time-savings, and eliminate redundancy for state agencies and other governmental units. These services are offered through the following: Ohio Geographically Referenced Information Program/Geographic Information System Support Center (OGRIP/GISSC), the Ohio Portal, the Electronic Commerce Center (ECC), and the Ohio Business Gateway (OBG).

The GISSC provides assistance, consultation, and guidance to state agencies on spatial and location-based technologies and their use within state government providing enterprise solutions to support spatial information technologies. Ohio's statewide centerline program managed by GISSC, the Location Based Response System (LBRS), is an intelligent, high resolution/accuracy depiction of the center of the road, with site address and address ranges to support public safety, emergency response, and economic development. In partnership with local governments, the LBRS will allow access to imagery, mapping, and reference information based upon the entry of an address anywhere in Ohio.

The ECC provides enterprise services such as electronic payment, electronic data exchange, data transformation, data delivery, and electronic commerce consulting services to state agencies.

The OBG, a web-based application that permits businesses to report, file, and pay Ohio sales tax, employer withholding tax, unemployment compensation tax, and workers' compensation premiums electronically in one location via the state of Ohio's home page. The operations portion of the Ohio Business Gateway is funded through the Digital Government program.

The ESS also supports the continued operations of the Ohio.Gov Portal and Ohio Server Project. The Ohio.Gov Portal provides the "front door" through which web site visitors can easily locate state services without knowing what agency provides those needed services. The Ohio Server Project provides and supports the Internet Hosting to state agencies.

OGRIP was formalized by an executive order in order to coordinate and develop the use of geographic information systems through the state. OGRIP coordinates location information on behalf of all state and local governmental groups. The GRF funding for OGRIP was eliminated in the last biennium.

Funding Sources: General Revenue Fund and fees charged to user agencies for IT services

Implication of the Enacted Budget: The enacted budget will provide approximately $8 million each fiscal year allowing current program and staffing levels to be maintained.

Program Series 10 Human Resources

Purpose: Meets the human resources needs of state government.

The following table shows the line items that are used to fund the Human Resources program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	100-403	Public School Employee Benefits	$1,200,000	$1,500,000
GRF	100-406	County & University Human Resources Services	$60,000	$60,000
		General Revenue Fund Subtotal	**$1,260,000**	**$1,560,000**
General Services Fund				
125	100-622	Human Resources Division-Operating	$18,864,179	$19,220,614
5D7	100-621	Workforce Development	$12,000,000	$12,000,000
5L7	100-610	Professional Development	$2,700,000	$2,700,000
5V6	100-619	Employee Educational Development	$936,129	$936,129
		General Services Fund Subtotal	**$34,500,308**	**$34,256,743**
Agency Fund				
124	100-629	Payroll Deductions	$2,050,000,000	$2,050,000,000
		Agency Fund Subtotal	**$2,050,000,000**	**$2,050,000,000**
Total Funding: Human Resources			**$2,085,760,308**	**2,085,816,743**

The following programs are in the Human Resources program series:

- ***Program 10.1: State Personnel***
- ***Program 10.2: Benefits Administration***
- ***Program 10.3: OCSEA Workforce Development***
- ***Program 10.4: Exempt Employee Professional Development***
- ***Program 10.5: Employee Educational Development***
- ***Program 10.6: Payroll Deductions***

Program 10.1 - State Personnel

Program Description: State Personnel provides services and information to help state agencies conduct their personnel functions. These services include: developing and maintaining classification plans; testing, maintaining test certification listings, and providing tailored recruitment; processing state payroll maintaining computerized human resources subsystems; approving position descriptions; and maintaining personnel records. This program covers eight subprograms: Information Resources, Human Resources Support Center, Payroll Administration, the Ohio Administrative Knowledge System (OAKS), Policy Development, Employment Processing, Training and Development, and County Services.

Information Resources coordinates events, such as the Human Resources Conference, develops contracts with outside vendors, coordinates employee and agency communication, responds to requests for information, coordinates the Governor's Employee Recognition program, administers the Combined Charitable Campaign, and provides support to many other programs benefiting all state employees.

The Human Resources Support Center consists of the Classification and Compensation, Certification Services, and State Services units, and the Employee Records Office.

Payroll Administration administers the computerized Human Resources System that is used by all state agencies that are paid by warrant of the Auditor of State. This unit processes 65,000 payroll checks every two weeks. In addition, this unit is responsible for annual employee wage reporting, as well as enrollment data to various entities the state conducts business with. Payroll Administration released its first ever Payroll Officers manual, which provides instruction for on-line payroll posting.

The Ohio Administrative Knowledge System (OAKS) is an Enterprise Resource Planning system that will be used by the Treasurer of State, Auditor of State, Office of Budget and Management, and DAS to integrate the five major statewide business operations: capital improvements, financials, fixed assets, human resources, and procurement. When this system is complete, the Human Resources Division will use this system to perform human resources functions such as payroll.

Policy Development administers seminars focusing on employment law and HR issues throughout the year, provides information and assistance to state agencies and employees related to proposed and current legislation affecting public employment in Ohio, statewide HR policy and employment law issues, provides staff with educational opportunities on HR/employment law issues, provides its three attorneys with various legal databases to research customer inquiries, and acts as internal legal counsel for the Human Resources Division.

Employment Processing includes the development and administration of civil service tests, approving or disapproving test applications, consulting with state agencies to assist them with testing, and other functions related to civil service testing.

Training and Development offers educational opportunities and initiatives for all levels of state employees through many training and certification programs.

Funding Sources: General Revenue Fund, payroll assessment, and administrative assessments

Implication of the Enacted Budget: The enacted funding levels will allow DAS to maintain staffing levels in all program areas except for County Services. The executive budget included language that eliminated the duty of the director of DAS to provide various services to counties under the civil service law. The enacted budget did not include the executive language, nor did it provide GRF appropriations to DAS to perform the county functions.

Program 10.2 - Benefits Administration

Program Description: The Benefits Administration program administers health care, long-term care, dental, vision, and life insurance, COBRA, unemployment benefits, dependent care programs, disability leave, and workers' compensation for all state employees. This program also oversees the absence management and wellness initiative and various special events such as wellness fairs. DAS plans to continue in the FY 2006-2007 biennium to seek ways to provide state employees with cost-effective health care.

Funding Source: Payroll assessments

Implication of the Enacted Budget: The enacted budget will allow benefit services to be maintained at their current levels; however, there may be insufficient resources to introduce new cost-saving initiatives, particularly in the areas of wellness and absence management.

Temporary Law Provision: ***Public School Employee Benefits (Section 203.12.02).*** The enacted budget requires the foregoing appropriation item 100-403, Public School Employee Benefits, be used by the Director of Administrative Services to hire an executive director and an assistant responsible for providing administrative support to the School Employee Health Care Board and the public school employee health insurance program established under section 9.901 of the Revised Code. At any time during the biennium, when the Director of Administrative Services certifies that there is a sufficient reserve available from premium payments made to the School Employees Health Care Fund (Fund 815), the Director of Budget and Management shall transfer $2,700,000 from the School Employees Health Care Fund to the General Revenue Fund.

Program 10.3 - OCSEA Workforce Development

Program Description: The Workforce Development program administers the Workforce Development benefit created through collective bargaining agreements between the state of Ohio and the Ohio Civil Service Employees Association (OCSEA). This program is designed to develop the job skills and abilities of all eligible union employees, through tuition assistance, reimbursement, professional development programs, career counseling, grants, labor-management training, pre-retirement seminars, conferences, and other developmental activities as determined necessary by the Workforce Development Steering Committee.

Funding Sources: Union employee payroll assessments and administrative assessments

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels. DAS will allocate approximately $12 million each fiscal year for the Workforce Development program.

Program 10.4 - Exempt Employee Professional Development

Program Description: The Exempt Employee Professional Development program provides state employees exempt from collective bargaining agreements with programs such as tuition reimbursement, computer purchase loan program, and other professional development education and training.

Funding Sources: Payroll assessments on exempt employees of participating agencies and administrative assessments

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels.

Program 10.5 - Employee Educational Development

Program Description: The Employee Educational Development program is a group of five tuition reimbursement plans, which are a result of collective bargaining agreements with the Health Care and Social Service Union District 1199, the State Council of Professional Educators, the Ohio State Troopers Association Unit 1 and 15, and the Fraternal Order of Police Unit 2. Each of the plans has a negotiated yearly amount and individual amounts that can be reimbursed for approved classes and seminars.

Funding Source: Payroll assessment on affected state employees

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels.

Program 10.6 - Payroll Deductions

Program Description: The Payroll Deductions program collects over 1,000 different types of state agency and state employee payroll deductions into the Payroll Deductions Fund (Fund 124). This fund is used as a pass-through fund to centralize the payment of payroll deductions. DAS makes disbursements from this fund for federal, state, and local taxes withheld, state retirement system deductions, insurance, deferred compensation, credit unions, and many other purposes.

Funding Source: State employee payroll deductions

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels. The budget appropriates $2.05 billion each fiscal year for payroll deductions. As can be seen, these "pass-thrus" are the lion's share of the agency's appropriations.

Program Series 11 Collective Bargaining

Purpose: Supports the collective bargaining process with union-represented state employees on behalf of the Governor.

The following table shows the line items that are used to fund the Collective Bargaining program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
128	100-620	Collective Bargaining	$3,410,952	$3,410,952
Total Funding: Collective Bargaining			$3,410,952	$3,410,952

The following programs are in the Collective Bargaining program series:

- ***Program 11.1: Contract Administration***
- ***Program 11.2: Conflict Resolution Services***
- ***Program 11.3: Contract Negotiation***

Program 11.1 - Contract Administration

Program Description: The Contract Administration program provides state agencies assistance in the resolution of unionized employee grievances through the coordination and review of mid-term changes in the collective bargaining agreements, the review of employee terminations and fine impositions, and as the final authority in the interpretation of labor contracts.

Funding Source: Payroll check-off charges

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels. The budget will allow DAS to maintain administration of six collective bargaining agreements with five unions, as well as review of mid-term changes of those agreements. DAS will allocate approximately $1.2 million for these functions.

Program 11.2 - Conflict Resolution Services

Program Description: The Conflict Resolution Services program provides agencies assistance in the resolution of unionized employee grievances through the hiring and scheduling of mediation and arbitration services. In addition, the program provides staff for the representation of the state in grievance proceedings and in issues before the State Employment Relations Board.

Funding Source: Payroll check-off charges

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels.

Program 11.3 - Contract Negotiation

Program Description: The Contract Negotiations program provides state agencies representation in contract negotiations, develops cost estimates of proposed changes to the collective bargaining agreements, statistical analysis of labor market trends and labor costs for dispute resolution and contract negotiations, and statewide or agency payroll cost analysis when requested by the Governor, the legislature, or state agencies. Negotiations are conducted every three years. The current contract will expire in calendar year 2006.

Funding Source: Payroll check-off charges

Implication of the Enacted Budget: The enacted budget will allow FY 2005 service and staffing levels to be maintained.

Program Series 12 — Equal Opportunity Programs

Purpose: Assists state agencies with the promotion of equal access to state employment opportunities and state contracting opportunities.

The following table shows the line items that are used to fund the Equal Opportunity Programs program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	100-439	Equal Opportunity Certification Program	$726,481	$728,384
GRF	100-451	Minority Affairs	$47,000	$47,000
GRF	102-321	Construction Compliance	$1,190,959	$1,206,779
		General Revenue Fund Subtotal	**$1,964,440**	**$1,982,163**
General Services Fund				
188	100-649	Equal Opportunity Division-Operating	$993,378	$1,010,256
		General Services Fund Subtotal	**$993,378**	**$1,010,256**
Total Funding: Equal Opportunity Programs			**$2,957,818**	**$2,992,419**

The following programs are in the Equal Opportunity Programs program series:

- ***Program 12.1: AA/EEO Compliance***
- ***Program 12.2: Minority Affairs***
- ***Program 12.3: Construction Compliance***
- ***Program 12.4: Equal Opportunity Certification***

Program 12.1 - AA/EEO Compliance

Program Description: The Affirmative Action/Equal Employment Office Compliance program directs and manages the state employee discrimination complaint procedure program. This program provides a vehicle for any state employee to address and resolve perceived employment discrimination issues with the employing agency. The program also provides guidelines, procedures, and expertise to state agencies, boards and commission in the development and implementation of strategic planning for equal employment opportunity programming within their departments.

Funding Source: Payroll assessments on a per employee basis

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels.

Program 12.2 - Minority Affairs

Program Description: The Minority Affairs program provides liaison services to the Ohio Dr. Martin Luther King, Jr. Holiday Commission. The Commission coordinates the Dr. Martin Luther King, Jr. Commemorative Celebration and award ceremony, releases a calendar to educate and enlighten Ohioans on equality in our society, and sponsors a statewide oratorical contest for Ohio youth. This program provides the funding, budget preparation, and clerical support to the Commission.

Funding Sources: General Revenue Fund and administrative assessments

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels.

Program 12.3 - Construction Compliance

Program Description: The Construction Compliance program is responsible for ensuring that construction contractors on state and/or state-assisted construction projects comply with laws/regulations pertinent to equal employment opportunity. The program issues a contractor certificate of compliance through an application process, which permits a contractor to conduct business on a state and/or state assisted contract.

Funding Sources: General Revenue Fund and administrative assessment

Implication of the Enacted Budget: The enacted budget will allow FY 2005 service levels to be maintained over the biennium.

Program 12.4 - Equal Opportunity Certification

Program Description: The MBE program was designed to assist minority business in obtaining state government contracts through a set aside procurement program for goods and services. The EDGE program, codified during the FY 2004-2005 budget process, was created to provide economically and socially disadvantaged business enterprises equity in regard to state contracts for goods and services and construction.

Funding Sources: General Revenue Fund and administrative assessment

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels. The budget provides approximately $1.8 million over the biennium to support this program.

Temporary Law Provision: ***EDGE Program (R.C. section 123.152).*** The budget requires the Director of Administrative Services to establish guidelines for state universities and the Ohio School Facilities Commission for awarding contracts. These guidelines allow the universities and Commission to establish their own agency procurement goals for contracting with (Encouraging Diversity, Growth and Equity Program) EDGE business enterprises. In addition, this section requires the Director to use the standard industrial code or an equivalent code classification when establishing procurement goals for agencies that award contracts pursuant to the Department of Administrative Services Public Works Law, the Department of Administrative Services Office Services Law, and the Public Improvements Law. This section exempts, from the Public Records Law, business and personal financial information and trade secrets submitted by EDGE applicants to the Director unless the Director presents the financial information or trade secrets at a public hearing or public proceeding regarding the applicant's eligibility to participate in the program.

Program Series 13 State Support Services

Purpose: Provides centralized support services to various state entities.

The following table shows the line items that are used to fund the State Support Services program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	100-405	Agency Audit Expenses	$329,000	$329,000
GRF	100-410	Veterans' Records Conversion	$69,000	$48,600
GRF	100-433	State of Ohio Computer Center	$4,991,719	$4,991,719
GRF	100-477	OBA-Building Rent Payments	$115,740,400	$116,091,300
GRF	100-448	OBA-Building Operating Payments	$25,393,250	$25,647,183
GRF	100-449	DAS-Building Operating Payments	$4,160,383	$4,170,623
		General Revenue Fund Subtotal	**$150,683,752**	**$151,278,425**
General Services Fund				
115	100-632	Central Service Agency	$466,517	$485,178
		General Services Fund Subtotal	**$466,517**	**$485,178**
Total Funding: State Support Services			**$151,150,269**	**$151,763,603**

The following programs are in the State Support Services program series:

- ***Program 13.1: Central Service Agency***
- ***Program 13.2: State Owned Buildings-Rent & Operations***
- ***Program 13.3: Agency Audit Expenses***
- ***Program 13.4: Veterans' Records Conversion***

Program 13.1 - Central Service Agency

Program Description: The Central Service Agency (CSA) provides budget, fiscal and human resources expertise to smaller boards and commissions that would otherwise have to develop their own resources to provide these services. CSA provides these support services to 31 boards and commissions located in Columbus and 1 commission in Warrensville Heights.

Funding Source: Payments from customer boards that use CSA services

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels. Because of a planned consolidation of several professional and occupational licensing boards in FY 2007, it is unclear what CSA's role will be with these entities in the future. It is possible fewer boards and commissions will utilize the services of the Central Services Agency.

Program 13.2 - State Owned Buildings-Rent & Operations

Program Description: The State Owned Building Rent & Operations program provides the centralized financial infrastructure to finance and maintain state buildings that house state employees. The three primary activities are: payment of building debt service, building operating costs, and rent payments for GRF agencies and other agencies that are exempt for paying rent. Agencies that are exempt from paying rent are veterans' groups, and GRF-funded state agencies.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels. Approximately $115 million in each fiscal year is provided for debt service payments due on specified state buildings constructed with bond proceeds.

Temporary Law Provision: ***Ohio Building Authority (Section 203.12.06).*** The budget requires the foregoing appropriation item 100-447, OBA - Building Rent Payments, be used to meet all payments at the times they are required to be made during the period from July 1, 2005 to June 30, 2007, by the Department of Administrative Services to the Ohio Building Authority pursuant to leases and agreements under Chapter 152. of the Revised Code, but limited to the aggregate amount of $231,831,700. These appropriations are the source of funds pledged for bond service charges on obligations issued pursuant to Chapter 152. of the Revised Code.

Program 13.3 - Agency Audit Expenses

Program Description: The Agency Audit Expenses program provides funding to pay the Auditor of State for state agency audits that are conducted on a biennial basis, which includes state boards, commissions, elected officials, the House, and the Senate. State agencies that are audited on an annual basis are required to pay for annual audits from agency operating budgets. The Auditor of State requested funding for 9,630 hours in FY 2006 and 10,180 hours in FY 2007 to perform the required audits.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The enacted budget will likely support 5,520 audit hours in FY 2006, or 57% of the number of hours requested by the Auditor, and 5,298 audit hours in FY 2007, or 52% of the hours requested by the Auditor.

Program 13.4 - Veterans' Records Conversion

Program Description: The Governor's Office of Veterans' Affairs (GOVA) maintains military discharge records for over 1.6 million veterans who filed for the Ohio bonus for their military service in World War II, Korea, and Vietnam. To obtain the bonus, the veteran was required to provide proof of honorable military service during these periods of conflict. In 2003, GOVA contracted with Prithvi Information Solution L.L.C. to digitize 100,000 discharge certificates for Ohio veterans who served from 1993 to June 2003, and add them as a stand-alone element to this database. GOVA averages approximately 6,500 requests for military discharge records per year to allow the military veteran benefits from all levels of government. The computerization of the Veterans Data Files allows GOVA to respond to queries in less than ten seconds.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The enacted funding levels will allow for the replacement of the Veterans' Records System server in FY 2006 and scanning of approximately 20,000 new military discharges (Ohio veterans) into the system during FYs 2006 and 2007.

Program Series 14 DAS Program Management

Purpose: Provides centralized services, guidance, and oversight to DAS' operating divisions and offices.

The following table shows the line items that are used to fund the Program Management program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	130-321	State Agency Support Services	$527,970*	$534,408*
General Services Fund				
112	100-616	DAS Administration	$5,221,393	$5,299,427
4P3	100-603	DAS Information Services	$5,902,099	$6,117,004
Total Funding: DAS Program Management			**$11,651,462**	**$11,950,839**

* Amount does not reflect total funding because line item is used to fund programs in other program series. Amount shown is the budgeted amount provided in the executive budget.

Program 14.1 - Program Management

Program Description: The Program Management program provides centralized shared services, direction, guidance, and oversight to DAS' six operating divisions and offices. Services are provided through seven specialized offices: Office of Chief Legal Counsel, Office of Finance, Office of Employee Services, Office of Communications, Office of Legislative Affairs, and Office of Quality and Departmental MIS. Each of these offices primarily support the Department except the Office of Communications and the Computer Resources Center, which also serve the general public, media, boards and commissions, the Governor's Office, and other state agencies and employees.

Funding Sources: General Revenue Fund and assessments on DAS programs

Implication of the Enacted Budget: The enacted budget provides approximately $12 million each fiscal year for Program Management. The budget will allow DAS to support statewide initiatives including upgrades to state fleet services, procurement program improvements, labor negotiations and joint labor-management committees, and the implementation of the procurement, asset management, capital improvement project tracking, and human resources modules of the OAKS system.

Commission on African-American Males

Erin Pettegrew, Budget Analyst

- In FY 2005, the Commission received more than $23,000 in gifts and donations to supplement its $292,546 GRF appropriation
- The Commission's Scholarship budget has been reduced from $11,041 in FY 2003 to $1,000 in FY 2006 and FY 2007

OVERVIEW

Duties and Responsibilities

The mission of the Commission on African-American Males (CAAM) is to identify and promote strategies and public policies to foster improvements in the social, economic, and educational problems that affect the African-American male population in Ohio. Chapter 4112. of the Revised Code provides statutory authority for the operation of CAAM, including the appointment of an executive director. The Commission on African-American Males consists of up to 41 members, appointed by the Governor, representing a number of executive branch agencies, private associations, and other community groups. It is required by the Revised Code to solve problems and advance recommendations pertinent to black males in the areas of unemployment, criminal justice, education, and health.

Among the priorities of CAAM for the next biennium are to further develop the fatherhood initiative around the state, to coordinate with a volunteer grant writer, to continue to hold technology and education conferences for the young African-American male population, and continue to provide community outreach and programs for collaborative partnerships that support CAAM's mission.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
3	$292,000	$292,000	$282,000	$282,000	Am. Sub. H.B. 66

*Employee count obtained from the Commission on African-American Males. Staff includes an executive director and two program staff.

Vetoed Provisions

There were no vetoed provisions for the Commission on African-American Males.

Budget Issues

The enacted budget provides funding for CAAM of $292,000 in FY 2006 and the same amount in FY 2007. The Commission's appropriation, after executive-ordered reductions, was $273,527 in FY 2004 and $315,642 in FY 2005. The Commission's five General Revenue Fund (GRF) line items receive an appropriation of $282,000 in FY 2006 and FY 2007, more than 3.6% lower than the FY 2005 appropriation for those items.

The higher appropriation for FY 2005 resulted from Controlling Board approval of an increase of more than $11,000 in the appropriation authority for spending from State Special Revenue (SSR) Fund 4H3, African-American Males–Gifts/Grants, to account for corporate donations exceeding the original appropriation. Thus, the FY 2006 and FY 2007 appropriation level appears equivalent to program spending for FY 2005; however, the budget shifts funding between line items and objects of expense.

Used as a repository for any gifts, donations, and grant moneys the Commission may receive, CAAM's single non-GRF appropriation item, SSR Fund 4H3, African-American Males–Gifts/Grants, receives appropriation authority of $10,000 in both FY 2006 and FY 2007 as it has in previous biennia. Prior to the receipt in FY 2005 of more than $20,000 in gifts, the Commission received just $2,506 and $2,023 in gifts, donations, and grant revenue in the prior two fiscal years. However, the Commission has increased its solicitation of such support and expects to receive a higher level of gifts and grants in the next biennia from corporate sponsorships of their planned conferences, which may force one or more requests for increases in appropriation authority from the Controlling Board.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Commission on African-American Males is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Community Projects

Purpose: Provides for a variety of community activities, including health and technology conferences, a scholarship program, partnerships with private industry and local community groups, as well as expenses of the Commission.

The following table shows the line items that are used to fund the Community Projects program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	036-100	Personal Services	$220,091	$220,091
GRF	036-200	Maintenance	$39,909	$39,909
GRF	036-300	Equipment	$1,000	$1,000
GRF	036-501	CAAM Awards & Scholarships	$1,000	$1,000
GRF	036-502	Community Projects	$20,000	$20,000
		General Revenue Fund Subtotal	**$282,000**	**$282,000**
State Special Revenue Fund				
SSR	036-601	African-American Males–Gifts/Grants	$10,000	$10,000
		State Special Revenue Fund Subtotal	**$10,000**	**$10,000**
Total Funding: Community Services			**$292,000**	**$292,000**

This analysis focuses on the following specific programs within the Community Projects program series:

- ***Program 1.01: Speaker Services***
- ***Program 1.02: Health Education***
- ***Program 1.03: Community Board Meetings***
- ***Program 1.04: Conferences***
- ***Program 1.05: Scholarships and Awards***

Speaker Services, Health Education, Community Board Meetings, and Conferences Programs

Program Descriptions: The Speaker Services program includes planning and presenting programs in schools and community organizations statewide by staff and volunteers. The Health Education program includes health workshops and seminars provided by staff and volunteers to inform African-American men about the risks of undetected prostate cancer, diabetes, HIV and AIDS, and heart disease. The Community Board Meetings program includes staff participation in community programs, conferences, and meetings. The Conferences program includes planning and production of conferences held statewide to cover the topics of health, education, employment, and criminal justice.

Implication of the Enacted Budget: For FY 2006 and FY 2007, the Commission receives a 0.6% increase in the Personal Services appropriation over FY 2005 funding levels and reductions of 74% in the Equipment appropriation and 16.3% in the Maintenance appropriation. The changes will permit the Commission to comfortably continue current staff levels, though spending on equipment and maintenance will be curtailed. Community events, conference preparation and travel expenses for these four programs will be restricted with minimal funding for reimbursement from the Maintenance appropriation. Gifts and grants received from private donors or the federal government may compensate for the shortfall.

Scholarships and Awards

Program Description: The Scholarships and Awards program provides tuition assistance to eligible college students.

Implication of the Enacted Budget: For FY 2006 and FY 2007, the Commission's appropriation for Community Projects of $20,000 will allow the Commission to continue its involvement with community organizations and outreach. The CAAM Awards and Scholarships appropriation is still below prior year funding; the enacted budget will allow only $1,000 in scholarships, down from $11,000 in FY 2003, $6,700 in FY 2004, and $1,765 in FY 2005.

Joint Committee on Agency Rule Review

Erin Pettegrew, Budget Analyst

- The enacted funding level for FY 2006 is equal to the Committee's FY 2005 appropriation and FY 2007 is 2% above FY 2006

OVERVIEW

Duties and Responsibilities

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 the change in rule does not exceed the scope of an agency's statutory authority, that the rules do not conflict with an existing rule of that agency or another rule-making agency, and that the rules do not conflict with legislative intent. JCARR 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.

The Joint Committee on Agency Rule Review is entirely supported through General Revenue Fund dollars. The agency received its first individual budget under the 122nd General Assembly. Prior to that, the agency received funding through the General Assembly.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
14	$379,769	$387,364	$379,769	$387,364	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

JCARR has ten members: five state representatives and five state senators. In odd-numbered years, the chairperson is a House member and in even-numbered years, the chairperson is a Senate member. Members are reimbursed for meetings and travel expenses. A four-member staff consisting of an Executive Director, an Assistant Director, a Rules Analyst, and an Administrative Assistant serves the Committee. An additional administrative position is likely to be filled soon.

Vetoed Provisions

There were no vetoed provisions for the Joint Committee on Agency Rule Review.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Joint Committee on Agency Rule Review is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

Purpose: Provides for the review of agency rules.

The following table shows the line item that is used to fund the single program series, Administrative Rule Review, as well as the enacted funding level.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	029-321	Operating Expenses	$379,769	$387,364
		General Revenue Fund Subtotal	**$379,769**	**$387,364**
Total Funding: Administrative Rule Review			**$379,769**	**$387,364**

This analysis focuses on the following specific programs within the Administrative Rule Review program series:

Administrative Rule Review

Program Description: The Administrative Rule Review program supports the review of approximately 12,000 rules annually and supports the five staff positions responsible for agency rule review. The program also compensates Committee members for meetings and travel expenses.

Implication of the Enacted Budget: The enacted budget will allow JCARR and the Committee staff to continue rule review at FY 2005 levels in FYs 2006 and 2007.

Department of Aging

Clay Weidner, Budget Analyst

- Allows individuals residing in nursing facilities, but on PASSPORT waiting lists, to be enrolled on the PASSPORT program
- Creates an Assisted Living Medicaid waiver for individuals currently residing in nursing facilities or at risk of nursing facility placement

OVERVIEW

Duties and Responsibilities

The Ohio Department of Aging (ODA) is the primary state agency serving and advocating for the needs of Ohioans age 60 years and older. The Department administers programs emphasizing community-based care as an alternative to institutional (nursing facility) settings. The goal of these programs is to improve the quality of life of older Ohioans by providing community-based, long-term care services that allow individuals to live in their own home for as long as possible. Traditionally, over 90% of the Department's budget is subsidy distributions for community-based care.

The Department administers programs such as PASSPORT (Pre-Admission Screening System Providing Options and Resources Today), Residential State Supplement (RSS), Alzheimer's Respite Care, Long-Term Care Ombudsman, and the Golden Buckeye Card program. The majority of the Department's spending is for the PASSPORT program. In fiscal year (FY) 2004, approximately 75% of the Department's budget was expended on the PASSPORT program.

The Department also provides technical and financial assistance to the 12 Area Agencies on Aging (AAAs), which were created by the federal Older Americans Act of 1965. The AAAs administer most state and federal aging programs in Ohio. According to the Department, over 300,000 older Ohioans receive services through ODA programs and local AAAs.

Agency in Brief

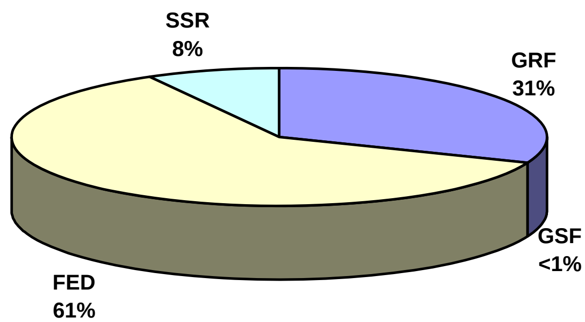
Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
204	$481.25 million	$518.69 million	$151.68 million	$159.59 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

The enacted budget increases the Department's budget by 18.1 % from FY 2005 estimates and then by 7.8% from FY 2006 appropriations. General Revenue Fund appropriations represent approximately 31.1% of the Department's budget, with 73.9% of the GRF funding appropriated for PASSPORT. The GRF portion of the Department's budget increases by 14.6% in FY 2006 and by 5.2% in FY 2007. Growth in the PASSPORT program and the addition of the PACE program account for the majority of the GRF increase.

The chart below illustrates the various funding sources of the Department of Aging's biennial budget:

Sources of ODA Budget
FYs 2006-2007



Budget Issues

Transferring Individuals from Nursing Facilities to PASSPORT

The bill allows an individual admitted to a nursing facility while on a waiting list for the PASSPORT program to be enrolled in PASSPORT if (1) it is determined that the PASSPORT program is appropriate for the individual and (2) the individual would rather participate in the PASSPORT program than continue residing in the nursing facility. The bill requires that individuals enrolled in PASSPORT because of this provision are to be in addition to the individuals enrolled in PASSPORT during FYs 2006-2007 based on the program's appropriations. The provision requires each AAA to determine each month the number of individuals who are on the PASSPORT waiting list in their area and have been admitted to a nursing facility. The AAA must then forward the names of any such individuals to the Long-Term Care Consultation Program administrator serving that area. If the administrator determines the individual is appropriate for PASSPORT and the individual desires to enroll in the PASSPORT program, the administrator must notify the Department. The Department must then enroll the individual in PASSPORT. The bill requires that the Ohio Department of Job and Family Services (ODJFS) submit a report to the General Assembly by not later than December 31, 2006, regarding the number of individuals transferred to PASSPORT, the costs incurred, and the savings achieved as a result of any transfers.

The bill requires the ODA to quarterly certify to the Office of Budget and Management (OBM) the estimated increase in costs of the PASSPORT program for these individuals. Upon receipt of the estimated costs, OBM must (1) transfer the state share of the amount from ODJFS GRF appropriation item 450-525, Health Care/Medicaid, to ODA GRF appropriation item 490-403, PASSPORT, (2) increase ODA appropriation item 490-607, PASSPORT, by the federal share of the estimated costs, and (3) increase ODJFS appropriation item 600-655, Interagency Reimbursement, by the federal share of the estimated costs.

The provision may result in a savings to Medicaid to the extent to which individuals currently residing in nursing facilities enroll in PASSPORT, which is generally less expensive than a nursing facility. However, the savings to Medicaid would depend on the number of individuals leaving nursing facilities and each individual's specific care needs, which cannot be estimated at this time. Under the bill, any GRF money saved from transferring individuals from nursing facilities to PASSPORT would still remain in GRF line item 600-525, Health Care/Medicaid. If ODJFS spends this money, then there would ultimately be no savings to the state.

Assisted Living Medicaid Waiver

The bill authorizes ODJFS to seek an Assisted Living Medicaid waiver for eligible individuals residing in residential care facilities. Upon federal approval, ODJFS is required to contract with ODA for the administration of the program. The bill limits participation to 1,800 individuals and specifically permits any residential care facility to participate in the program.

The bill provides that once ODJFS enters into a contract with the ODA to administer the program, ODJFS must submit quarterly reports to OBM outlining the estimated costs of the program for the upcoming quarter, including both the state and federal share. Upon receipt of the estimated costs, OBM must transfer the estimated costs from ODJFS GRF appropriation item 600-525, Health Care/Medicaid, to ODA GRF appropriation item 490-422, Assisted Living Waiver. When the program is fully implemented, ODJFS estimates that it will need to transfer approximately $20.8 million all funds ($8.3 million state share) in FY 2007 to ODA.

It is unclear at this time the extent of the savings to Medicaid that may be realized with the implementation of the Assisted Living waiver. The waiver, as proposed, will be specifically targeted to two groups of people: (1) individuals currently residing in nursing facilities and (2) individuals currently on PASSPORT, Choices, or the Home Care waiver who need increased supervision and/or additional services. In other words, the waiver is designed to enroll individuals that currently reside or waiver enrollees that will reside, without increased services, in nursing facilities. The waiver is designed to ensure one-for-one displacement from the nursing home system by avoiding the "woodwork effect." The woodwork effect refers to the notion that by increasing services individuals will be served that have no intention to enter a nursing facility. The woodwork effect assumes: (1) that most individuals prefer to receive services in their own home, (2) that these individuals, prior to receiving services, rely on unpaid support, (3) that many of these individuals would never enter a nursing facility, and (4) that the state will ultimately pay more for long-term care, in aggregate, since the newly covered individuals would never have entered a nursing facility.

Assuming a one-for-one displacement, a savings to Medicaid would be expected since these individuals would be diverted from more costly institutionalization to a Medicaid waiver. This assumption can be made since Medicaid waiver programs have built-in cost caps, which are lower than the cost of institutionalization. In FY 2003, the average annual cost for nursing facilities was approximately $58,600.[1] Comparatively, the Department estimates the Assisted Living waiver will have an average annual cost of approximately $21,600. Thus, a savings to Medicaid could be assumed for individuals leaving nursing homes for an Assisted Living waiver. However, a savings may not be realized if current nursing homes were at 100% capacity and/or had waiting lists. If this were the case,

[1] Based on the FY 2003 per diem of $160.54. This estimate was provided by ODA and does not include client liability payments or Medicaid card costs.

the state may incur additional costs for transitioned individuals, as the newly opened bed would likely be filled. Currently, occupancy rates in Ohio nursing homes are approximately 75%.[2]

As with all Medicaid waivers, room and board is not covered outside of an institution. Individuals will have to use their own resources, which may include social security benefits, federal Supplemental Security Income (SSI), or other similar supplements. It is unclear at this time if family support will be allowed under the proposed waiver. A payment made directly to individuals from family members is considered unearned income, which results in a dollar for dollar reduction in SSI benefits. Furthermore, a payment made to the facility is considered an in-kind contribution and results in a 33% reduction in federal benefits, no matter what the amount of the contribution. In 2000, 19 states allowed family supplementation, 7 states prohibited supplementation, and 4 states did not have a policy.[3]

Under the bill, any GRF money saved from the Assisted Living program would still remain in GRF line item 600-525, Health Care/Medicaid. If ODJFS spends this money, then there would ultimately be no savings to the state.

Fee Changes

The bill provides that a long-term care facility that fails to pay the bed fee that supports regional long-term care ombudsman programs within 90 days of the due date is to be assessed twice the amount of the fee. The bill also establishes a maximum $500 fine for denying a representative of the Office of the State Long-Term Care Ombudsman program access to a long-term care facility or community-based long-term care site.

There may be a revenue gain resulting from these provisions. However, the amount of additional revenue received will depend on the number of long-term care facilities that fail to pay the bed fee within 90 days and the number of facilities that deny a representative of the Office of the State Long-Term Care Ombudsman program access to a facility, which cannot be estimated at this time.

Certification of Community-Based Long-Term Care Providers

The bill requires the Department to adopt rules requiring the certification of community-based long-term care providers. The bill states that a provider of community-based long-term care services cannot receive payment unless the provider obtains certification or meets the terms of a contract that includes conditions of participation and service standards the provider must meet.

According to the Department, these provisions would allow ODA to develop a consistent statewide practice of conducting business with providers. The Department will develop uniform standards for certification and contracting with providers. The ODJFS will grant the provider a Medicaid provider agreement based upon ODA's certification process. Currently, ODA and local AAA's do all the work related to this activity. Thus, the Department believes there would not be any significant costs associated with this provision.

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[2] Ohio Commission to Reform Medicaid Report, pg. 13. The report can be accessed at: http://www.ohiomedicaidreform.com/pdf/transforming_medicaid.pdf

[3] Mollica, R.L. and Jenkins, R. (2001). State Assisted Living Practices and Options: A Guide for State Policy Makers. This report can be accessed at: http://www.ncbdc.org/ncbdc/contents.nsf/docname/CHStatePolicyManual/$file/CHPPolicyManualPDF.pdf

Long-Term Care Consultation Program

The bill requires the ODA to develop a Long-Term Care Consultation program whereby individuals or their representatives are provided with information through professional consultations about options available to meet long-term care needs and about factors to consider in making long-term care decisions. The bill also eliminates a provision of law that required ODJFS to administer a similar program for potential residents of nursing facilities. The bill requires long-term care consultations to be provided to nursing facility residents who are likely to spend down their resources to a level that qualifies them financially for Medicaid within six months after nursing facility admission. The bill authorizes the promulgation of rules specifying the circumstances when it may be appropriate to provide a long-term care consultation after the person's admission to a nursing facility.

The consultation program would provide in-person assessments to individuals and discuss with them their long-term care needs. In-person assessments are a more detailed needs assessment and are currently done for both the PASSPORT program and nursing facility admission. The local Area Agencies on Aging are currently implementing these screenings using certified individuals; therefore, there will be little or no additional administrative costs associated with the establishment of the Long-Term Care Consultation program. According to ODA, this provision gives the Department more flexibility in providing in-person assessments. As a result, ODA will focus their resources on those individuals who would benefit most from an in-person assessment. This may result in an increase in the number of assessments provided and thus, could potentially increase costs. However, the more efficient use of in-person assessments could result in more individuals moving out of nursing facilities and into less costly community and home-based settings. Should this occur, the state may experience the indirect effect of a reduction in Medicaid costs and a corresponding reduction in federal reimbursement for Medicaid expenditures.

Nursing Home and Residential Care Facility Survey

The bill permits ODA to conduct an annual survey, itself or by contract, of nursing facilities and residential care facilities. The bill provides that a nursing facility or residential care facility that recklessly fails to complete the survey is subject to a $100 fine.

The annual long-term care survey is conducted by the Miami University's Scripps Gerontology Center as part of an ongoing research project that tracks long-term care utilization patterns in Ohio. In prior years, the survey was mandated by the Ohio Department of Health (ODH), which used the data for health planning. However, the mandate to complete the survey was removed for during FY 2004-2005 biennium. Consequently, the response rate fell from approximately 96% to approximately 60%. According to the Department, ODA does not expect to collect any revenue from this provision, but expects to receive a higher response rate for the survey.

Long-Term Care Consumer Guide

The bill requires ODA to publish the Ohio Long-Term Care Consumer Guide. The bill allows the Department to charge an annual fee of $300 for residential care facilities and $400 for nursing facilities for costs associated with publishing the Guide. With these fees, the Department expects to generate approximately $552,000 in annual revenue. The Department will survey nursing facility residents (FY 2007), residential care facility residents (FY 2007), and families of nursing facility residents (FY 2008) for the Guide. In FY 2006, no surveys will take place as the Departments collects revenue to fund future surveys.

Transfer of PACE Administrative Duties

The bill requires ODA to carry out the day-to-day administration of the Program of All-Inclusive Care for the Elderly (PACE). The last budget act permitted ODJFS to transfer the day-to-day administration of the PACE program to ODA, subject to federal approval. The Department took over full administration of the PACE program in FY 2006.

Ambulette Services

The bill exempts ambulette service providers from the Medical Transportation Law if they are operating under standards established in rules promulgated by ODA. The bill requires ambulette service providers, when exempted as described above, to make two-way communication available to their ambulette drivers; install or secure one isolation and biohazard disposal kit in ambulette vehicles; and obtain from an ambulette driver applicant a copy of a signed medical statement containing specified information from a licensed physician, the results of a chemical test for drug and alcohol abuse, certificates of completion of CPR and first aid courses, and the results of a criminal records check.

The Medical Transportation Law would require the Ohio Medical Transportation Board to monitor and inspect ambulette service providers that are equipped to carry wheelchairs. However, local AAAs currently monitor these vehicles for elderly individuals receiving these services. According to ODA, this would result in two state agencies spending time and money to monitor the same providers, which could increase costs to ODA, AAAs, and to transportation providers.

Aging and Disability Resource Center Grant

The bill permits the Department to apply for the 2005 Aging and Disability Resource Center (ADRC) Grant Initiative of the Administration on Aging (AOA) and the Centers for Medicare and Medicaid Services (CMS). If ODA receives the grant, the bill allows the Department to create an Aging and Disability Resource Center.

ADRC programs provide citizen-centered, "one-stop" entry points into the long-term support system. Resource centers serve individuals needing long-term support, their family caregivers, and those planning for future long-term support needs. Currently, 24 states have received these grants and are developing resource centers. The AOA and CMS plan to fund up to 20 grants of up to $800,000 each for a three-year period. Grantees are required to make a nonfinancial or cash recipient contribution (match) of at least 5% of the total grant award. The Department would see an increase in administrative costs associated with the grant application process if it decides to apply for the grant. Furthermore, if awarded the grant, the Department would be required to provide a 5% match.

Vetoed Provisions

The bill creates a nine-member PASSPORT Evaluation Panel charged with studying various aspects of the PASSPORT program. Additionally, the bill earmarks up to $200,000 in FY 2006 in appropriation item 490-607, PASSPORT, Fund 3C4, in the Federal Special Revenue Fund Group, to fund an evaluation of the PASSPORT program. According to the veto message, the Governor vetoed the creation of the Panel because it is "overly restrictive with respect to the evaluation panel and items to be evaluated." The Governor left the earmark for an evaluation of the PASSPORT program intact and the funds will be used for an independent evaluation of the PASSPORT program.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 — Senior Independence Services

Purpose: Enables seniors and persons with disabilities to live in settings they prefer and assures that government programs honor and support the role of families and friends who provide care.

The following table shows the line items that are used to fund the Senior Independence Services program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	490-321*	Operating Expenses	$2,390,387	$2,119,081
GRF	490-403	PASSPORT	$112,045,715	$121,009,372
GRF	490-411	Senior Community Services	$10,630,988	$10,630,988
GRF	490-412	Residential State Supplement	$9,156,771	$9,156,771
GRF	490-414	Alzheimer's Respite	$4,085,888	$4,085,888
GRF	490-416	JCFS Elderly Transportation	$100,000	$100,000
GRF	490-421	PACE	$11,354,145	$10,214,809
GRF	490-422	Assisted Living Waiver	$0	$359,919
		General Revenue Fund Subtotal	**$149,763,894**	**$157,676,828**
State Special Revenue Fund				
4J4	490-610*	PASSPORT/Residential State Supplement	$33,263,984	$33,263,984
4U9	490-602	PASSPORT Fund	$4,424,969	$4,424,969
5CE	490-624	Special Projects	$350,000	$0
5W1	490-616	Resident Services Coordinator Program	$262,500	$262,500
		State Special Revenue Fund Subtotal	**$38,301,453**	**$37,951,453**
Federal Special Revenue Fund				
3C4	490-607	PASSPORT	$198,683,143	$218,196,387
3C4	490-621	PACE-Federal	$10,854,083	$14,586,135
3C4	490-622	Assisted Living-Federal	$0	$5,687,374
3M3	490-611	Federal Aging Nutrition	$27,622,693	$28,037,034
3M4	490-612*	Federal Independence Services	$26,116,319	$26,567,144
322	490-618*	Federal Aging Grants	$10,200,574	$10,311,339
		Federal Special Revenue Fund Subtotal	**$273,476,812**	**$303,385,413**
Total Funding: Senior Independence Services			**$461,542,159**	**$499,013,694**

* Amount does not reflect total appropriation because the line item is used to fund other program series.

This analysis focuses on the following specific programs within the Senior Independence Services program series:

- ***Community Services and Nutrition***
- ***Support for Informal Caregivers***
- ***Service Coordination in Senior Housing***
- ***Residential State Supplement (RSS)***
- ***PASSPORT***
- ***Program for All Inclusive Care for the Elderly (PACE)***

Community Services and Nutrition

Program Description: The Community Services and Nutrition program contains several separate sub-programs. These sub-programs are as follows: Title III (B, C, & D) Nutrition and Support Services, Senior Community Services, Senior Farmers' Market Nutrition Program, the Home Energy Assistance Program, the Nutrition Services Incentive Program, and the Jewish Community and Family Services (JCFS) Elderly Transportation.

Nutrition and Support Services – In 1965, President Lyndon Johnson signed the federal Older Americans Act (OAA) into law. Title III of the OAA authorizes grants to be given to states to foster the development and implementation of comprehensive and coordinated aging systems to serve older individuals. Title III funds are distributed among the states by a formula set forth in the OAA. For the most part, the formula is based on the number of people aged 60 or older in the state. Title III funds are used for supportive services (B), congregate and home-delivered meals (C), disease prevention and health promotion (D), and the National Family Caregiver Support Program (E). Title III funds are disbursed through federal line items 490-611, Federal Aging Nutrition, and 490-612, Federal Independence Services. The Nutrition and Support Services program includes Title III (B), (C), and (D) funds. Title III (E) funds, the Family Caregiver Support program, are disbursed in the Support for Informal Caregivers program. Some of the services authorized by Title III of the OAA include the following: chore services, counseling, adult day care, education, employment, escort, friendly visitor, health services, home health aide, home maintenance, homemaker, information/referral, legal services, congregate meals, home-delivered meals, outreach, protective services, recreation, respite care, telephone reassurance, and transportation. Approximately 284,000 Ohioans received services funded by the OAA in FY 2003.

Senior Community Services – These funds, which are funded by the GRF, are used to (1) supplement Title III funds and (2) satisfy the state's match obligations to draw down various federal funds. The program targets individuals who are frail and impaired and not served through PASSPORT. According to the Department, 80% of the individuals who receive Senior Community Services have incomes of less than 150% of the federal poverty level. Benefits are not means tested. However, recipients may contribute to the cost of their services based on a sliding fee scale. Services include: personal care, home-delivered meals, congregate meals, case management, care coordination, transportation, information reporting, home maintenance, and housing coordination. These funds served approximately 18,715 individuals in FY 2003.

Senior Farmers' Market Nutrition Program – The Senior Farmers' Market Nutrition Program is funded by a grant from the U.S. Department of Agriculture. The program provides nutrition information and vouchers for locally grown produce to income-eligible adults aged 60 and older in 13 counties. The vouchers can be redeemed through authorized farmers selling produce at farmers' markets and roadside stands. In FY 2003, the Senior Farmers' Market Nutrition Program provided $1.3 million in produce to 17,800 older adults through 149 local farmers.

Home Energy Assistance Program (HEAP) – The HEAP program provides financial assistance to low-income residents to help meet heating costs. The Ohio Department of Development manages HEAP and provides funds each year to the Department for HEAP outreach. The Department provides outreach grants to local AAAs to distribute applications, assist applicants with the forms, and promote the program. During the 2003/2004 heating season, local AAA's helped 17,000 older and disabled adults fill out HEAP applications, provided telephone information and assistance to 8,773 households, trained 476 outreach workers, gave 300 group presentations, and broadcast over 1,900 media spots promoting the program.

Nutrition Services Incentive Program (NSIP) – This federal program provides additional funds to local AAAs for home delivered and congregate meals. Local AAAs receive a portion of the federal funds available based on the number of meals served in the previous year in proportion to the total number of meals served by all U.S. state units on aging. The federal Administration on Aging administers this program. In federal fiscal year (FFY) 2003, the Department provided approximately 8.7 million meals to 122,000 older Ohioans with a combination of Title III, Senior Community Services, NSIP, and other related local funds.

Jewish Community and Family Services (JCFS) Elderly Transportation – Funds for this program are used for noncapital, transportation expenses of Jewish community and family centers that provide the elderly access to such things as health care, congregate meals, socialization programs, and grocery shopping.

Implication of the Enacted Budget: The enacted budget increases appropriations for the federal Older Americans Act (OAA) programs. This is reflected in the appropriation increases in line items 490-618, Federal Aging Grants; 490-611, Federal Aging Nutrition; and 490-612, Federal Independence Services. Although the appropriations for these programs increase, the Department expects to receive flat funding in federal OAA funds. With this assumption, the Department expects to operate at current levels and serve approximately 284,000 individuals with federal OAA funds.

GRF funding for Senior Community Services (line item 490-411) is funded at $10.6 million for both FY 2006 and FY 2007, which represents a 1.7% decrease from FY 2005 estimates. The Department estimates that the funding will not support current service levels. With the funding, the Department expects to serve approximately 3,000 fewer individuals over the biennium. Since FY 2001, Senior Community Services funding has decreased 23.2% ($13.8 million to $10.6 million) because of budget reductions and flat funding. As a result, there are approximately 2,350 individuals on waiting lists for community-based services. According to the Department, the waiting time to receive services in some areas exceeds two years. The Department expects waiting lists to grow during the biennium as fewer consumers are served.

The funding for PASSPORT also significantly affects the Community Services and Nutrition program. According to the Department, the budget will not fund natural growth in the PASSPORT program. Consequently, the Department expects waiting lists to be implemented. This, in turn, puts more pressure on OAA and Senior Community Services programs to fund services for these clients. Furthermore, as OAA and Senior Community Services funds are reduced, more pressure is put on local funds to make up the gaps. Local senior services tax levies annually generate approximately $85 million. Currently, 59 counties have senior services levies, which generate approximately $90 million in revenue. Franklin and Hamilton counties make up approximately 43% of annual levy revenue (approximately $20 million and $18 million, respectively).

In recent years, the Department has tried to make up some of the lost funding by encouraging individuals with an income over 150% of the federal poverty guideline to contribute to the cost of their services. Cost sharing is not mandatory and consumers cannot be denied services if they refuse to contribute to the cost of services. The OAA exempts many services from cost sharing including congregate and home-delivered meals, caregiver education and training, information and assistance, outreach, benefits counseling, case management, and ombudsman services. The Department also exempts transportation services.

Support for Informal Caregivers

Program Description: The Support for Informal Caregivers program contains two sub-programs. These sub-programs are the Family Caregiver Support program and Alzheimer's Respite.

Family Caregiver Support Program – The Family Caregiver Support program was added to the OAA in FY 2000. Title III (E) of the OAA authorizes federal funds to be distributed to states to provide the following five basic supports for informal caregivers: information about available services, assistance in gaining access to these services, counseling and training, respite care, and limited supplemental services. Federal funds are distributed based on a congressionally mandated formula that is based on the proportionate share of the U.S. population age 70 and older. States are required to give priority to (1) persons in the greatest social and economic need (particularly low-income individuals) and (2) older individuals providing care and support to individuals with mental retardation and related developmental disabilities. In FY 2003, approximately 61,528 Ohioans received services from the Family Caregiver Support program.

Alzheimer's Respite – The Alzheimer's Respite program, which is funded by the GRF, targets families of individuals who suffer from Alzheimer's disease, regardless of age. Services provided by the program include respite care services (e.g., personal care, homemaker, adult day services, institutional care, and visiting services), case management, care coordination, caregiver education, and professional education. Respite care services can take several forms including a home care worker visiting the individual's home, a stay in an adult day care facility, overnight care in a hospital or nursing home, support groups, caregiver training, or family care planning meetings. State Alzheimer's Respite funds are used as matching funds for Title III (E) funding. In FY 2003, approximately 9,500 Ohioans received Alzheimer's Respite services.

Implication of the Enacted Budget: All of the funds received for the Family Caregiver Support program will be used to maintain current service levels. According to the Department, a small reduction in services could occur because of increased costs and potential shifting of services between caregiver education and respite care.

Alzheimer's Respite services is funded at $4.1 million in both FY 2006 and FY 2007, which represents a 6.4% decrease from FY 2005 estimates. The Department believes the funding will allow Alzheimer's respite and support services to serve approximately 9,500 individuals each year. The budget also requires OBM to transfer in FY 2006 $350,000 from Fund 4E3, Resident Protection Fund, in ODJFS to Fund 5CE in ODA. These funds will be distributed to the Ohio Alzheimer's Association for the development of a pilot person-centered training program for long-term care staff who interact with people with dementia.

Service Coordination in Senior Housing

Program Description: Resident service coordinators provide 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 for which they are eligible. Funds for this program are transferred from the Ohio Housing Finance Agency (OHFA) to the Department of Aging. The Department uses these funds to distribute grants to local nonprofit organizations that employ or supervise service coordinators. The Department monitors the program, collects reports, and provides training for service coordinators and their supervisors.

Resident Services Coordinator funds are disbursed through line item 490-616, Resident Services Coordinator Program. The OHFA provides a small amount of money to subsidize the Department's administrative costs associated with the program. The Department supplements the administration of this program through GRF line item 490-321, Operating Expenses.

Implication of the Enacted Budget: Funds from OHFA are transferred to ODA and awarded by the Department to nonprofit organizations providing resident coordinator services. The OHFA and the Ohio Housing Trust Fund Advisory Committee determines the amount of funds that will be transferred to the Department. According to the Department, the grant awards for this program have not increased for some time, resulting in a reduction of resident service coordinator hours. The appropriations will fund 11 grants to nonprofit organizations that employ or supervise resident service coordinators. The Department is encouraging low-income senior housing sites to pursue funding from the U.S. Department of Housing and Urban Development (HUD) to maximize available funding. At least one housing site has obtained HUD funding to support the program. This allows the Department to reallocate funds to other eligible housing sites.

Residential State Supplement (RSS)

Program Description: This program provides cash assistance and case management to aged, blind, or disabled adults who reside in approved living arrangements including group homes, adult care facilities, residential care facilities, and other facilities licensed by the Ohio Department of Mental Health (ODMH). To be eligible for the RSS program, individuals must not have an income greater than $900 a month, must require at least a protective level of care, and must not need ongoing skilled nursing care or 24-hour supervision. Clients receive the supplemental payment directly and then pay the RSS providers themselves. The monthly cash supplement is used together with the individual's personal income to pay for an alternative living arrangement. The monthly supplement makes up the difference between the individual's income and the financial need standard set for the appropriate RSS living arrangement. The financial need standard is currently $600 to $900 depending on the particular kind of home, apartment, or facility.

Administrative rules limit enrollment in the RSS program to 2,800. The RSS program served 2,489 individuals in FY 2004. Of this total, approximately 66% are under the age of 60, with the remaining 34% over the age of 60. Enrollment was frozen during the current biennium due to budget reductions. The program has always had a waiting list because of the limitation on enrollment. As of January 21, 2005, 1,346 individuals were on the waiting list.

State funds for the RSS program are disbursed through GRF line item 490-412, Residential State Supplement. The RSS program also receives a portion of the nursing facility franchise fee moneys, which are disbursed through line item 490-610, PASSPORT/Residential State Supplement.

Although the Department of Aging administers the RSS program, the Ohio Department of Job and Family Services (ODJFS) is responsible for making payments. Amended Substitute House Bill 152 of the 120th General Assembly transferred the operation of the RSS program from ODJFS to the Department of Aging. Consequently, the Department of Aging transfers all appropriations for the RSS program to ODJFS. The ODJFS then makes RSS payments through line item 600-618, Residential State Supplement Payments.

Implication of the Enacted Budget: During the previous biennium, the Department suspended new enrollments in the RSS program because of reduced funding, dropping the number served below the 2,800 maximum to an estimated 2,489. As a result, the RSS program currently has a waiting list of approximately 1,346 individuals. The Department estimates that approximately 2,000 slots can be funded with the appropriations. The Department believes the RSS waiting list will continue to grow as more people are denied entry into the program.

Currently, approximately 66% of all RSS enrollees are under the age of 60 and fall under the jurisdiction of other state agencies (e.g., ODMH). When ODA took over the RSS program in 1993, their goal was to have a system of affordable housing in place to serve older Ohioans that may not qualify for Medicaid waiver services. However, the RSS program is increasingly serving individuals with mental illness or mental retardation. Thus, ODA and ODMH are proposing changes to the program to better serve their respective populations. It is unclear at this time what specific changes will be made to the program since the Social Security Administration (SSA) must approve any change. The ODA is researching various options to draw down federal Medicaid dollars for current RSS enrollees individuals over the age of 60. The ODMH would like more control over benefit payments to its clients to ensure that quality residential services are being provided.

The bill (1) requires the Department to transfer sufficient funds from appropriation item 490-412, Residential State Supplement, in FY 2007, to ODMH to make benefit payments for all RSS recipients who are less than 60 years of age diagnosed with mental illness, mental retardation, or a developmental disability and are enrolled in the program on June 30, 2006, (2) allows OBM to transfer appropriations from ODA GRF appropriation item 490-412, Residential State Supplement, to ODMH GRF appropriation item 335-505, Local Mental Health Systems of Care, to make RSS benefit payments, (3) allows OBM to transfer cash from ODA Fund 4J4, PASSPORT Fund, into the GRF and increase the appropriation in ODMH GRF appropriation item 335-505, Local Mental Health Systems of Care, by an equal amount, and (4) requires ODA to continue to be responsible for the RSS program if the SSA does not approve the proposed changes to the program. According to ODA, the SSA will not allow any individual enrolled in RSS to lose their benefit when any changes to the program are made.

PASSPORT

Program Description: The PASSPORT (Pre-Admission Screening System Providing Options and Resources Today) program provides (1) screening for Ohioans seeking placement in a nursing facility (PASS), and (2) community-based long-term care services (PORT).

The PASS (Pre-Admission Screening System) portion of PASSPORT is responsible for screening any Ohioan seeking entry into a Medicaid nursing facility. These screens assess the individual's needs and determine their level of care. In FY 2003, the Department performed 114,848 pre-admission screens for individuals seeking nursing facility admission and 65,898 other screens for individuals seeking community-based services.

After the screenings, individuals are informed of their long-term care options, which include nursing facilities (for those with a nursing home level of care) and various community-based services. Individuals enrolled in PASSPORT or RSS are assigned a case manager. The case manager is responsible for determining the services the person needs and the most efficient manner of providing those services (the PORT aspect of the program). The PORT portion of PASSPORT provides a number of community-based services for low-income seniors.

Community-based services are available for individuals through various funding streams (Title III, Senior Community Services Block Grant, local levy funds, etc.) depending on their eligibility. In addition, the Department administers two home and community-based Medicaid waivers: PASSPORT and Choices. Under the Medicaid program, the federal government reimburses allowable expenditures according to a state's federal medical assistance participation (FMAP) rate. For FFY 2005, Ohio's FMAP rate is 59.68%. Under the program, state funds are used to "draw down" federal funds at the FMAP rate. Thus, for every $1 spent on services allowable under Medicaid, the federal government reimburses the state approximately $0.60. The Centers for Medicare and Medicaid Services (CMS) in the United States Department of Health and Human Services annually sets the FMAP rate. Administrative costs related to running Medicaid-related programs (as compared to costs associated with direct health care services) are reimbursed at 50% with some exceptions (e.g., 75% for skilled administrative activity).

PASSPORT – PASSPORT is a home and community-based Medicaid waiver that enables older individuals to stay at home by providing them with in-home long-term care services. To be eligible for the program, a person must meet both financial and nonfinancial 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, and (8) be able to receive service needs met within a cost cap. Services covered on the PASSPORT waiver are as follows: personal care, homemaker, home delivered meals, adult day services, transportation, social work/counseling, nutrition consultant, independent living assistance, emergency response systems, home chores and repairs, medical supplies and equipment, and adaptive/assistive equipment.

The federal government limits the number of waiver slots available. In FY 2005, the PASSPORT wavier has a capacity of 32,252. According to the Department, the average PASSPORT client is a widowed female, age 78, and typically receives services for 2.5 years at a cost of $31,800.

Choices – Like PASSPORT, Choices is home and community-based Medicaid waiver that enables older individuals to stay at home by providing in-home long-term care services. However, unlike PASSPORT, the Choices waiver is "consumer-directed." Consumer direction is a philosophy that allows individuals and families greater choice, control, and responsibility for their services. The major difference is that Choices allows individuals to recruit, hire, schedule, and, if necessary, fire their worker. The case manager still has a major role in assessing the consumers' needs and working with the consumer to identify ways of meeting those needs. Consumer direction is a philosophy that assumes consumers have the right and ability to assess their own needs, determine how those needs should be met, and evaluate the quality of services received. Ideally, consumer-directed choice gives the consumer more control over the services received. For example, on the PASSPORT waiver, a case manager, with input from the consumer, family, and other professionals, determines the type of social services needed, who will provide the services, and when they will be provided. Comparatively, individuals on the Choices waiver make these decisions themselves when possible.

The federal government originally approved the Choices waiver as a pilot project. Thus, the Choices waiver is currently only available in certain geographic regions of Ohio. However, the Department is seeking federal approval to expand the Choices waiver statewide. The Department is hoping to get federal approval and begin gradually enrolling more individuals by FY 2008. Currently, approximately 125 individuals are enrolled on the Choices waiver.

Implication of the Enacted Budget: **PASSPORT** – Funding for PASSPORT in GRF line item 490-403, PASSPORT, is increased by $8.4 million (8.1%) in FY 2006 and by $9 million in FY 2007 (8.0%). According to the Department, the funding will not meet the projected demand for PASSPORT services. With the funding, the Department estimates that approximately 625 new monthly enrollees can be supported in each fiscal year. However, the Department believes that meeting this goal with the funding level will be difficult. The number of projected new monthly enrollees that can be served was determined using multiple assumptions, including a disenrollment rate of approximately 2.5%. If current disenrollment rates fall below these estimates, which the Department expects, then supporting 625 new monthly enrollees will require further cost containments, including utilization review of client care plans. If utilization review cannot contain costs, then the number of projected new monthly enrollees will fall. The Department projects PASSPORT demand for new monthly enrollees to total 842 in FY 2006 and 885 in FY 2007. According to the Department, additional GRF funding of $6.0 million in FY 2006 and $23.7 million in FY 2007 would be needed to fully fund PASSPORT. Thus, the Department expects to institute a waiting list during the biennium based on the level of funding.

The maximum number of slots that the federal Centers for Medicaid and Medicare Services (CMS) will allow to be served is 34,957 in FY 2006 and 38,450 in FY 2007. However, when CMS approves slots, they expect states to fill them based on the demand for services. With the funding, the Department is concerned that it may have to petition CMS to reduce the number of approved PASSPORT slots for the biennium. According to the Department, having unfilled slots while, at the same time, instituting a waiting list, is a fiscal liability for the Department.

Choices – The enacted budget will support current Choices enrollees. Furthermore, the funding level will allow the Department to expand the program by approximately 75 additional slots. The Department recently received approval to take the Choices waiver into the southeastern section of Ohio. Ultimately, the Department hopes to take the Choices waiver statewide in FY 2008.

Assisted Living Waiver – The bill authorizes ODJFS to seek an Assisted Living Medicaid waiver for eligible individuals residing in residential care facilities. Upon federal approval, ODJFS is required to contract with ODA for the administration of the program. The bill limits participation to 1,800 individuals and specifically permits any residential care facility to participate in the program.

The bill provides that once ODJFS enters into a contract with ODA to administer the program, ODJFS must submit quarterly reports to OBM outlining the estimated costs of the program for the upcoming quarter, including both the state and federal share. Upon receipt of the estimated costs, OBM must transfer the estimated costs from ODJFS GRF appropriation item 600-525, Health Care/Medicaid, to ODA GRF appropriation item 490-422, Assisted Living Waiver. When the program is fully implemented, ODJFS estimates that it will need to transfer approximately $20.8 million all funds ($8.3 million state share) in FY 2007 to ODA.

Assuming a one-for-one displacement, a savings to Medicaid would be expected since these individuals would be diverted from more costly institutionalization to a Medicaid waiver. This assumption can be made since Medicaid waiver programs have built-in cost caps, which are lower than the cost of institutionalization. In FY 2003, the average annual cost for nursing facilities was approximately $58,600.[4] Comparatively, the Department estimates the Assisted Living waiver will have an average annual cost of approximately $21,600. Thus, a savings to Medicaid could be assumed for

[4] Based on the FY 2003 per diem of $160.54. This estimate was provided by ODA and does not include client liability payments or Medicaid card costs.

individuals leaving nursing homes for an Assisted Living waiver. However, a savings may not be realized if current nursing homes were at 100% capacity and/or had waiting lists. If this were the case, the state may incur additional costs for transitioned individuals, as the newly opened bed would likely be filled. Currently, occupancy rates in Ohio nursing homes are approximately 75%.[5] Under the bill, any GRF money saved from the Assisted Living program would still remain in GRF line item 600-525, Health Care/Medicaid. If ODJFS spends this money, then there would ultimately be no savings to the state.

Program of All-Inclusive Care for the Elderly (PACE)

Program Description: The Program of All-Inclusive Care for the Elderly (PACE) enables seniors to stay in the community by providing managed care services. The PACE sites provide participants with all of their needed health care. All PACE participants must be 55 years of age or older and qualify for a nursing facility level of care. The PACE sites assume full financial risk for the care of the participants. According to the Department, since the program places all financial risk on the PACE sites, the provider has the incentive to prevent high cost treatments. Quality of care at the PACE sites is monitored by both state and federal agencies. The program currently operates at two sites in Cincinnati and Cleveland. The federal government allows 440 individuals to be served at each site.

The last budget act permitted ODJFS to transfer the day-to-day administration of the PACE program to the Department of Aging, subject to federal approval. The Department took over full administration of the PACE program in FY 2006.

Implication of the Enacted Budget: ODA took over the management and administration of the PACE program in FY 2006. The enacted budget provides for current service levels to be maintained. Furthermore, the caseload should gradually increase during the biennium to the maximum number allowed. The federal government restricts the number of slots at each site to 440 individuals. The Department expects to have approximately 825 monthly enrollees in FY 2007.

The bill includes language that requires the Department to allocate, to the extent funding is available, 500 PACE slots to Tri-Health Senior Link located in Cincinnati and 380 slots to Concordia Care located in Cleveland. Furthermore, the bill requires the Department to allocate, to the extent funding is available, up to an additional 60 slots from Concordia Care to Tri-Health Senior Link if the Department projects that Concordia Care will not fill all of their allotted slots.

[5] Ohio Commission to Reform Medicaid Report, pg. 13. The report can be accessed at: http://www.ohiomedicaidreform.com/pdf/transforming_medicaid.pdf.

Program Series 2 Elder Rights

Purpose: Creates an environment within Ohio where respect for elder rights is encouraged, where mechanisms are put in place to assist older persons in asserting their rights, and where older persons understand and exercise their rights and privileges.

The following table shows the line items that are used to fund the Elder Rights program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	490-410	Long-Term Care Ombudsman	$689,437	$689,437
		General Revenue Fund Subtotal	**$689,437**	**$689,437**
State Special Revenue Fund				
4C4	490-609	Regional Long-Term Care Ombudsman Program	$910,000	$935,000
5BA	490-620	Ombudsman Support	$615,000	$0
5K9	490-613	Long-Term Care Consumer Guide	$298,400	$620,000
		State Special Revenue Fund Subtotal	**$1,823,400**	**$1,555,000**
Federal Special Revenue Fund				
3M4	490-612*	Federal Independence Services	$1,790,968	$1,758,752
322	490-618*	Federal Aging Grants	$45,986	$46,545
		Federal Special Revenue Fund Subtotal	**$1,836,954**	**$1,805,297**
Total Funding: Elder Rights			**$4,349,791**	**$4,049,734**

*Amount does not reflect total appropriation because the line item is used to fund other program series.

This analysis focuses on the following specific programs within the Elder Rights program series:

- ***Long-Term Care Ombudsman***
- ***Long-Term Care Consumer Guide***
- ***Benefits Counseling and Legal Service Development***

Long-Term Care Ombudsman

Program Description: The Ombudsman program advocates for long-term care consumers by investigating and attempting to resolve consumer complaints about long-term care services. The 12 AAAs operate the program either directly or by contracting with nonprofit organizations. In FY 2004, the program investigated over 12,846 complaints, a 23% increase from FY 2003 levels.

Funding for the Ombudsman program comes from state and federal sources. State funds, disbursed through GRF line item 490-410, Long-Term Care Ombudsman, serve as the nonfederal match required to draw down federal Title III (B) funds. The Ombudsman program receives a portion of the facility bed fee assessed to nursing and residential care facilities. The Department also receives federal funds authorized by the Older Americans Act (Title VII, Chapters 2 and 3) for the Ombudsman program.

Implication of the Enacted Budget: The primary source of funding for the Ombudsman program comes from the federal Older Americans Act (Title VII, Chapters 2 and 3). Along with the federal funding, the Ombudsman program also receives GRF dollars. With the funding level, the Department anticipates current service levels to be maintained. Ombudsman will be able to visit each nursing and residential care facility twice each year. However, reductions in funding over previous biennia have reduced staffing levels. The Department believes the number of complaints received concerning long-term care will continue to increase. According to the Department, as complaints increase, the ability to handle all complaints in a timely manner becomes difficult under current staffing levels. The Department estimates that some services including in-service training for providers, nursing home resident council assistance, long-term care selection assistance, and provider consultation will decline.

The enacted budget includes $615,000 in line item 490-620, Ombudsman Support, for FY 2006. This line item was created by the Controlling Board during FY 2005 and received a $615,000 transfer of Resident Protection Funds from ODJFS at that time. The Department will receive a second transfer in FY 2006. The revenue was generated from fees assessed to nursing facilities with inspection problems. Each transfer includes a $600,000 distribution to local AAAs for Ombudsman volunteer expansion and $15,000 to cover the Department's administrative costs (e.g., registry of ombudsman, production of training materials, etc.). Local AAAs will use these funds as seed money to hire and recruit volunteer coordinators. Volunteer coordinators are expected to develop and expand Ombudsman volunteers in order to increase the frequency of facility visits. The coordinators are expected to secure local funding for their activities.

Long-Term Care Consumer Guide

Program Description: The Long-Term Care Consumer Guide is a website developed by the Department to assist individuals in making decisions about long-term care services and selecting a nursing facility. The website provides comparative data, including regulatory compliance and consumer satisfaction information, for every nursing facility in Ohio. Nursing facilities can add information about bed capacity, policies, staffing levels, specialization, and quality.

Implication of the Enacted Budget: The last budget act eliminated both the statutory mandate and funding for the Long-Term Care Consumer Guide. However, the Department maintained the Guide at a minimal level during the previous biennium. The Department used Long-Term Care Ombudsman funds to subsidize 0.5 FTE for Guide operations. The enacted budget reinstates funding for the Long-Term Care Consumer Guide, which will include annual satisfaction surveys for each nursing and residential care facility.

To fund the Guide, the bill includes an annual fee of $300 for residential care facilities and $400 for nursing facilities. The Department expects to generate approximately $552,000 in annual revenue from these provider fees. The Department will survey nursing facility residents (FY 2007), residential care facility residents (FY 2007), and families of nursing facility residents (FY 2008) for the Guide. In FY 2006, no surveys will take place as the Department collects revenue to fund future surveys.

Benefits Counseling and Legal Service Development

Program Description: The Department of Aging works with the Ohio Department of Insurance, the Ohio Department of Job and Family Services, and Medicare contractors to provide benefits counseling to older Ohioans so they better understand and benefit from their health insurance.

The Department also provides legal services for Ohioans aged 60 and older that are in the most economic and social need. The Older Americans Act requires states to fund legal services and prescribes a minimum funding level.

Implication of the Enacted Budget: Funding for this program comes solely from federal sources. The funding provided in the enacted budget will maintain current levels of service. The Department requires each AAA to allocate at least 5% of Title III (B) funds, which are awarded in the Community Services and Nutrition program, for legal services. In FY 2003, approximately $815,400 of Title III (B) funds was used for legal services.

With the funding, the Department can fund 69 community education activities and advise the Ohio Senior Health Insurance Information Program on the development of consumer information products. The level of funding will also provide approximately 25,000 hours of legal service and insurance benefit education to 7,500 individuals.

Program Series 3 — Healthy and Productive Aging

Purpose: Meets the needs of active seniors, caregivers, and the general population by providing counseling, information, and programs about Medicare, insurance, and retirement; caregiver support; prescription drug discounts; employment and volunteer activities; and fitness/wellness programs.

The following table shows the line items that are used to fund the Healthy and Productive Aging program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	490-321*	Operating Expenses	$189,480	$189,786
GRF	490-405	Golden Buckeye Card	$467,614	$467,614
GRF	490-406	Senior Olympics	$15,638	$15,638
GRF	490-506	National Senior Service Corps	$352,943	$352,943
		General Revenue Fund Subtotal	**$1,025,675**	**$1,025,981**
General Services Fund				
480	490-606	Senior Community Outreach and Education	$372,677	$372,677
		General Services Fund Subtotal	**$372,677**	**$372,677**
Federal Special Revenue Fund				
322	490-618*	Federal Aging Grants	$4,587,794	$4,656,610
		Federal Special Revenue Fund Subtotal	**$4,587,794**	**$4,656,610**
Total Funding: Healthy and Productive Aging			**$5,986,146**	**$6,055,268**

* Amount does not reflect total appropriation because the line item is used to fund other program series.

This analysis focuses on the following specific programs within the Healthy and Productive Aging program series:

- ***Golden Buckeye Card***
- ***Senior Community Services Employment Program***
- ***National Senior Service Corps***
- ***Senior Olympics***
- ***Community Outreach***

Golden Buckeye Card

Program Description: The Golden Buckeye Card is an individual discount card issued free of charge to individuals age 60 or older and to those 18-59 with a total and permanent disability (as defined by Medicare). The program is designed to provide cardholders with savings on their purchases of goods or services from participating businesses. Over 18,000 merchants voluntarily participate and honor the card based on their custom-tailored discount or special offer.

Senate Bill 261 of the 124th General Assembly created a prescription drug savings benefit for the Golden Buckeye Card. The program is designed to provide savings, through the Golden Buckeye Card, to seniors without insurance who purchase their own prescription drugs. Member Health, the pharmacy benefit manager and program administrator, is responsible for negotiating costs savings, entering into rebate agreements, issuing new cards, and the overall management of the program. Although Member Health is responsible for the overall operating costs of the program, the Department does provide limited administrative support. According to the Department, Ohio seniors receive over $1.25 million in cash savings per month with an average prescription cost reduction of 24% per prescription.

Implication of the Enacted Budget: Appropriations in GRF line item 490-405, Golden Buckeye Card, increase by 57.55% in FY 2006 and are flat funded in FY 2007. However, GRF line item 490-419, Prescription Drug Discount Program, which funded the prescription drug component of the Golden Buckeye Card, no longer has an appropriation. The FY 2005 estimated expenditures in this line item were added to GRF line item 490-405, Golden Buckeye Card. Thus, the enacted budget represents flat funding for the Golden Buckeye Card program. With this funding, the Department can maintain current levels of service including card distribution, maintenance of merchant participation, and outreach.

Senior Community Services Employment Program

Program Description: The Senior Community Services Employment program is a training and work experience program that places eligible individuals in temporary nonprofit or governmental jobs. To be eligible, an individual must be age 55 or older and cannot have an annual income that exceeds 125% of the federal poverty guideline. Individuals participating in the program are assisted and encouraged to obtain permanent nonsubsidized employment outside of the program. In FY 2005, the U.S. Department of Labor approved 536 positions, a decrease of 5 positions from FY 2004. According to the Department, participants work approximately 20 hours per week in 46 Ohio counties.

Funding for the program is 90% federal and 10% local. Federal regulations require that 75% of the funds be used for wages and benefits, 13.5% on administration, and 11.5% on other participant costs. The Department of Aging provides grants to three community-based organizations to provide program administration. The grantees provide most of the required local matching funds. However, the Department provides some of the administrative match through GRF line item 490-321, Operating Expenses, which provides internal staffing, monitoring, and program support.

Implication of the Enacted Budget: Matching funds for the Senior Community Services Employment program previously had their own line item, 490-499, Senior Employment Program. However, funds for the required 10% match are now drawn from line item 490-321, Operating Expenses. The appropriation in GRF line item 490-321, Operating Expenses, will provide the necessary matching funds and subsidize the approved number of slots.

National Senior Service Corps

Program Description: The National Senior Service Corps program, which is under the jurisdiction of the Corporation for National and Community Service, provides volunteer opportunities to older adult volunteers. The National Senior Service Corps program is made up of the following three subprograms: the Retired Senior Volunteer Program (RSVP), the Foster Grandparent program, and the Senior Companion program. The Department provides a subsidy to participating organizations through GRF line item 490-506, Senior Volunteers, which supports the operating costs of the programs. State subsidies are used to draw down federal funds, which organizations receive directly. The Department allocates GRF funds in the following manner: 50% to the RSVP, 25% to the Foster Grandparents program, and 25% to the Senior Companions program. Over 18,340 older Ohioans provide services around the state through these programs.

Retired Senior Volunteer Program (RSVP): The RSVP provides seniors with volunteer opportunities in their communities. Approximately 16,958 volunteers serve more than 1,945 volunteer stations by performing various community service activities (e.g., delivering meals to area hospitals). Volunteers in the program do not receive any compensation.

The Foster Grandparent Program: The Foster Grandparent program is a senior mentoring program for at-risk children and youth. Approximately 885 volunteers serve one-on-one with more than 3,300 children with special needs. Volunteers in the program commit approximately 20 hours per week and receive a small stipend if they meet certain income eligibility.

The Senior Companion Program: The Senior Companion program supports seniors who make home visits to frail, homebound elders. Approximately 440 older adult volunteers assist more than 1,127 seniors who live independently in their own homes. Volunteers visit and help elderly seniors with home care and transportation needs. Volunteers in the program commit approximately 20 hours per week and receive a small stipend if they meet certain income eligibility.

Implication of the Enacted Budget: With the enacted level of funding, the Department expects current service levels to be maintained. National Senior Service Corps programs use state and local funds as a match for federal funds. However, rural areas often have difficulty attracting additional matching funds to satisfy the full match. Thus, reductions in state subsidies could reduce service levels in areas unable to attract enough local dollars to draw down all available federal funds.

Senior Olympics

Program Description: The Ohio Senior Olympics promotes the health benefits of exercise for seniors. The Department uses these funds to help support statewide games. Ohio Senior Olympics currently conducts ten local games throughout the state, serving approximately 5,000 senior athletes.

Implication of the Enacted Budget: With the enacted level of funding, the Department can maintain current service levels, which include ten local Senior Olympic games in each fiscal year.

Community Outreach

Program Description: The Department creates and distributes educational materials and conducts activities to inform individuals about important aging issues and services available. These include: Ohio's Senior Citizens Hall of Fame, Elder Caregiver Recognition Ceremony, Governor's

Conference on Aging, Joined Hearts in Giving, and Older Americans Month. The Department also issues publications to keep professionals informed of current issues in aging and to aid families preparing to help aging parents.

Implication of the Enacted Budget: With the enacted level of funding, the Department expects current levels of service to be maintained.

Program Series 4 Ohio Community Service Council National Service Programs

Purpose: Manages the federally funded AmeriCorps program in Ohio and promotes volunteerism and community service efforts across the state.

The following table shows the line items that are used to fund the Ohio Community Service Council National Service program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	490-409	Ohio Community Service Council Operations	$203,647	$193,465
		General Revenue Fund Subtotal	**$203,647**	**$193,465**
State Special Revenue Fund				
624	490-604	OCSC Community Support	$2,500	$2,500
		State Special Revenue Fund Subtotal	**$2,500**	**$2,500**
Federal Special Revenue Fund				
3R7	490-617	Ohio Community Service Council Programs	$9,170,000	$9,170,000
		Federal Special Revenue Fund Subtotal	**$9,170,000**	**$9,170,000**
Total Funding: Ohio Community Service Council National Service Programs			**$9,376,147**	**$9,365,965**

This analysis focuses on the following specific programs within this program series:

- ***AmeriCorps and Other Volunteer Opportunities***
- ***Community Infrastructure Development***
- ***Program Management***

AmeriCorps and Other Volunteer Opportunities

Program Description: The AmeriCorps program provides individuals with educational awards for college in return for one year of community service. The AmeriCorps program is federally funded. A portion of the funds distributed to states by the federal government is based on population, while the other portion is through a competitive process based on program quality.

Implication of the Enacted Budget: With the enacted level of funding, OCSC will award and administer 50 grants projects designed to address locally defined community needs. The OCSC estimates that approximately 1,000 AmeriCorps volunteers will provide 1.8 million hours of community service throughout Ohio during the biennium.

Community Infrastructure Development

Program Description: The OCSC is required to not only manage the AmeriCorps program, but also to undertake other projects and initiatives that promote volunteerism throughout Ohio. These projects are centered on building capacity and fostering collaboration within and among volunteer-based organizations. Federal funds and unsolicited donations fund this program.

Implication of the Enacted Budget: The enacted budget includes support for the Citizen Corps Councils to recruit and manage homeland security volunteers. This program will fund a statewide database with volunteers listed by region and skill set in the event of terrorist activity or natural disaster.

Program Management

Program Description: This program covers the administrative costs associated with the OCSC including staff, office space, equipment, supplies, and travel. Funding for the OCSC's administration comes from GRF, federal, and in-kind support. OCSC receives a federal grant for administration. The grant requires a 100% match, which is satisfied through GRF dollars and in-kind donations generated for OCSC's "Make a Difference Day" and other programs.

Implication of the Enacted Budget: The enacted budget decreases GRF funding in FY 2006 for the OCSC by 5% and an additional 5% decrease in FY 2007. The GRF reduction will shift a greater burden to in-kind donations generated from Make a Difference Day to match funds for federal grants. In the short term, OCSC may have trouble maintaining current service levels with the funding level. The OCSC is investigating ways to reduce administrative costs to prevent staffing reductions. The bill includes statutory language allowing OCSC to accept monetary gifts and donations, which will help raise funds for its programs. OCSC is hoping to raise enough funds from monetary gifts and donations to offset the GRF reduction.

Department of Agriculture

Jason Phillips, Budget Analyst

- The enacted budget contains increases in many fees to offset GRF decreases for many programs
- Enacted budget of $47.95 million in FY 2006 and $48.16 million in FY 2007

OVERVIEW

Duties and Responsibilities

Ohio's Department of Agriculture (AGR) is primarily a regulatory agency responsible for the safety 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 12 separate program areas that are highlighted in the "Analysis of the Enacted Budget" section of this analysis.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
539	$47.95 million	$48.16 million	$18.96 million	$18.72 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

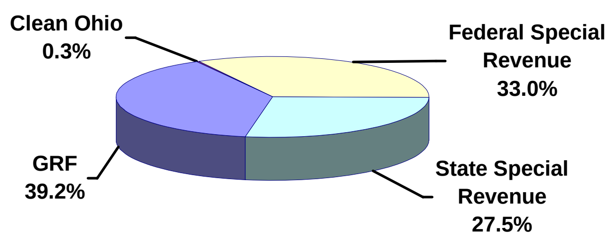
Vetoed Provisions

The Governor did not veto any provisions affecting the Department of Agriculture.

Enacted Budget

The pie chart below shows how the Department's funding is split among the General Revenue Fund, State Special Revenue Fund, and Federal Special Revenue Fund.

Total FYs 2006-2007 Budget by Fund Group



Another way to analyze the enacted budget is to do so by program series. The table below shows that the Plant Industry, Meat Inspection and Program Management program series account for more than 60% of the Department's total funding for the FY 2006-2007 biennium.

Department of Agriculture Biennium Funding by Program Series		
Program Series	**Biennium Total Funding**	**% of Total**
Plant Industry	$21,648,946	22.5%
Meat Inspection	$19,890,948	20.7%
Program Management	$16,810,714	17.5%
Animal Disease Control	$9,770,904	10.2%
Food, Dairy, and Drugs	$9,324,324	9.7%
Agriculture Market Development	$4,171,031	4.3%
Consumer Analytical Lab	$3,616,708	3.8%
Weights and Measures	$3,114,052	3.2%
Large Livestock Regulation	$2,916,992	3.0%
Amusement Ride Safety	$2,220,872	2.3%
General Agriculture	$1,732,188	1.8%
Auctioneers Licensing	$779,266	0.8%
Total*	**$96,107,907**	**100%**

*Total includes $110,962 that was not made known to LSC how it would be allocated

Regulatory Fees Changes

The enacted budget includes several fee increases for the Department of Agriculture, which are estimated to bring in an additional $1.8 million to the Department's rotary funds. These increases in fees are used to offset a reduction in GRF funding. These fee increases are displayed in the table below, and their impacts outlined in the Analysis of the Enacted Budget.

Description of Fee	Current Fee	Proposed Fee	New Revenue Generated
Plant Industries Fees			
Fertilizer (Fund 4C9)	$0.12 per ton	$0.25 per ton	$305,766
Feed (Fund 4C9)	$0.10 per ton	$0.25 per ton	$500,562
Pesticide Product Registration (Fund 669)	$100 annual	$150 annual	$650,000
Amusement Ride Fees			
Amusement Ride Permits	$50	$150	$250,000
Food Safety and Inspection Fees (Fund 4P7)			
Cannery	$100	$200	$12,300
Soft Drink Bottler	$100	$200	$22,300
Cold Storage Warehouse	$100	$200	$3,800
Frozen Food	$25	$50	$4,700
Syrup and Extract	$50	$100	$1,400
Certificate of Health and Freesale	$0	$20 per certificate	$52,000
Total Fees Generated			**$1,802,828**

Fund Modifications

There were several funds that were modified, created, or changed in the enacted version of the budget. The changes are listed below.

- The existing Animal Industry Laboratory Fund (Fund 4V5) merged with the existing Laboratory Services Fund (Fund 652) to create the Animal Health and Food Safety Fund (Fund 652). In addition, appropriation item 700-634 was renamed Animal Health and Food Safety to coincide with the changed fund name. Furthermore, all assets of Fund 4V5 were transferred to Fund 652.

- The existing Commercial Feed, Fertilizer, and Lime Inspection and Laboratory Fund (Fund 4C9) merged with the existing Seed Fund (Fund 5Z4) to create the Commercial Feed, Fertilizer, Seed, and Lime Inspection and Laboratory Fund (Fund 4C9). All assets of Fund 5Z4 were transferred to Fund 4C9.

- The Laboratory and Administrative Support Fund (Fund 5DA) was created, which is to consist of moneys received by the Department of Agriculture from auditorium rentals and other miscellaneous sources. The Department is authorized to use moneys in the fund to pay costs associated with any of the Department's programs. The Department collected fees from auditorium and conference room rentals and deposits these fees in the Indirect Cost Fund (Fund 3J4). However, the Department anticipates the collection of fees for utilities and maintenance from the Department of Health, the Environmental Protection Agency, and the Racing Commission for use of the Department's laboratories. The Department estimates that the revenue from these new and current fees will be $2,096,000.

- The existing Scale Certification Fund (Fund 579) was renamed to the Metrology and Scale Certification Fund (Fund 5H2). All assets of Fund 579 were transferred to Fund 5H2.

Transfers of Funds

The enacted budget contains provisions that make various transfers of funds that effect the Department of Agriculture's programs. The provisions include:

- The ability of the Director of Budget and Management to transfer cash credited to the Commercial Feed, Fertilizer, Seed, and Lime Inspection and Laboratory Fund (Fund 4C9) or the Pesticide Program Fund (Fund 669) to any other fund administered by the Director of Agriculture. This provision allows the Director wide discretion and flexibility in directing funding to programs where it is needed.

- A transfer of up to $1 million in each fiscal year from the Facilities Establishment Fund (Fund 037) to the Family Farm Loan Fund (Fund 5H1) in the Department of Development, subject to Controlling Board approval.

- A transfer of $21,790 in each fiscal year from Unclaimed Funds to the Food Safety Fund (Fund 4P7). The transfer will replace the revenue that would have been lost without an increase in bakery registration fees.

- A transfer of federal moneys for agricultural-related aspects of the National Pollutant Discharge Elimination System (NPDES) from the Ohio Environmental Protection Agency to the Ohio Department of Agriculture through the Controlling Board once the Department of Agriculture's state program is submitted and approved by the U.S. EPA and the federal moneys are disbursed. The provision specifies that the Ohio EPA, the Department of Agriculture, and OBM must calculate the amount of compensation to be made to either the Ohio EPA or the Department of Agriculture and the amount of state matching funding that is required.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 **General Agriculture**

Purpose: Supports county agricultural societies across the state, breeder awards, and the Ohio Farm Loan program.

The following table shows the line items that are used to fund the General Agriculture program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	700-501	County Agricultural Societies	$358,226	$358,226
GRF	700-409	Farmland Preservation	$241,573	$241,573
		General Revenue Fund Subtotal	**$599,799**	**$599,799**
State Special Revenue Fund				
4E4	700-606	Utility Radiological Safety	$73,059	$73,059
		State Special Revenue Fund Subtotal	**$73,059**	**$73,059**
Federal Special Revenue Fund				
336	700-617	Ohio Farm Loan Revolving Fund	$43,793	$44,679
		Federal Special Revenue Fund Subtotal	**$43,793**	**$44,679**
Clean Ohio Fund				
057	700-632	Clean Ohio Agricultural Easement	$149,000	$149,000
		Clean Ohio Fund Subtotal	**$149,000**	**$149,000**
Total Funding: General Agriculture			**$865,651**	**$866,537**

The activities of the General Agriculture program are summarized below.

- ***Program 1.1: County Agriculture Society***
- ***Program 1.2: Ohio Farm Loan Revolving Program***
- ***Program 1.3: Farmland Preservation***
- ***Program 1.4: Utility Radiological Safety***

County Agriculture Society

Program Description: Agricultural societies provide educational opportunities for junior fair participants, in addition to providing premiums and cash awards at the annual county and independent fairs. There are approximately 100,000 junior fair participants in Ohio. The County Agriculture Society program reimburses junior fair expenditures at the state's 94 county and independent agricultural societies throughout Ohio. This program disburses funds each January, after the agricultural societies provide a junior fair report on the magnitude of junior fair expenses at their respective fairs during the previous year.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The enacted budget appropriates $358,226 in FY 2006 and $358,226 in FY 2007. The enacted budget provides for full funding of the County Agricultural Society program.

Ohio Family Farm Loan Program

Program Description: Pursuant to an agreement with the U.S. Department of Agriculture, the Ohio Department of Agriculture works with the Ohio Department of Development to administer the Ohio Family Farm Loan Program. The Ohio Family Farm Loan is designed to help high credit risk farmers that would have difficulty obtaining conventional credit. If a financial institution determines that a project needs a loan guarantee, it will forward a loan guarantee application to the Department of Development, which then verifies that the lender's application meets the requirements of the program. The Agricultural Financing Commission, an independent loan review committee appointed by the Governor, then evaluates the loan applications and makes recommendations to the Director of Agriculture. If the Director approves the loan guarantee, the application is forwarded to the Ohio Controlling Board, which must approve the release of funds from the Family Farm Loan Fund (Fund 5H1) in the Department of Development.

Funding Source: Federal grants

Implication of the Enacted Budget: The enacted budget appropriates $43,793 in FY 2006 and $43,793 in FY 2007. The enacted budget provides for full funding of the Ohio Farm Loan program.

Temporary and Permanent Law Provisions: ***Family Farm Loan Program (Section 203.24).*** Temporary law authorizes the transfer of up to $1,000,000 in each fiscal year from moneys in the Facilities Establishment Fund (Fund 037) to the Family Farm Loan Fund (Fund 5H1) in the Department of Development.

Family Farm Loan Program (R.C. 122.011). A permanent law provision extends the sunset of the Family Farm Loan Program from October 15, 2005, to October 15, 2007.

Farmland Preservation

Program Description: The program facilitates the preservation of farmland and also educates the public about this issue. The program's Clean Ohio Fund Agricultural Easement Purchase Program was established in 2001. The program initiates purchases of agricultural easements from volunteer landowners. In addition, legislation signed in 2002, permits landowners to donate development rights of their land to the state or local governments for the purpose of protecting productive farmland from converting to nonagricultural use. Approximately $1.5 million was disbursed in FY 2005 for the purchase of agricultural easements to maintain productive farmland available for agricultural production.

Funding Source: General Revenue Fund and interest earned on the Clean Ohio Revitalization Fund

Implication of the Enacted Budget: The enacted budget appropriates $390,573 in FY 2006 and $390,573 in FY 2007. The enacted budget provides for full funding of the Farmland Preservation program.

Utility Radiological Safety

Program Description: The Utility Radiological Safety program is responsible for performing sampling of food grown or processed within allowable distances from nuclear plants in Ohio to ensure a safe food supply for the Ohio consumer in the event of a nuclear power plant release.

Funding Source: Assessments on power plants

Implication of the Enacted Budget: The enacted budget appropriates $73,059 in FY 2006 and $73,059 in FY 2007. The enacted budget provides for full funding of the Utility Radiological Safety program.

Temporary Law Provisions: ***Utility Radiological Safety Board Assessments (Section 306.03).*** Temporary law sets the assessments against nuclear electric utilities for the Department of Agriculture's Utility Radiological Safety Fund (Fund 4E4) at $73,059 in FY 2006 and $73,059 in FY 2007.

Program Series 2 Amusement Ride Safety

The following table shows the line items that are used to fund the Amusement Ride Safety program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
578	700-620	Ride Inspection Fees	$1,105,436	$1,115,436
Total Funding: Amusement Ride Safety			**$1,105,436**	**$1,115,436**

The activities of the Amusement Ride Safety program are summarized below.

Amusement Ride Safety

Program Description: The Amusement Ride Safety program deals with the inspection of permanent and portable amusement rides throughout the state on an annual basis. In addition to site inspection, division personnel review safety records with ride operators, ensure that operators are informed of any maintenance updates or safety bulletins that may apply to certain rides, and monitor ride accidents and help determine their cause. The Department inspects, licenses, and maintains records on over 2,200 amusement rides in the state. The division is also responsible for licensing and regulating over 1,100 games and sideshows at the 94 county and independent fairs and the state fair.

Funding Sources: Fees and fines associated with the regulation of amusement rides

Implication of the Enacted Budget: The enacted budget appropriates $1,105,436 in FY 2006 and $1,115,436 in FY 2007. The enacted budget provides for full funding of the Amusement Ride Safety program and allows the program to maintain FY 2005 service levels.

Temporary and Permanent Law Provisions: ***Advisory Council on Amusement Ride Safety (R.C. 1711.52).*** A permanent law provision in the enacted budget requires the existing Advisory Council on Amusement Ride Safety to prepare and submit a report, not later than December 31, 2006, to the Governor, Speaker of the House of Representatives, President of the Senate, Minority Leader of the House of Representatives, Minority Leader of the Senate, and Director of Agriculture concerning the Council's recommendations for alternative funding sources for the Amusement Ride Safety program. This provision may result in a minimal increase in administrative expenses in order to prepare the report.

Amusement Ride Permit Fee (R.C. 1711.53 and 203.24). A provision in the enacted budget increases the fee for all annual amusement ride permits from $50 to $150. This provision should result in an increase of $250,000 per year in revenue to the Ride Inspection Fund (Fund 578).

Requirements for Electrical Connections for Amusement Rides (R.C. 1711.53 and 1711.531). A provision in the enacted budget requires amusement rides that are operated from an electric light company source to be operated only through a properly installed fusible switch, enclosed circuit breaker, or panel board. According to the Department of Agriculture, this provision will not result in an increase in expenditures to inspect electrical connections on amusement rides as Department inspectors do not inspect these electrical connections. The Department primarily inspects the generators that power most of the portable amusement rides. A professional electrician would be needed to inspect the electrical connection on rides that are operated from an electric light company source.

Program Series 3 — Food, Dairy, and Drugs

Purpose: Supports the operations of the Food Safety and the Dairy Inspection Divisions.

The following table shows the line items that are used to fund the Food, Dairy, & Drugs program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	700-403	Dairy Division	$1,304,504	$1,304,504
GRF	700-407	Food Safety	$939,099	$939,099
		General Revenue Fund Subtotal	**$2,243,603**	**$2,243,603**
State Special Revenue Fund				
4R2	700-637	Dairy Industry Inspection	$1,541,466	$1,621,460
4P7	700-610	Food Safety Inspection	$816,096	$858,096
		State Special Revenue Fund Subtotal	**$2,357,562**	**$2,479,556**
Total Funding: Food, Dairy, and Drugs			**$4,601,165**	**$4,723,159**

The activities of the Food, Dairy, and Drugs program are summarized below.

- ***Program 3.1: Dairy Inspection***
- ***Program 3.2: Food Safety***

Dairy Inspection

Program Description: This regulatory and licensure program ensures that all milk and milk products emanating from Ohio dairies are safe for human consumption. This involves the licensure and inspection of dairies, milk haulers, and dealers in Ohio to ensure the sanitary production, processing, and transportation of milk-based products.

Funding Sources: General Revenue Fund and licensing and milk inspection fees

Implication of the Enacted Budget: The enacted budget appropriates $2,845,970 in FY 2006 and $2,925,964 in FY 2007. The enacted budget provides for full funding of the Dairy Inspection program.

Food Safety

Program Description: The Food Safety program ensures the safe food supply through surveillance, sampling, inspection, consultation, technical assistance, and training. The Division of Food Safety regulates food processing plants, wholesale storage, and distribution sites, and retail facilities that produce, process, label, store, distribute, and sell food products in the state. The Division also receives and investigates consumer complaints regarding food safety. Another responsibility of the Division is to inspect retail food establishments and provide enforcement support to the 143 local health departments. The Division's partnership with the local health departments provides an additional outlet to transmit consumer notices regarding food safety recalls of food and drug products.

Funding Sources: General Revenue Fund and fees collected from local health departments and license fees collected from retail and wholesale sectors

Implication of the Enacted Budget: The enacted budget appropriates $1,755,195 in FY 2006 and $1,797,795 in FY 2007. The enacted budget provides for full funding of the Food Safety program with additional funds to be used for an increase in testing and surveillance of the food supply.

Temporary and Permanent Law Provisions: ***Fee for Issuance of Certificates of Health and Freesale (R.C. 915.24 and 3715.04).*** Permanent law provisions authorize the Director of Agriculture to issue a certificate of health and freesale to a food processing establishment, manufacturer of over-the-counter drugs, or manufacturer of cosmetics upon request for purposes of certifying that products have been produced and warehoused under sanitary conditions as determined through inspection by the Department of Agriculture, establishes a $20 fee for the issuance of such a certificate, and requires the Director to deposit any such fees that are collected to the credit of the existing Food Safety Fund. These provisions should result in an increase of $52,000 in revenue to the Food Safety Fund (Fund 4P7).

Cannery License Fee (R.C. 913.02). A permanent law provision increases the cannery license fee and license renewal fee from $100 to $200. This provision should result in an increase of $12,300 in revenue to the Food Safety Fund (Fund 4P7).

Soft Drink Manufacturing or Bottling and Sale of Syrup or Extract Fees (R.C. 913.23). A permanent law provision increases the soft drink manufacturing or bottling license fee from $100 to $200, increases the out-of-state soft drink manufacturing or bottling registration fee from $100 to $200, and increases the license fee from $50 to $100 for the sale, use, or possession with intent to sell of any soda water syrup or extract or soft drink syrup to be used in making, drawing, or dispensing soda water or other soft drinks. This provision should result in an increase of $23,700 in revenue to the Food Safety Fund (Fund 4P7).

Cold Storage Warehouse Operation License Fee (R.C. 915.02). A permanent law provision increases the fee for a license to operate a cold-storage warehouse from $100 to $200. This provision should result in an increase in revenue of $3,800 to the Food Safety Fund (Fund 4P7).

Annual License Fee for Food Locker Plan Establishments (R.C. 915.16). A permanent law provision increases the annual fee for a license to operate a frozen food manufacturing facility, slaughterhouse, locker room, locker, chill room, sharp freezing room and facilities, or sharp freezing cabinet from $25 to $50. This provision should result in an increase in revenue of $4,700 to the Food Safety Fund (Fund 4P7).

Program Series 4 — Agriculture Market Development

Purpose: Boosts the sales of Ohio's agricultural products in domestic and international markets.

The following table shows the line items that are used to fund the Agriculture Market Development program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	700-404	Ohio Proud	$185,395	$185,395
GRF	700-411	International Trade and Market Development	$617,524	$517,524
		General Revenue Fund Subtotal	**$802,919**	**$702,919**
State Special Revenue Fund				
494	700-612	Agricultural Commodity Marketing Program	$170,220	$170,220
496	700-626	Ohio Grape Industries	$1,071,099	$1,071,054
4R0	700-636	Ohio Proud Marketing	$38,300	$38,300
4T7	700-613	International Trade and Market Development	$52,000	$54,000
		State Special Revenue Fund Subtotal	**$1,331,619**	**$1,333,574**
Total Funding: Agriculture Market Development			**$2,134,538**	**$2,036,493**

The activities of the Agriculture Market Development program are summarized below.

- ***Program 4.1: International and Domestic Market***
- ***Program 4.2: Commodity Marketing***
- ***Program 4.3: Ohio Proud Marketing***
- ***Program 4.4: Grape Industry Research and Marketing***

International and Domestic Market

Program Description: The International and Domestic Marketing program provides marketing services to Ohio's food and agricultural industry to promote and provide a competitive advantage for Ohio-based products that are marketed internationally and nationally. The Division of Markets is comprised of International Market Development, Domestic Market Development, the OHIO PROUD program, and commodity marketing programs. The International Market Development program participates in trade shows, coordinates trade missions, conducts training seminars on exporting and provides market research information to help promote international development of Ohio-based products.

Funding Sources: General Revenue Fund and reimbursements from participants of trade missions

Implication of the Enacted Budget: The enacted budget appropriates $617,524 in FY 2006 and $517,524 in FY 2007. The enacted budget provides for full funding of the International and Domestic Market program, with $100,000 of the amount appropriated in FY 2006 being earmarked for the Ohio-Israel Agricultural Initiative. The purpose of the Initiative is to promote agricultural cooperation between Ohio and Israel through their governments, farmers, research institutions, trade associations, and private companies; generate commercial exchanges and markets; identify potential agribusiness opportunities for development in both regions; and identify and coordinate joint research and international development projects.

Temporary Law Provisions: ***Ohio-Israel Agricultural Initiative (Section 203.34).*** A temporary law provision earmarks $100,000 of GRF appropriation item 700-411, International Trade and Market Development, to be used in FY 2006 for the Ohio-Israel Agricultural Initiative. The purpose of the Ohio-Israel Agriculture Initiative is described above.

Commodity Marketing

Program Description: The Commodity Marketing program currently provides oversight for six marketing programs including: apple, beef, corn, egg, small fruit and vegetable, and sheep and wool. These marketing committees promote their product, provide research and conduct educational programs for the betterment of their commodity. Commodity committees are either appointed by the Director of Agriculture or elected by the producers for that commodity group. The commodity committees collect check-off fees that fund their activities. Depending on the committee, the Department either provides financial oversight, or the Department collects the fees from the committee and returns the fee to the committee through a pass-through procedure. Currently, three of the six commodity groups utilize the pass-through procedures offered by the Department.

Funding Source: Assessments from producers collected by commodity committees for the promotion of their product

Implication of the Enacted Budget: The enacted budget appropriates $170,220 in FY 2006 and $170,220 in FY 2007. The enacted budget provides for full funding of the Commodity Marketing program.

Ohio Proud Marketing

Program Description: The Department developed this marketing program in 1993 in an effort to increase sales of agricultural goods grown or processed in the state. One of the most prominent features of the marketing program is the "Ohio Proud" shelf tags and labels affixed to products displayed in grocery stores. Consumer awareness has risen steadily since its inception. The Department has an Ohio Proud van that travels throughout the state to display information to consumers about the program. The van participates in approximately 80 events each year. According to the Department, 204 companies from 61 counties participate in this program.

Funding Sources: General Revenue Fund and revenues collected from membership of the Ohio Proud program

Implication of the Enacted Budget: The enacted budget appropriates $223,695 in FY 2006 and $223,695 in FY 2007. The enacted budget provides for full funding of the Ohio Proud Marketing program.

Grape Industry Research and Marketing

Program Description: The Ohio Grape Industry program was established in 1985 to serve the Ohio grape and wine producers through research that focuses on expanded production, and marketing programs to help expand the demand of grape-related products. The number of licensed and bonded Ohio wineries is approximately 90. The research done by the program has focused on disease management, pest control, and development of grapevines suitable to Ohio weather. The research is made available to Ohio grape growers. The Department has adopted an aggressive marketing strategy and hopes to increase consumer recognition regarding Ohio grape products.

Funding Source: A portion of the tax revenues collected from wine and liquor sales throughout the state

Implication of the Enacted Budget: The enacted budget appropriates $1,071,099 in FY 2006 and $1,071,054 in FY 2007. The enacted budget provides for full funding of the Grape Industry Research and Marketing program.

Program Series 5 Plant Industry

Purpose: Assures consumers of accurate product labeling, minimize plant loss caused by pests and diseases, protect against the misuse of chemicals on agricultural products, and protect farmers in case of grain elevator failures.

The following table shows the line items that are used to fund the Plant Industry program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	700-410	Plant Industry	$391,216	$50,000
GRF	700-413	Gypsy Moth Prevention	$200,000	$200,000
		General Revenue Fund Subtotal	**$591,216**	**$250,000**
Federal Special Revenue Fund				
3R2	700-614	Federal Plant Industry	$4,800,000	$4,800,000
		Federal Special Revenue Fund Subtotal	**$4,800,000**	**$4,800,000**
State Special Revenue Fund				
497	700-627	Commodity Handlers Regulatory Program	$515,820	$529,978
4C9	700-605	Feed, Fertilizer, Seed, & Lime Inspection	$1,922,857	$1,891,395
669	700-635	Pesticide Program	$2,993,232	$3,354,448
		State Special Revenue Fund Subtotal	**$5,431,909**	**$5,775,821**
Total Funding: Plant Industry			**$10,823,125**	**$10,825,821**

The activities of the Plant Industry program are summarized below.

- ***Program 5.1: Plant Pest Control, Apiary and Seed***
- ***Program 5.2: Gypsy Moth Suppression***
- ***Program 5.3: Feed Fertilizer and Lime Inspection***
- ***Program 5.4: Grain Warehouse***
- ***Program 5.5: Pesticide Regulation***

Plant Pest Control, Apiary and Seed

Program Description: The Plant Pest Control program inspects and certifies/licenses nursery stock producers and dealers. Inspectors examine agricultural and forest products for harmful pests and issue state and federal phytosanitary certificates. The program administers compliance agreements under state and federal plant pest quarantines, initiates, and administers and enforces state plant pest quarantines. The Apiary Section is responsible for registering over 5,000 apiary locations annually, and inspecting over 20,000 colonies to determine their health. The Seed program is responsible for the inspection of seed labeling, procedures, and records; sampling of seed lots for the purpose and assurance of quality seed being supplied to the consuming public and farmers; germination and purity testing for farmers' seed; testing seed that is sampled by inspectors and inspecting inoculants for proper labeling; and the issuance of permits. In addition, the Division received federal grant funding related to activities of the Division for the Consumer Analytical Laboratory, the agency's regulatory laboratory that conducts the testing, as well as for the eradication of the Emerald Ash Borer in northwest Ohio.

Funding Sources: General Revenue Fund and federal grants

Implication of the Enacted Budget: The enacted budget appropriates $5,191,216 in FY 2006 and $4,850,000 in FY 2007. The effect of the enacted budget for the Plant Pest Control, Apiary and Seed program is yet to be determined. Funding from the federal government will allow the Department to maintain the eradication efforts of the Emerald Ash Borer. However, the Department may need to go before the Controlling Board to ask for an increase in appropriation as the enacted budget appropriated significantly less than what the program has spent in recent years. The Department noted that such a decision would depend on the revenue that the program will receive.

Gypsy Moth Suppression

Program Description: 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, which 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.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The enacted budget appropriates $200,000 in FY 2006 and $200,000 in FY 2007. According to the Department, the funding needed to suppress the Gypsy Moth depends on the level of infestation. The level of infestation depends on how much rain the state gets in the spring. If the infestation is significant in the FY 2006-2007 biennium, this funding level will not adequately support this program.

As a partial fix, temporary law language allows the Director of Budget and Management to transfer the cash credited to the Commercial Feed, Fertilizer, Seed, and Lime Inspection and Laboratory Fund (Fund 4C9) or the Pesticide Program Fund (Fund 669) to any other fund administered by the Director of Agriculture. This language would give the Department the flexibility to fund the Gypsy Moth program if more suppression is needed.

Feed, Fertilizer, and Lime Inspection

Program Description: The Feed, Fertilizer, and Lime Inspection program provides a level of protection to the purchasing consumer of feeds, fertilizers, and liming material products to assure that the products purchased contain the amount of nutrients and/or minerals as claimed on the label by obtaining samples of different animal feeds, pet foods, agricultural fertilizers, lawn fertilizers, and lime products. Inspectors also conduct safety checks on anhydrous ammonia equipment to ensure safe storage and handling of ammonia fertilizer, check contaminated areas around fertilizer tanks and verify that large fertilizer tanks meet API Standards, and perform inspections on a contract basis for the FDA.

Funding Source: Fees charged to feed dealers for inspections

Implication of the Enacted Budget: The enacted budget appropriates $1,922,857 in FY 2006 and $1,891,395 in FY 2007. The enacted budget provides for full funding of the Feed, Fertilizer, and Lime Inspection program.

Temporary and Permanent Law Provisions: ***Fertilizers, Seed, Pesticides, Feed, Plants, and Metrology and Scale Certification Fund (R.C. 905.32, 905.33, 905.331, 905.36, 905.37, 905.38, 905.381, 905.50, 905.66, 907.16, 921.16, 923.44, 923.45, 923.46, 927.69, 1327.511).*** Permanent law provisions change the annual schedule for fertilizer-related licensure and registration and change the fertilizer tonnage report from a semiannual report to an annual report. The provisions also increase various fees (please refer to the table on pages 2 and 3) to replace GRF funding. This provision also merges the Commercial Feed, Fertilizer, and Lime Inspection and Laboratory Fund (Fund 4C9) and the Seed Fund (Fund 5Z4) to create the Commercial Feed, Fertilizer, Seed, and Lime Inspection and Laboratory Fund (Fund 4C9) and changes the name of the Scale Certification Fund to the Metrology and Scale Certification Fund (Fund 5H2). These provisions should increase revenues to the Commercial Feed, Fertilizer, Seed, and Lime Inspection and Laboratory Fund (Fund 4C9).

Fertilizer-Related Licensure and Registration (Section 203.24.03). A temporary law provision facilitates the implementation of the new schedule for fertilizer-related licensure, registration, and reporting established under sections 905.32, 905.33, 905.331 and 905.36 of the Revised Code, as amended by the enacted budget. As such, the provision sets the period for which the fertilizer-related licenses and registrations are valid. In addition, the provision sets the date that fertilizer tonnage reports are due.

Prohibition Against Regulation of Fertilizer and Seed by Political Subdivisions (R.C. 905.501, 907.111). A permanent law provision in the enacted budget prohibits political subdivisions from regulating or enacting legislation relating to the registration, packaging, labeling, sale, storage, distribution, use or application of fertilizer and from regulating or enacting legislation related to the registration, labeling, sale, or storage, transportation, distribution, notification of use, use, or planting of seed.

Transfer Between Funds (Section 203.24.03). Temporary law allows the Director of Budget and Management to transfer cash credited to the Commercial Feed, Fertilizer, Seed, and Lime Inspection and

Laboratory Fund (Fund 4C9) or the Pesticide Program Fund (Fund 669) to any other fund administered by the Director of Agriculture. This would allow for flexibility in directing funding to programs where it is needed. As noted previously, one possible use of the transfer would be to facilitate Gypsy Moth suppression.

Commercial Feed, Fertilizer, Seed, and Lime Inspection and Laboratory Fund (Section 203.24.03). A temporary law provision in the bill transfers all assets, liabilities, revenues, and obligations associated with the Seed Fund (Fund 5Z4) to the Commercial Feed, Fertilizer, Seed, and Lime Inspection and Laboratory Fund (Fund 4C9) on July 1, 2005. The amount of the transfer is approximately $294,475.

Grain Warehouse

Program Description: The Grain Warehouse program monitors the financial adequacy of the 245 companies with 485 locations of grain elevators across the state. Each licensee is responsible for submitting an annual financial statement, providing adequate insurance coverage of the inventory and maintaining adequate records of its grain transactions. In addition, this program is also responsible for maintaining the indemnity fund that reimburses eligible farmers in the event a licensed handler becomes insolvent. The goal of this program is to prevent loss of grain proceeds to farmers that may result from a failed grain elevator.

Funding Source: Fees paid by commodity handlers

Implication of the Enacted Budget: The enacted budget appropriates $515,820 in FY 2006 and $529,978 in FY 2007. The enacted budget provides for full funding of the Grain Warehouse program.

Permanent Law Provisions: ***Agricultural Commodity Handlers Law Definition Changes (R.C. 926.01).*** A provision in the bill revises two definitions in the Agricultural Commodity Handlers Law governing the application of that law. First, the provision modifies the definition of "agricultural commodity handling" by specifying that it includes engaging in or participating in the business of purchasing from producers of agricultural commodities for any use in excess of 30,000 bushels annually rather than, as in current law, engaging in or participating in the business of purchasing an agricultural commodity for sale, resale, processing, or any other use in volumes exceeding 30,000 bushels annually from producers, 100,000 bushels annually from agricultural commodity handlers, or 100,000 bushels annually from both producers and handlers.

Second, the provision removes from the definition of "agricultural commodity handler" or "handler" the exclusion in current law of a person who does not handle agricultural commodities in volumes of 30,000 or fewer bushels annually from producers or 100,000 or fewer bushels annually from agricultural commodity handlers unless the combined annual volume of purchases from producers and handlers exceeds 100,000 bushels. According to the Department, this provision will result in only a negligible loss in commodity handling license and renewal revenue, as there will be a small number of handlers that will not require a license. Furthermore, there will also be no significant cost to enforce this provision because it loosens handler requirements.

Pesticide Regulation

Program Description: The Pesticide Regulation program oversees the application of pesticides, the labeling of pesticide products and the testing and licensing of pesticide applicators in the state. The Department licenses commercial pesticide operators, dealers of restricted-use pesticides, and certification of private applicators desiring to purchase restricted-use products. In addition, the Department also investigates complaints of misuse of pesticides and of improper storage or disposal of products. On average, the Department receives over 300 complaints each year. The Department administers the Clean Sweep Program, a regional pesticide disposal program to protect consumers and the environment. This program is free of charge to the public.

Funding Source: Fees charged to pesticide dealers and applicators

Implication of the Enacted Budget: The enacted budget appropriates $2,993,232 in FY 2006 and $3,354,448 in FY 2007. The enacted budget provides for full funding of the Pesticide Regulation program while also allowing for the control of invasive species that may develop and for additional supervision of pesticides used on farms throughout Ohio.

Temporary Law Provisions: ***Transfer Between Funds (Section 203.24.03).*** Temporary law allows the Director of Budget and Management to transfer cash credited to the Commercial Feed, Fertilizer, Seed, and Lime Inspection and Laboratory Fund (Fund 4C9) or the Pesticide Program Fund (Fund 669) to any other fund administered by the Director of Agriculture. This would allow for flexibility in directing funding to programs where it is needed.

Program Series 6 — Weights and Measures

The following table shows the line items that are used to fund the Weights & Measures program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	700-412	Weights and Measures	$1,100,000	$1,300,000
State Special Revenue Fund				
5H2	700-608	Metrology Lab and Scale Certification	$351,526	$362,526
Total Funding: Weights and Measures			**$1,451,526**	**$1,662,526**

The activities of the Weights and Measures program are summarized below.

Weights & Measures

Program Description: The Weights and Measures Division regulates the state's agricultural weighing and measuring devices and inspect commodities packaged and sold by the state's wholesale and retail marketers. The types of devices inspected range from livestock scales to grocery store price scanners. Packaged goods that are subject to inspection range from breakfast cereals to bagged manure. Since there are thousands of such devices statewide which require frequent inspection, the division trains county and municipal inspectors to carry out weight and measuring certification on the local level. Within the program there are two laboratories.

The Division maintains a National Type Evaluation Program (NTEP) laboratory, one of only four in the country. This is a self-funded program. Scale and measuring device manufacturers may bring their new equipment to this lab for testing and approval. If the NTEP lab approves the device, the manufacturer can sell the device nationally. The lab works with others in California, Maryland, and New York to develop acceptable and uniform weight and measurement standards. The NTEP is funded through fees charged to manufacturers who submit their devices to the laboratory for certification.

The metrology lab houses standards of mass, length, and volume for the state of Ohio. The standards are traceable to U.S. standards and the world standards house in Paris, France. The Department's laboratory is the only U.S. Department of Commerce authorized metrology laboratory in the state. The workload for this program has doubled within the past ten years.

Funding Sources: GRF and fees charged to manufacturers for inspection of large meters and large scales

Implication of the Enacted Budget: The enacted budget appropriates $1,451,526 in FY 2006 and $1,662,526 in FY 2007. The enacted budget provides for full funding of the Weights and Measures program and the replacement of at least one of the three trucks due to poor condition.

Permanent and Temporary Law Provisions: ***Metrology Lab and Scale Certification Fund (Section 203.24.03).*** Temporary law transfers all assets, liabilities, revenues, and obligations associated with the Scale Certification Fund (Fund 579) to the Metrology Lab and Scale Certification Fund (Fund 5H2) on July 1, 2005. That amounted to $282,399, which will be available for the same uses in the renamed fund.

Fertilizers, Seed, Pesticides, Feed, Plants, and Metrology and Scale Certification Fund (R.C. 905.32, 905.33, 905.331, 905.36, 905.37, 905.38, 905.381, 905.50, 905.66, 907.16, 921.16, 923.44, 923.45, 923.46, 927.69, 1327.511). Among other changes described above, this provision also changes the name of the Scale Certification Fund (Fund 579) to the Metrology and Scale Certification Fund (Fund 5H2). As noted above, all assets, liabilities, revenues, and obligations of Fund 579 were transferred to Fund 5H2.

Program Series 7 — Animal Disease Control

Purpose: Detects and controls livestock and poultry diseases, licenses dealers and others involved in bringing livestock and poultry to market, protects consumers from tissue and milk drug residue, as well as protects livestock and poultry production interests.

The following table shows the line items that are used to fund the Animal Disease Control program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	700-401	Animal Disease Control	$3,574,506	$3,574,506
GRF	700-405	Animal Damage Control	$60,000	$60,000
GRF	700-415	Poultry Inspection	$325,000	$325,000
GRF	700-424	Livestock Testing & Inspections	$115,946	$115,946
		General Revenue Fund Subtotal	**$4,075,452**	**$4,075,452**
State Special Revenue Fund				
652	700-634	Animal Health and Food Safety	$810,000	$810,000
		State Special Revenue Fund Subtotal	**$810,000**	**$810,000**
Total Funding: Animal Disease Control			**$4,885,452**	**$4,885,452**

The activities of the Animal Disease Control program are summarized below.

- ***Program 7.1: Animal Disease Control***
- ***Program 7.2: Animal Damage Control***
- ***Program 7.3: Poultry Inspection***
- ***Program 7.4: Livestock Testing and Inspection***

Animal Disease Control

Program Description: The mission of the Animal Disease Control program is to protect and promote the health of Ohio's livestock and poultry. The division's mission is to maintain disease-free status for Ohio's flock and herd; protect livestock and poultry from emerging, foreign, and reemerging diseases; protect consumers from tissue and milk residues; protect livestock and poultry interests; and provide high caliber animal disease diagnostic laboratory services. Due to the outbreak of foreign animal disease such as Foot and Mouth Disease and Mad Cow Disease, the Animal Disease Control program substantially increased staff time and resources to prepare and assure Ohio's ability to respond to emergency situations.

The Animal Disease Diagnostic Lab (ADDL) is a significant aspect of this program, conducting a variety of testing procedures on samples from livestock producers. The ADDL is a full-service veterinary diagnostic laboratory. There are only 36 labs accredited by the American Association of Veterinary Laboratory Diagnosticians in the nation.

Funding Sources: General Revenue Fund and fees charged for laboratory services

***Implication of the Enacted Budget*:** The enacted budget appropriates $4,384,506 in FY 2006 and $4,384,506 in FY 2007. The enacted budget provides for full funding of the Animal Disease Control program.

Temporary and Permanent Law Provisions: ***Merger of Animal Industry Laboratory Fund and Laboratory Services Fund (R.C. 901.43).*** A permanent law provision in the enacted budget merges the existing Animal Industry Laboratory Fund (Fund 4V5) with the existing Laboratory Services Fund (Fund 652) and names the new, combined fund as the Animal Health and Food Safety Fund (Fund 652), and retains existing fund provisions concerning sources and uses of money.

Animal Health and Food Safety Fund (Section 203.24.03). A temporary law provision in the enacted budget transfers all assets, liabilities, revenues, and obligations associated with the Animal Industry Laboratory Fund (Fund 4V5) to the Animal Health and Food Safety Fund (Fund 652) on July 1, 2005. It is uncertain what the amount of the transfer will be as, at the time of this writing, the transfer had yet to take place.

Creation of Laboratory and Administrative Support Fund (R.C. 901.44). A permanent law provision creates the Laboratory and Administrative Support Fund consisting of moneys received by the Department of Agriculture from auditorium rentals and other miscellaneous sources and authorizes the Department to use moneys in the Fund to pay costs associated with any of the Department's programs. The Department currently collects fees from auditorium and conference room rentals and deposits these fees in Fund 3J4. However, the Department anticipates the collection of fees for utilities and maintenance from the Department of Health and the Environmental Protection Agency, and possibly the Racing Commission for use of the Department's laboratories. The Department estimates that the revenue from these new and current fees will be $2,096,000. Under this provision, all of these fees will be deposited into this new Laboratory and Administrative Support Fund.

Animal Damage Control

Program Description: This program supports efforts to address wildlife depredation on domestic animals through a coordinated approach with the United States Department of Agriculture - Animal and Plant Health Inspection Service (APHIS), and the Ohio Department of Natural Resources. The agency maintains and manages an indemnity fund for producers' injury or loss to livestock or poultry due to coyotes and black vultures. The program goal is to prevent and/or minimize damage and nuisance effects caused by mammals and birds to agricultural production, with emphasis placed on coyote and black vulture depredation.

Funding Source: General Revenue Fund

***Implication of the Enacted Budget*:** The enacted budget appropriates $60,000 in FY 2006 and $60,000 in FY 2007. The enacted budget allows the Animal Damage Control program to continue paying indemnity claims. A total of $23,693 was paid for indemnity claims on 541 head of livestock in FY 2003 and $33,325 was paid in indemnity claims for 484 head in FY 2004.

Poultry Inspection

Program Description: This program develops testing and disease control initiatives involving Ohio's poultry industry. Ohio ranks second in the nation in chicken layer inventory and second in the nation in egg production. The Animal Disease Diagnostic Laboratory (ADDL) conducts over 230,000 tests per year on poultry and eggs. A relatively new initiative is the Ohio Egg Quality Assurance program. This program is a major effort at assessing, controlling, and reducing the threat of Salmonella Enteritidis in Ohio table eggs. According to the Department of Agriculture, the incidence of Salmonella Enteritidis in Ohio has decreased from 9.4% in 1999 to 2.1% in 2003.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The enacted budget appropriates $325,000 in FY 2006 and $325,000 in FY 2007. The enacted budget provides for full funding of the Poultry Inspection program and allows for continued salmonella surveillance and testing.

Livestock Testing and Inspection

Program Description: The Livestock Testing and Inspection program supports the testing of exhibition livestock at 94 county and independent fairs, the Ohio State Fair and testing at other exhibitions, such as preview shows, the Dairy Expo and Beef Expo.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The enacted budget appropriates $115,946 in FY 2006 and $115,946 in FY 2007. The enacted budget provides for full funding of the Livestock Testing and Inspection program.

Program Series 8 Meat Inspection

The following table shows the line items that are used to fund the Meat Inspection program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	700-499	Meat Inspection Program-State Share	$4,696,889	$4,696,889
Federal Special Revenue Fund				
326	700-618	Meat Inspection Program-Federal Share	$5,201,291	$5,201,291
State Special Revenue Fund				
4T6	700-611	Poultry and Meat Inspection	$47,294	$47,294
Total Funding : Meat Inspection			**$9,945,474**	**$9,945,474**

The activities of the Meat Inspection program are summarized below.

Meat Inspection

Program Description: The primary goal of the Meat Inspection program is to regulate and ensure the safety of meat and poultry products produced and processed in Ohio. Federal inspection guidelines, called Hazard Analysis and Critical Control Point (HACCP) systems, forced rapid changes in Ohio's meat and poultry inspection program. In general, HACCP involves the design of step-by-step meat inspection programs customized to each plant. Previous inspection methods relied on sight and smell inspections that occurred as the meat product was prepared for shipment. By the year 2000, all meat and poultry inspections had to have been conducted using the HACCP model. The Division also regulates the labeling of meat and poultry products that allows consumers to make informed decisions about ingredients and nutrition values. There are approximately 229 meat-processing plants under full inspection.

Funding Sources: General Revenue Fund, federal grants, and fees paid for overtime inspection services provided to the processors

Implication of the Enacted Budget: The enacted budget appropriates $9,765,474,474 in FY 2006 and $9,765,474 in FY 2007. The enacted budget provides for full funding of the Meat Inspection program.

Program Series 9 Consumer Analytical Laboratory

The following table shows the line items that are used to fund the Consumer Analytical Laboratory program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	700-406	Consumer Analytical Lab	$819,907	$819,907
State Special Revenue Fund				
652	700-634	Animal Health and Food Safety	$989,447	$987,447
Total Funding: Consumer Analytical Laboratory			**$1,809,354**	**$1,807,354**

The activities of the Consumer Analytical Laboratory are summarized below.

Consumer Analytical Laboratory

Program Description: The Consumer Analytical Laboratory (CAL) provides laboratory-testing services of samples that are collected primarily by employees of the regulatory divisions of the agency. Samples are collected from agency programs, both state and federally funded, or received from other state agencies, local health districts, school districts, private companies, and Ohio residents. The tests performed by CAL include testing for food-borne pathogens such as Salmonella, Listeria, and E-coli; analyzing agricultural liming and fertilizers; determining pesticide residue levels in food and milk; testing water for metals, volatile organic compounds and other contaminants; and determining the cause of livestock and poultry death. Annually, scientists perform 50,000 tests on more than 20,000 samples.

Funding Sources: General Revenue Fund and fees charged for performing laboratory tests

Implication of the Enacted Budget: The enacted budget appropriates $1,809,354 in FY 2006 and $1,809,354 in FY 2007. The enacted budget provides for full funding of the Consumer Analytical Laboratory program.

Temporary Law Provisions: ***Animal Health and Food Safety Fund (Section 203.24.03).*** A temporary law provision in the enacted budget transfers all assets, liabilities, revenues, and obligations associated with the Animal Industry Laboratory Fund (Fund 4V5) to the Animal Health and Food Safety Fund (Fund 652) on July 1, 2005. It is uncertain what the amount of the transfer will be as, at the time of this writing, the transfer had yet to take place.

Program Series 10 — Large Livestock Regulation

The following table shows the line items that are used to fund the Large Livestock Regulation program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	700-418	Livestock Regulation Program	$1,428,496	$1,428,496
State Special Revenue Fund				
5L8	700-604	Livestock Management Program	$30,000	$30,000
Total Funding: Large Livestock Regulation			**$1,458,496**	**$1,458,496**

The activities of the Large Livestock Regulation program are summarized below.

Large Livestock Regulation

Program Description: The Large Livestock Regulation program monitors large livestock operations, including all aspects of manure storage, handling, transportation and land-application by these farms, and the farm's insect and rodent control plans. This program also provides permits and certifications for the large livestock facilities, establishes building standards for new facilities, and oversees the consolidated feeding operations of 1,000 or more animal units. In addition, funding in this program provides the administrative costs for the Concentrated Animal Feeding Facility Advisory Committee.

Funding Sources: General Revenue Fund and fees charged for livestock facilities permits

Implication of the Enacted Budget: The enacted budget appropriates $1,458,496 in FY 2006 and $1,458,496 in FY 2007. The enacted budget provides for full funding of the Large Livestock Regulation program and for the hiring of, most likely, three additional employees. The Department of Agriculture stated that one of the employees would be an inspector that would deal with farm compliance issues, the second would be an engineer that would help enforce construction standards for permitted farms, and the third would be another engineer that would be involved both in enforcement of construction standards as well as on-site farm inspections.

Program Series 11 — Auctioneers Licensing

The following table shows the line items that are used to fund the Auctioneers Licensing program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
4D2	700-609	Auction Education	$23,885	$24,601
5B8	700-629	Auctioneers	$365,390	$365,390
Total Funding: Auctioneers Licensing			**$389,275**	**$389,991**

The activities of the Auctioneers Licensing program are summarized below.

Auctioneers Licensing

Program Description: In October 2001, the licensing function and administration of the Ohio Auctioneer program was transferred from the Ohio Department of Commerce to the Ohio Department of Agriculture. The Department of Agriculture licenses more than 3,300 auctioneers. In addition, the program is responsible for providing training sessions for auctioneers and promotion of the auction industry.

Funding Source: Fees charged to license and train auctioneers

Implication of the Enacted Budget: The enacted budget appropriates $389,275 in FY 2006 and $389,991 in FY 2007. The enacted budget provides for full funding of the Auctioneers Licensing program.

Program Series 12 — Program Management

The following table shows the line items that are used to fund the Program Management program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	700-321	Operating Expenses	$2,605,330	$2,605,330
		General Revenue Fund Subtotal	**$2,605,330**	**$2,605,330**
Federal Special Revenue Fund				
382	700-601	Cooperative Contracts	$4,300,000	$4,300,000
3J4	700-607	Indirect Cost	$1,500,027	$1,500,027
		Federal Special Revenue Fund Subtotal	**$5,800,027**	**$5,800,027**
Total Funding: Program Management			**$8,405,357**	**$8,405,357**

Program Management

Program Description: Program Management includes the offices of the Director, Fiscal, Human Resources, Enforcement, Laboratory and Building Maintenance, Information Technology, Legal, Tobacco Program Management, Communications, and Rural Development Partnership. Program Management also houses line items used to receive revenue from federal agencies and pay for indirect costs. For instance, appropriation item 700-601, Cooperative Contracts, receives federal moneys for grants and contracted services provided by the Ohio Department of Agriculture. These programs have been combined and are operated through one fund as a matter of convenience and to aid cash flow where revenue is received intermittently. During FY 2005, approximately 34 separate grants or contracts were deposited into this fund. Appropriation item 700-607, Indirect Cost, is used to pay indirect costs that are derived from administrative, utility, vehicle, and Auditor of State services as well as from the Statewide Indirect Cost Allocation Project (SWICAP).

Funding Sources: General Revenue Fund and federal grants

Implication of the Enacted Budget: The enacted budget appropriates $8,405,357 in FY 2006 and $8,405,357 in FY 2007. The enacted budget provides for full funding for Program Management.

Temporary and Permanent Law Provisions: ***Transfer Between Funds (Section 203.24.03).*** Temporary law allows the Director of Budget and Management to transfer cash credited to the Commercial Feed, Fertilizer, Seed, and Lime Inspection and Laboratory Fund (Fund 4C9) or the Pesticide Program Fund (Fund 669) to any other fund administered by the Director of Agriculture. This would allow for flexibility in directing funding to programs where it is needed.

Background Information for Installation or Operating of a Concentrated Animal Feeding Facility (R.C. 903.55). A provision in the enacted budget expands the scope of background information that must be submitted to the Director of Agriculture by an applicant for a permit to install or operate a concentrated animal feeding facility who has not operated such a facility in Ohio for at least two of the five years immediately preceding the submittal of the application. The provision requires an applicant to describe all animal-feeding facilities that the applicant has operated rather than just the current animal feeding facility the applicant operated or is operating. The Department notes that the added expense of reviewing additional background information will be quite minimal, as applicants are already obliged to disclose all of the information that they are aware of.

Air Quality Development Authority

Glenn C. Wintrich, Economist

- Ohio Coal Development Office was transferred to the OAQDA from the Department of Development

OVERVIEW

Duties and Responsibilities

The Ohio Air Quality Development Authority (OAQDA) is a nonregulatory state government agency that was established in 1970 in response to environmental mandates handed down by the federal government in the first Clean Air Act. A seven-member board governs the Authority. The Governor appoints five of the members and the remaining two members are the directors of the Ohio Department of Health and the Ohio Environmental Protection Agency. The Authority assists Ohio businesses, government agencies, not-for-profit agencies, and individuals in complying with air quality regulations by providing technical and financial assistance. The OAQDA is also the home agency for the Ohio Coal Development Office (OCDO), which provides grants to support research and development of clean coal technology.

Agency in Brief

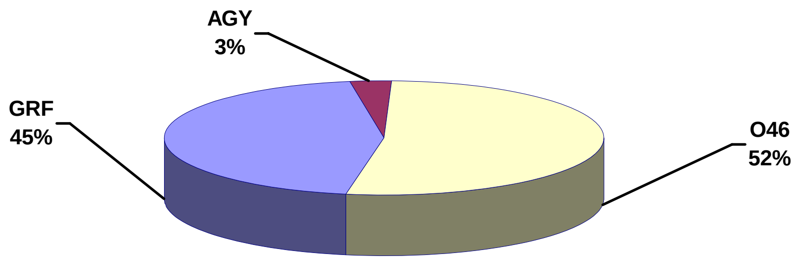
Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
13	$18.23 million	$20.15 million	$7.64 million	$9.55 million	Am. Sub. H.B. 66

* Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Appropriations

The enacted budget appropriates total funding of $18,231,041 in FY 2006, a decrease of 3.1% from the FY 2005 expenditure level. The total funding level for FY 2007 is $20,153,590, a 10.5% increase over FY 2005 levels. GRF funding is $7,639,914 for FY 2006 and $9,554,614 for FY 2007. The following chart shows the Air Quality Development Authority's state biennial budget by fund group. As can be seen in the chart, 45% of the Air Quality Development Authority's funding comes from the GRF, 52% of funding comes from the Coal Research & Development Fund, and 3% of funding comes from the Agency Fund Group.

Total Budget by Fund Group



ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Air Quality Development Authority is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Air Quality Development Authority

Purpose: All Ohio Air Quality Development Authority funds and activities are in a single program series. There are three components to this series: Air Quality Facility Development and Financing, the Clean Air Resource Center, and the Ohio Coal Development Office.

The following table shows the line items that are used to fund this agency, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	898-402	Coal Development Office	$568,814	$573,814
GRF	898-901	Coal R&D General Obligation Debt Service	$7,071,100	$8,980,800
		General Revenue Fund Subtotal	**$7,639,914**	**$9,554,614**
Agency Fund Group				
570	898-601	Operating Expenses	$256,875	$263,693
4Z9	898-602	Small Business Ombudsman	$263,165	$264,196
5A0	898-603	Small Business Assistance	$71,087	$71,087
		Agency Fund Group Subtotal	**$591,127**	**$598,976**
Coal Research & Development Fund				
046	898-604	Coal Research & Development	$10,000,000	$10,000,000
		Coal Research & Development Fund Subtotal	**$10,000,000**	**$10,000,000**
Total Funding: Air Quality Development Authority			**$18,231,041**	**$20,153,590**

This analysis focuses on the following specific programs within the agency:

- ***Air Quality Facility Development and Financing***
- ***Clean Air Resource Center***
- ***Ohio Coal Development Office***

Air Quality Facility Development and Financing

Program Description: The Air Quality Facility Development and Financing program supports the primary activities of the OAQDA. The program's primary focus is providing financing assistance for investment in: air pollution control, air pollution prevention, energy efficiency and conservation, and ethanol and other biofuel production facilities.

Funding Source: Administrative fees generated from the issuance of bonds

Implication of the Enacted Budget: The enacted budget will provide enough funding to support the Air Quality Facility Development and Financing program's primary activities.

Clean Air Resource Center

Program Description: The Clean Air Resource Center fulfills the federal requirement to provide specific assistance to small businesses that must comply with the Clean Air Act of 1990. The program provides information to small businesses, and helps them determine if they must comply with Clean Air Act requirements and what they must do to be in compliance. The program also assists in determining how to finance any changes that must be made in order to comply with regulations.

Funding Source: Transfers of Title V permit fees from the Ohio Environmental Protection Agency (OEPA)

Implication of the Enacted Budget: The enacted budget provides adequate funding to support the activities of the Clean Air Resource Center. If additional funding is needed for the Small Business Assistance Program it may be requested through the Controlling Board.

Ohio Coal Development Office

Program Description: The Ohio Coal Development Office co-funds the development and implementation of technologies that can use Ohio's high-sulfur coal reserves in an economical and environmentally sound manner. The Office oversees ongoing grants providing technical, administrative, and management assistance. The Office monitors the progress of these projects to insure that funding is being properly used and substantial progress is being made. The Office also supports the Ohio Coal Research Consortium, a network of Ohio universities conducting research in the clean coal technologies.

Funding Sources: General Revenue Fund and Ohio coal research and development GO bonds

Implication of the Enacted Budget: The enacted budget will allow the Coal Development Office to fund the activities of the Coal Research and Development program.

Temporary and Permanent Law Provisions: Temporary law grants the Ohio Public Facilities Commission authorization to issue and sell bonds and other obligations of the state to provide moneys to the credit of the Coal Research and Development Fund.

Department of Alcohol and Drug Addiction Services

Holly Wilson, Budget Analyst

- GRF funding provides for increases in Prevention and Treatment Services
- Department receives $2.1 million in FY 2006 and $2.8 million in FY 2007 for Disability Medical Assistance

OVERVIEW

Duties and Responsibilities

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 the Department to develop and coordinate educational and research programs that aid in the prevention and intervention of addiction to alcohol and other drugs and the coordination of treatment programs for persons who abuse alcohol and other drugs. To meet these requirements ODADAS has organized itself into five distinct program series: (1) Prevention Services, (2) Treatment and Recovery Services, (3) Planning, Outcomes, and Research, (4) Quality Improvement, and (5) Program Management. Approximately 77% of ODADAS' funding is spent on treatment programs; 17% on prevention programs; 0.2% on Planning, Outcomes, and Research; 6% on Program Management; and 0.4% on quality assurance and improvement.

Ohio has 50 local Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) and Alcohol and Drug Addiction Services (ADAS) boards, of which 43 are ADAMHS boards and 7 are ADAS boards. These boards contract with local service providers who operate about 680 certified community programs.

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.

Prevention

The Department funds prevention and early intervention programs to serve people ranging in age from preschool to adulthood and are provided through both state and local initiatives. Approximately 17% of ODADAS' subsidy budget is allocated for alcohol and other drug abuse prevention services. The Department keeps funding for the state-administered programs and sends the remainder of the prevention funds to local ADAS/ADAMHS boards. The majority of all the prevention and early intervention funding that ODADAS distributes to boards is allocated through a modified per capita subsidy. In FY 2004, 20 ADAMHS/ADAS boards were awarded federal State Incentive Grant funds to build local capacity and provide evidence-based prevention programs, activities, and strategies at the local level.

Treatment

Approximately 80% of the Department's subsidy budget supports alcohol and other drug addiction treatment programs. The ADAMHS/ADAS board allocation of treatment moneys is used to purchase alcohol and other drug treatment (and prevention) services for the economically challenged. Local treatment agencies provide a range of services that includes: individual and group counseling, detoxification services in an inpatient or residential setting, long-term and short-term rehabilitation, intensive outpatient, medical somatic, family counseling, methadone maintenance, case management, laboratory analysis, assessment, crisis intervention, hotline, referral and information, intervention outreach, training, and other alcohol and drug services. Although residential treatment is deemed as the best treatment course for many, only 2% of those receiving treatment services can take advantage of residential care. Ohio has 3,878 certified beds for residential care. In FY 2003, the average cost of residential treatment was $1,250 per treatment episode.

Access to Better Care

In FY 2004, the Department worked with the Ohio Department of Mental Health (ODMH) and the Ohio Department of Job and Family Services (ODJFS) to explore solutions for Access to Better Care (ABC) for behavioral health services for children, youth, and families within the area of custody relinquishment. A number of recommendations that have been developed aimed at strengthening prevention, early detection, and intervention for behavioral health problems, including substance abuse. The Department will continue to collaborate with the ODMH, ODJFS, and with Ohio Family and Children First Council in the next biennium.

Enacted Budget Highlights

This enacted budget provides a 3% increase over FY 2005. The Department plans to direct a portion of the increased funding to treatment services for adolescents, which has been consistently identified by the alcohol and drug field as the highest treatment need. The remaining funds will be distributed to local ADAMHS/ADAS boards for the state share of Medicaid funding for additional alcohol and other drug services. The increase in the Prevention Services appropriation item will allow the agency to continue to provide resources at the local level, as well as place greater emphasis on initiatives such as Fetal Alcohol Spectrum Disorder. Other highlights of the budget include the following:

- **Medicaid Business Plan** – ODJFS, ODMH and ODADAS will work in conjunction with the behavioral health providers and boards to specify procedures that are consistent with federal law for implementation of the State of Ohio Community Behavioral Health Medicaid Business Plan. A report on the progress of the Plan will be submitted to the Speaker of the House, President of the Senate, and Minority Leader of the House and Senate on the first day of October 2005 and the first day of March 2006 until all components of the plan have been implemented.

- **Disability Medical Assistance** – The budget provides $60 million over the biennium for DMA, a program that serves the medical needs of indigents in treatment programs. The funding break-out is as follows: ODMH- $4.3 million in FY 2006, $5.7 million in FY 2007; ODADAS- $2.2 million in FY 2006, $2.8 million in FY 2007; ODFJS- $19.5 million in FY 2006, and $25.5 million in SFY 2007.

- **Ohio Tobacco Use Prevention and Control Foundation Grant** – The Department received an additional $470,000 in FY 2006 and FY 2007 from the Ohio Tobacco Use Prevention and Control Foundation Grant.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
104	$184 million	$191 million	$40 million	$42 million	Am. Sub. H.B. 66

* Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Analysis of the Enacted Budget

Program Series 1 — Prevention Services

Purpose: To prepare guidelines, review and recommend state funded prevention grants and programs, and monitor prevention standards and to facilitate public awareness of the consequences of alcohol and other drug addiction.

The following table shows the line items that are used to fund the Prevention Services program series, as well as the funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	038-401	Treatment Services	$1,820,000	$1,820,000
GRF	038-404	Prevention Services	$1,021,483	$1,052,127
		General Revenue Fund Subtotal	**$2,841,483**	**$2,872,127**
State Special Revenue Fund				
475	038-621	Statewide Treatment and Prevention	$935,143	$935,143
5B4	038-406	Tobacco Use Prevention and Control Program	$265,000	$205,000
		State Special Revenue Fund Subtotal	**$1,200,143**	**$1,140,143**
Federal Special Revenue Fund				
3G3	038-603	Drug-Free Schools	$3,415,002	$3,415,002
3G4	038-614	Substance Abuse Block Grant	$20,150,886	$20,150,886
3H8	038-609	Demonstration Grants	$2,888,935	$2,888,935
		Federal Special Revenue Fund Subtotal	**$26,454,823**	**$26,454,823**
Total Funding: Prevention Services			**$30,496,449**	**$30,467,093**

This analysis focuses on the following specific programs within the Prevention Services program series:

- ***Local Alcohol, Drug Addiction, and Mental Health Services/Alcohol and Drug Addiction Services Boards – Prevention***
- ***Statewide Prevention Services***
- ***School and Community Services***
- ***Youth and Family Services***
- ***Tobacco Use Prevention and Control***

Local Alcohol, Drug Addiction, and Mental Health Services/ Alcohol and Drug Addiction Services Boards

Program Description: The ADAMHS and ADAS Board subsidy program supports publicly funded treatment programs for those abusing alcohol and/or other drugs by distributing funds to local ADAMHS/ADAS boards that then contract with local treatment agencies to provide services. The Department allocates funds on a per capita and needs basis to local ADAMHS/ADAS boards. Board allocations are utilized to purchase alcohol and other drug treatment (and prevention) services for economically challenged individuals. The Department uses two prevention program areas for local ADAMHS/ADAS boards: Per Capita/Needs and State Incentive Project (SIP), which focuses on the enhancement of the Department's statewide prevention plan and addresses the importance of the implementation of evidence-based prevention programs. Twenty ADAMHS/ADAS boards were awarded SIP funds through a competitive process to provide evidence-based prevention services targeting 12-25 year olds and their families. These services can be categorized under six primary prevention strategies set forth by the Federal Center for Substance Abuse Prevention (CSAP) and adopted by the Department in FY 1999. The six primary prevention strategies are: prevention education, information dissemination, alternative activities, community-based process, environmental, and problem identification and referral.

Implication of the Enacted Budget: Under the enacted budget, the Department receives an increase of 8.90% in the GRF Treatment line item and an increase of 2.07% in the Prevention line item in FY 2006. In FY 2007, the Treatment line item increases by 4.59% and the Prevention line item increases by 3%. Additionally, the Department receives a new appropriation item, 5BR, 038-406, Tobacco Use Prevention and Control Program, with appropriation amounts of $265,000 and $205,000. These funding levels will allow ADAMHS/ADAS boards to continue to fund a wide range of prevention programs. The per capita allocation offers boards the flexibility to fund programs that they deem most appropriate for their community. The Department believes it is this funding and flexibility that can have the biggest impact on how individual communities relate and respond to prevention programs.

The Pacific Institute for Research and Evaluation is evaluating the State Incentive Project. Each subrecipient (board) will be evaluated individually and comparison will be made across systems to track results in customer behavior change, infrastructure enhancement, and sustainability.

According to the Department, the major factors contributing to the overall cost of prevention services in Ohio are related to workforce needs, requirements, and program regulation. Individuals providing prevention services in Ohio are encouraged to obtain the Ohio Certified Prevention Specialist credential. This will soon become a requirement entailing ongoing training and education in the latest prevention research and policy.

Statewide Prevention Services

Program Description: The Department supports the following statewide prevention program areas: Ohio Resource Network for Safe and Drug-Free Schools and Communities, Urban Minority Alcoholism and Drug Abuse Outreach Programs (UMADAOP), Ohio Parents for Drug-Free Youth, Head Start, and Alcohol and Other Drug Prevention.

Implication of the Enacted Budget: The enacted budget provides funding levels that the Department requested to maintain current service levels. Specifically, Federal Special Revenue Fund appropriation item 038-614, Substance Abuse Block Grant, receives a 4.61% increase in FY 2006 and State Special Revenue Fund appropriation item 038-621, Statewide Treatment and Prevention, receives an increase of 5.84% in FY 2006 and 2.86% in FY 2007. The UMADAOP program delivers culturally appropriate prevention services by minority prevention professionals who understand the target population and the community context in which alcohol and other drugs are viewed. Ohio Parents for Drug-Free Youth will continue to provide technical assistance and training to colleges, drug-free community coalitions, and underage drinking prevention coalitions around Ohio. Additionally, the Department will continue to provide funding to the University of Cincinnati's College of Education who will in turn provide technical assistance and training to Head Start/Preschool teachers and administrators throughout Ohio.

School and Community Services

Program Description: The Department supports the following school and community prevention program areas: Prevention at Work, Safe and Drug-Free Schools and Communities, Drug-Free Community Coalitions, Community Prevention, Higher Education High Risk Drinking Initiative, and Underage Drinking Prevention Program.

Implication of the Enacted Budget: The enacted budget provides funding levels that the Department requested to maintain current service levels. The Prevention at Work program will continue to assist small and medium-sized businesses in meeting the requirements necessary to establish a drug-free workplace. Safe and Drug-Free School and Communities program will continue to promote the coordination of prevention services between local education agencies and community-based prevention providers. Drug-Free Community Coalitions will continue to ensure that alcohol, tobacco, and other drug information is readily available at the local level. These coalitions also work to promote legislative and social policy efforts in the communities they serve. The Higher Education High Risk Drinking Initiative will continue to support colleges and universities in their efforts through education, intervention, social policy, and law enforcement. Underage Drinking Prevention will continue to support coalitions that emphasize the Leadership to Keep Children Alcohol Free and the statewide media campaign "Parents Who Host Lose the Most."

Youth and Family Services

Program Description: The Department supports the following Youth and Family prevention program areas: Youth Mentoring, Parent Awareness Task Force, and Problem Identification and Referral Initiative.

Implication of the Enacted Budget: The enacted budget provides funding levels that the Department requested to maintain current service levels. The Youth Mentoring Program will continue to serve school age youth across Ohio who have been identified by a parent, educator, or other concerned adult as someone who needs a mentor. The Parent Awareness Task Force funds will be used to promote workplace education of parents regarding alcohol and other drug issues through the "Raising Kids in a Drug-Free Society" program offered to all state employees. The Problem Identification and Referral Initiative will continue to demonstrate the functional application and referral strategy to homeless women and women with children in specified areas.

Tobacco Use Prevention and Control

Program Description: The Ohio Department of Alcohol and Drug Addiction Services (ODADAS) received a three-year grant award of $500,000 from The Tobacco Use Prevention and Control Foundation. The Department will issue competitive pilot grants designed to: (1) increase motivation to quit tobacco use among individuals with severe persistent mental illness and substance abuse, (2) identify and evaluate strategies to successfully integrate assessment and treatment of nicotine use and dependence into behavioral health care agencies, and (3) train and educate service providers concerning tobacco cessation.

Implication of the Enacted Budget: The appropriated amount will allow the Department to grant funds for the statewide selection and coordination of pilot projects including: evaluation and development of program models for pilot sites for efficacy in regard to the projects target population, assistance in reviewing Request for Proposals, and data evaluation.

Program Series 2 — Treatment and Recovery Services

Purpose: To establish, promote, and support innovative treatment services for all Ohioans by supporting local alcohol and drug addiction service providers.

The following table shows the line items that are used to fund the Treatment and Recovery Services program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	038-401	Treatment Services	$35,940,215	$37,674,113
		General Revenue Fund Subtotal	**$35,940,215**	**$37,674,113**
State Special Revenue Fund				
475	038-621	Treatment and Recovery Services	$11,835,549	$12,335,549
		State Special Revenue Fund Subtotal	**$11,835,549**	**$12,335,549**
General Services Fund				
5T9	038-616	Problem Gambling Services	$285,000	$285,000
		General Services Fund Subtotal	**$285,000**	**$285,000**
Federal Special Revenue Fund				
3G4	038-614	Substance Abuse Block Grant	$49,417,634	$49,417,634
3H8	038-609	Demonstration Grants	$3,332,556	$3,325,038
3J8	038-610	Medicaid	$42,000,000	$42,000,000
		Federal Special Revenue Fund Subtotal	**$94,750,190**	**$94,742,672**
Total Funding: Treatment and Recovery Services			**$142,810,954**	**$145,037,334**

This analysis focuses on the following specific programs within the program series:

- ***Local Alcohol, Drug Addiction, and Mental Health Services/Alcohol and Drug Addiction Services Boards - Treatment***
- ***Women's Services Special Grants***
- ***Family and Adolescent Treatment***
- ***Criminal Justice Services***
- ***Medicaid***
- ***Special Populations***
- ***Problem Gambling***

Local Alcohol, Drug Addiction, and Mental Health Services/ Alcohol and Drug Addiction Services Boards

Program Description: The ADAMHS and ADAS Board subsidy program supports publicly funded treatment programs for those abusing alcohol and/or other drugs by distributing funds to local ADAMHS/ADAS boards that then contract with local treatment agencies to provide services. The Department allocates funds on a per capita and needs basis to local ADAMHS/ADAS boards. Temporary language in the budget act requires that $5 million in each fiscal year of GRF line item 038-401, Treatment Services, be used to fund TANF-eligible expenditures for substance abuse prevention and treatment services to children, or their families, whose income is at or below 200% of the official income poverty guidelines. 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. Am. Sub. H.B. 95 of the 125th General Assembly increased liquor permit fee revenue to fund these treatment and mentoring services. Board allocations are utilized to purchase alcohol and other drug treatment (and prevention) services for economically challenged individuals. Local treatment agencies provide a range of services that include: individual and group counseling, detoxification services in an inpatient or residential setting, long-term and short-term rehabilitation, intensive outpatient, medical somatic, family counseling, methadone maintenance, case management, laboratory analysis, assessment, crisis intervention, hotline, referral and information, intervention outreach, training, and other alcohol and drug services.

Implication of the Enacted Budget: Under the enacted budget, the Department receives approximately $3 million over the FY 2005 funding level for the Local ADAMHS/ADAS Boards – Treatment programs. The funding levels for these programs allows ADAMHS/ADAS boards to continue to fund a wide range of treatment programs. The per capita and treatment capacity board allocations provide alcohol and other drug treatment funding for the indigent, uninsured, underinsured, and Medicaid-eligible clients. Local boards have the flexibility to fund programs that they deem most appropriate for their community. The Department believes it is this funding and flexibility that can have the biggest impact on how individual communities relate and respond to treatment programs.

Women's Services Special Grants

Program Description: The Women's Services Special Grant program funds a statewide network of 90 gender and culturally specific prevention, outpatient, and residential treatment programs for alcohol and other drug addicted pregnant women, women with dependent children, and female adolescents. Alcohol and other drug treatment services supported with these funds include prevention, detoxification, outpatient, and residential treatment, along with a comprehensive array of support services including housing, childcare, transportation, and case management. The goal of this specialized network is to reduce the gap between the number of women needing services and the number of women accessing services.

Implication of the Enacted Budget: The enacted budget provides funding levels that the Department requested to maintain current service levels. Funding for Women's Services Special Grants will be used to continue the 90 prevention, outpatient, and residential treatment programs currently in operation. Continuation funding for gender-specific services will allow the Department to maintain the statewide network which is necessary to ensure timely access and quality treatment for alcohol and other drug addicted women.

The Department reports that since 1993, more than $338 million has been saved in the care of drug-exposed infants by ensuring pregnant women have timely access to quality treatment. This figure is based on an average cost of $46,248 for the first year of care for a drug-exposed infant. In the past ten years, over 8,000 drug-free babies were born to women receiving treatment services within the statewide network of gender-specific programs.

Family and Adolescent Treatment

Program Description: Four adolescent-specific programs are funded to address the need for specialized services for youth. The ADAMHS/ADAS boards rate this population as one of the three highest priorities in their respective regions. H.B. 484 of the 122nd General Assembly requires that priority be given to families involved in the public child welfare system and needing alcohol and other drug treatment services. The Department distributes $4 million per year for this purpose.

Implication of the Enacted Budget: The enacted budget provides funding levels that the Department requested to maintain current service levels. Funding for this program will be used to continue the four adolescent treatment programs and the per capita allocation to local systems of care to purchase treatment services for families involved in the public child welfare system. Continuation funding for services targeted to families and adolescents will allow the Department to maintain the statewide infrastructure needed to support timely access and quality care for these populations.

Criminal Justice Services

Program Description: The Department uses the Office of Justice Services and Therapeutic Communities to fund 21 drug courts, 18 Treatment Alternatives to Street Crime (TASC) programs, 6 Therapeutic Communities (TC) and the Second Chance Program. Each of these programs make use of the leverage of the criminal justice system in concert with alcohol and other drug treatment for addicted offenders. Technical assistance and training are available to all of Ohio's drug courts, therapeutic communities, and treatment providers who work with substance abusing offenders.

Implication of the Enacted Budget: The enacted budget provides funding levels that the Department requested to maintain current service levels. Approximately 2,800 offenders will be served in drug courts, 10,500 through TASC programs, over 1,200 through Therapeutic Communities and approximately 250 through the Second Chance Program. Existing programs will continue to provide treatment and related services, such as urinalysis and case management to offenders.

Medicaid

Program Description: The ODADAS Medicaid program addresses alcohol and other drug treatment needs of Medicaid consumers in Ohio. The ten covered Alcohol and Other Drug treatment services are: Ambulatory Detoxification, Assessment, Case Management, Crisis Intervention, Group Counseling, Individual Counseling, Intensive Outpatient, Laboratory Urinalysis, Medical/Somatic, and Methadone Administration. The Medicaid program pays for covered services to approximately one-third of all Ohioans accessing publicly funded alcohol and other drug treatment and prevention services in any given state fiscal year. In FY 2003, Medicaid paid for $48.4 million (state and federal funds) worth of treatment services for 30,026 Ohioans. This equates to approximately $1,600 per client in FY 2003 for Medicaid covered services.

Implication of the Enacted Budget: The enacted budget provides increases in appropriations for Medicaid of $12 million in FY 2006 and $16 million in FY 2007. The Medicaid benefit is operationalized on a prospective cost based reimbursement methodology. Currently, the maximum reimbursement rate (ceiling) for each of the services has not been adjusted since FY 1999. The Department, in concert with the Ohio Department of Mental Health (ODMH), is pursuing a provider specific fixed rate reimbursement methodology, targeted for implementation in FY 2007. As part of the implementation process, ODADAS and ODMH have proposed independent (parallel) uniform cost accounting rules for certification purposes. The provider specific fixed rate reimbursement methodology will utilize this "industry standard" as part of its methodology.

Special Populations

Program Description: This program supports services targeted to persons living with HIV, AIDS, and those individuals experiencing the co-occurring disorders of alcohol and other drug addiction and severe mental illness. HIV early intervention services include: pre- and post-test HIV counseling, testing to confirm the presence of the disease, and providing therapeutic measures for preventing and treating the deterioration of the immune system. The Substance Abusing and Mentally Ill (SAMI) Initiative is a partnership between ODADAS and ODMH to promote evidence-based services for the dually diagnosed. Both departments contribute funds to the SAMI Coordinating Center of Excellence (SAMI CCOE) at Case Western Reserve University, which is charged with providing technical assistance to ODADAS and ODMH certified providers around implementation of integrated dual disorder treatment. This program also works with stakeholders at the state and local levels to expand the availability of residential facilities to help adults and youth transitioning from jail or the Ohio Department of Youth Services (ODYS) re-entering the community.

Implication of the Enacted Budget: The enacted budget provides funding levels that the Department requested to maintain current service levels. While the rate of new AIDS cases in Ohio has decreased, persons living with HIV are living longer and the costs associated with the services required to maintain their health status are increasing. Continuation funding targeted to services for HIV Early Intervention and SAMI will maintain capacity at the FY 2005 level. Eleven ADAMHS/ADAS boards located in counties with rates of ten or more cases of AIDS per 100,000 individuals as well as two grantees in Montgomery, Franklin, and Cuyahoga counties will continue to receive funding to maintain service delivery. The SAMI CCOE will continue to provide technical assistance and consultation on integrated dual disorder treatment statewide.

Problem Gambling

Program Description: In February 2002, ODADAS and the Ohio Lottery Commission (OLC) entered into a Partnership Agreement to address the treatment needs of those individuals experiencing alcohol and other drug addiction along with the co-occurring disorder of pathological gambling. The partnership allows for OLC to pass funding to ODADAS for developing and providing prevention and treatment services.

In FY 2002, the partnership funded four pilot projects, with each receiving $35,000. The pilot projects were located in Athens, Hamilton, Mahoning, and Lucas counties. The four pilot projects were awarded an additional $15,000 for FY 2003 for a total of $50,000 each. In addition to prevention and treatment services, the partnership funded a Problem Gambling Conference. Am. Sub. H.B. 95 of the 125th General Assembly (the budget appropriations act for FYs 2004 and 2005) appropriated $60,000 in each fiscal year in appropriation item 038-616, Problem Gambling Services (State Special Revenue Fund 5T9). In October 2003, the Controlling Board approved an appropriation increase of $200,000 for FY 2004 that added Cuyahoga County as a fifth pilot project site, increased the funding of the previously established pilot projects to $50,000 each, and provided $10,000 to fund a second Problem Gambling Conference. Most recently, the Controlling Board approved an increase of $225,000. The additional appropriation will allow ODADAS to fund the current programs for FY 2005 with an increase of $38,000 each to total $50,000 each. The Cuyahoga County program will receive a total increase of $63,000 to equal $75,000. The Cuyahoga County program will have funding increased to provide a dual focus for prevention/early intervention and treatment programming for the adolescent population. In addition, the Department plans to continue to support the statewide Problem Gambling Conference with $10,000 in funding. According to the Partnership Agreement, the future level of funding provided by the OLC will be determined each fiscal year based on OLC's financial status. During the first two years of the initiative, project staff focused on staff training, integrating pathological gambling treatment interventions into alcohol and other drug programming, and networking within their respective communities to build an infrastructure to support recovery aftercare for recovering gamblers.

Implication of the Enacted Budget: The total cost of the Interagency Partnership Agreement between ODADAS and the Ohio Lottery Commission is $285,000 for FY 2005. Funds are allocated as follows: four programs located in Athens, Hamilton, Mahoning, and Lucas counties receive $50,000 each, the Cuyahoga County program receives $75,000 and $10,000 is targeted for the third Annual Problem Gambling Conference for a total of $285,000.

These funds have purchased integrated treatment for approximately 50 individuals assessed as having a co-occurring disorder, provided information and education to approximately 300 individuals, screened approximately 200 individuals for the presence of a co-occurring disorder and trained approximately 30 alcohol and other drug treatment staff on pathological gambling.

Program Series 3 — Planning, Outcomes, and Research

Purpose: To administer the Synar or Tobacco Law Compliance program.

The following table shows the line items that are used to fund the Planning, Outcomes, and Research program series.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
475	038-621	Statewide Treatment and Prevention	$80,750*	$80,750*
		State Special Revenue Fund Subtotal	**$80,750**	**$80,750**
Federal Special Revenue Fund				
3G4	038-614	Substance Abuse Block Grant	$219,250*	$219,250*
		Federal Special Revenue Fund Subtotal	**$219,250**	**$219,250**
Total Funding: Planning, Outcomes and Research			**$300,000**	**$300,000**

*Amounts do not reflect total appropriations because the line items are used to fund other program series and programs.

This analysis focuses on the following specific programs within the Planning, Outcomes, and Research program series.

Tobacco Laws Compliance

Program Description: Ohio is required under federal law to decrease youth access to tobacco under Section 1926 of the U.S. Public Health Services Act and 45 Code of Federal Regulations Part 96. One of the requirements is unannounced inspections of retailers that sell tobacco products. Ohio must demonstrate an 80% or higher compliance rate regarding the sale of tobacco products to minors or be subject to potential loss of Substance Abuse Prevention and Treatment (SAPT) Block Grant revenue to fund alcohol and other drug prevention and treatment. This amount would be approximately $26 million. The program also offers merchant and public education and facilitates community mobilization, particularly through drug-free community coalitions and tobacco coalitions. The Center for Substance Abuse Prevention (CSAP) provides federal oversight.

Implication of the Enacted Budget: The enacted budget provides funding levels that the Department requested to maintain current service levels. In general, the program achieves an increase in awareness of tobacco laws through media campaigns and coalitions. Merchants and clerks receive training through the HELP (Hire Education for Liquor Permits) Program. Students are educated about Ohio's tobacco laws through The Sober Truth Program. Also the Tobacco Laws Compliance program facilitates interagency collaboration through the Synar Advisory Group. Representatives of the group include the Office of the Attorney General, Ohio Tobacco Use Prevention and Control Foundation, and Ohio departments of Health and Public Safety along with ODADAS.

Program Series 4 Quality Improvement

Purpose: To provide technical assistance as part of the certification/licensure site visit, both during and following the review.

The following table shows the line items that are used to fund the Quality Improvement program series.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
475	038-621	Statewide Treatment and Prevention	$52,600*	$52,600*
		State Special Revenue Fund Subtotal	**$52,600**	**$52,600**
Federal Special Revenue Fund				
3G4	038-614	Substance Abuse Block Grant	$713,827*	$735,242*
		Federal Special Revenue Fund Subtotal	**$713,827**	**$735,242**
Total Funding: Quality Improvement			**$766,427**	**$787,842**

*Amounts do not reflect total appropriations because the line items are used to fund other program series and programs.

This analysis focuses on the following specific programs within the Quality Improvement program series:

- ***Technical Assistance and Training***
- ***Certification***

Technical Assistance and Training

Program Description: Technical assistance is geared toward a local provider's specific area(s) identified as needing improvement. Individualized technical assistance is also provided upon request and can consist of formalized training or one-on-one applications. Technical assistance functions are designed to bring local providers into compliance with required standards that increase the likelihood that qualified staff provide alcohol and other drug services in a safe and confidential manner. Statewide training will be provided once standards are promulgated for Prevention, Therapeutic Community, and Treatment Alternatives to Street Crimes programs.

Implication of the Enacted Budget: The funding for technical assistance and training will allow current levels of service to be maintained, however, trainings on special topics offered regularly to professionals in the field will be discontinued. The primary costs associated with technical assistance and training are staff salaries, travel, and printing. The Department expects costs to increase with the promulgation of standards for types of programs, which have not previously been held to state certification.

Certification

Program Description: The Division of Quality Improvement inspects and certifies/licenses alcohol and drug addiction treatment programs, methadone programs, and driver intervention programs. Quality Improvement provides technical assistance and training for all certified/licensed providers based on the respective program standards. Quality Improvement also develops clinical documentation tools and is responsible for the development of a utilization review of services system based on the protocols for level of care placement criteria. Responsibilities also include the coordination of the investigation of all complaints received from clients, program staff, and providers. During FY 2005 the Department has promulgated standards under Revised Code section 119.03 for Prevention, Therapeutic Community, and Treatment Alternatives to Street Crime programs. This additional responsibility will expand the number of program sites that require certification/licensure from over 700 to approximately 1,150.

Implication of the Enacted Budget: Although current levels of service will be maintained in terms of providing timely certification/licensure of treatment, methadone and driver intervention programs, levels of effort for inclusion of Prevention, Therapeutic Community, and Treatment Alternatives for Street Crime in the certification process will increase staffing and travel needs as will the inclusion of a utilization review component.

Program Series 5 — Program Management

Purpose: To provide ODADAS with leadership and internal support enabling program divisions to carry out the mission and vision of the Department.

The following table shows the line items that are used to fund the Program Management program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	038-401	Treatment Services	$283,500*	$283,500*
GRF	038-321	Operating Expenses	$1,128,275	$1,128,275
		General Revenue Fund Subtotal	**$1,411,775**	**$1,411,775**
State Special Revenue Fund				
475	038-621	Statewide Treatment and Prevention	$4,729,308*	$4,729,308*
689	038-604	Education and Conferences	$350,000	$350,000
		State Special Revenue Fund Subtotal	**$5,079,308**	**$5,079,308**
Federal Special Revenue				
3G3	038-603	Drug-Free Schools	$84,998*	$84,998*
3G4	038-614	Substance Abuse Block Grant	$2,498,403*	$2,476,988*
3H8	038-609	Demonstration Grants	$871,584*	$879,102*
3N8	038-611	Administrative Reimbursement	$500,000	$500,000
		Federal Special Revenue Subtotal	**$3,954,985**	**$3,941,088**
Total Funding: Program Management			**$10,446,068**	**$10,432,171**

*Amounts do not reflect total appropriations because the line items are used to fund other program series and programs.

This analysis focuses on the following specific programs within the Program Management program series.

Program Management

Program Description: Program Management addresses seven divisions of ODADAS: the Director's office, Fiscal Services, Human Resources, Management Information Services (MIS), Prevention Services, Treatment and Recovery Services, and Planning, Outcomes, and Research.

Implication of the Enacted Budget: The enacted budget provides funding levels that the Department requested to maintain current service levels. Federal Special Revenue Fund appropriation item 038-609, Demonstration Grants, receives the same funding level as appropriated for FY 2005. This funding covers all but one of the divisions of the Department. The largest costs for this program are salaries, fringe benefits, contracted services, travel, and equipment purchases. Travel costs are up due to an increase in site visits of the Department to local communities. Salaries and fringe benefits increase annually (except for FY 2004). Over the last biennium, the Department reorganized to become more efficient and effective at meeting the needs of its customers. For example, the Department realigned support staff for both Treatment and Recovery Services and Prevention Services making them region specific. The Department also eliminated two conferences, Teen Institute and Junior Teen Institute, and the funds were reallocated to local communities for prevention. During 2004 there was a restructuring of the agency to better accommodate the customer service direction desired. Planning, Outcomes, and Research was pulled out of the Division of Treatment & Planning and formed into its own division. The remaining nine personnel were moved to the Division of Justice Services, which was renamed Treatment and Recovery Services. This Division encompasses Treatment & Recovery, Justice Services, and Our Awareness of Self Increases Success (OASIS). During the course of the last biennium, the Department eliminated two deputy director positions and four other supervisory positions and created positions that provide direct service to constituents. Through attrition, the Department has worked towards becoming more efficient and productive.

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

Jason Phillips, Budget Analyst

- Two boards share professional staff
- Increase of nearly 5% in licensed individuals from FY 2003 to FY 2004
- Enacted budget of $489,197 per year for FY 2006 and FY 2007

OVERVIEW

Duties and Responsibilities

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 share staff and facilities. Each board meets independently. Both boards protect the public by licensing and regulating the professions of architecture and landscape architecture.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
4	$489,197	$489,197	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

4K9 Fund

The Architects boards are funded by Fund 4K9, which is a fund in the General Services Fund group that serves as a repository for license fees and other assessments collected by the state's occupational licensing and regulatory boards. The 4K9 Fund allows the agencies that it funds the ability to maintain operations during years where licenses are not renewed and revenue is much lower. However, the philosophy of the 4K9 Fund is that each board must generate enough revenue to cover their expenses. Yet, it is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

The Architects boards handle the administrative work for roughly 8,000 architect and landscape architect licenses. The boards renew its licenses on a biennial basis with $1,131,935 in revenue versus $929,911 in expenditures over the two-year period from FY 2004 to FY 2005. This has resulted in a net gain of $202,024 to the 4K9 Fund in that span. The Architects boards' enacted budget appropriates a total of $489,197 in FY 2006 and $489,197 in FY 2007, representing flat funding for the biennium.

Board Consolidation

The executive budget recommended that 27 occupational licensing and regulatory boards be consolidated into the departments of Health, Commerce, and Public Safety. The enacted budget excludes the Architects boards (and six other boards) from the recommendation and thus exempts the boards from the consolidation's provisions. It is uncertain what the impact of the board consolidation will be on costs for the boards that were exempted. However, it is likely that the architects boards will be able to absorb any potential increase within existing resources.

Fining Authority

A provision in the enacted budget permits the Architects boards, in addition to disciplinary actions the boards may take against holders of a certificate of qualification that violate the boards' rules, to also impose a fine against a certificate holder, which may not be more than $1,000 for each offense. The total fine cannot exceed $5,000, regardless of the number of offenses the certificate holder has committed between the time the fine is imposed and the time any previous fine was imposed. Previously, the Architects boards did not have fining authority. While the number of violations varies from year to year, the Architects boards could receive as much as $30,000 per calendar year in fine revenue. This figure is derived from violations occurring from CY 2000 to CY 2005.

Vetoed Provisions

The Governor did not veto any provisions affecting the Architects boards.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the State Board of Examiners of Architects and State Board of Examiners of Landscape Architects is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Operating Expenses

Purpose: To license and regulate the professions of architecture and landscape architecture.

The following table shows the line items that are used to fund the State Boards of Examiners of Architects and Landscape Architects as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	891-609	Operating Expenses	$489,197	$489,197
Total Funding: State Board of Examiners of Architects and State Board of Examiners of Landscape Architects			**$489,197**	**$489,197**

Program Description: In accordance with Chapter 4703. of the Revised Code, the Board of Examiners of Architects and the Board of Examiners of Landscape Architects protect the public health, safety, and welfare through the regulation of the practice of architecture and landscape architecture, respectively.

Funding Source: GSF Fund 4K9

Implication of the Enacted Budget: The enacted budget allows the State Board of Examiners of Architects and State Board of Examiners of Landscape Architects to maintain FY 2005 service levels for FY 2006 and FY 2007.

Permanent Law: ***Fining Authority (R.C. 4703.15).*** The enacted budget permits the Architects Boards to impose a fine against a certificate holder of not more than $1,000 for each offense. The total fine cannot exceed $5,000, regardless of the number of offenses the certificate holder has committed between the time the fine is imposed and the time any previous fine was imposed. Previously, the Architects boards did not have fining authority.

- The enacted funding level will allow just under $9 million in Ohio Arts Council grants in FY 2006 and 2007
- OLGA, a web-based grants management system is now operational, shortening the application process and saving an estimated $58,000 per year

Ohio Arts Council

Erin Pettegrew, Budget Analyst

OVERVIEW

Duties and Responsibilities

The Ohio Arts Council (OAC) 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, the federal National Endowment for the Arts (NEA), and the U.S. Department of Education, the agency administers grant programs that provide financial assistance to artists, to arts organizations, and to communities; the agency also provides services that enhance the growth of the arts.

The agency's activities can be separated into two program series: Arts Programming and Percent for Arts. The Arts Programming program series consists of three programs: Arts Programs (subsides), Art Services, and the Riffe Gallery. The Percent for Arts program series is a legislatively mandated activity administered by the Ohio Arts Council.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
32	$13,261,727	$13,261,727	$11,238,161	$11,238,161	Am. Sub. H.B. 66

*Employee count obtained from the Ohio Arts Council in August 2005. Two staff positions were unfilled at the time of the report.

The Arts Council consists of 19 members, with 2 each appointed by the House and Senate and 15 appointed by the Governor. The agency's executive director is appointed by, and reports to, the Council. The agency's executive director currently oversees an administrative, clerical, and program staff of 32 employees, though 2 additional employees were recently lost to attrition. The Arts Council is replacing those positions to maintain a staff of 34 through the FY 2006-2007 biennium.

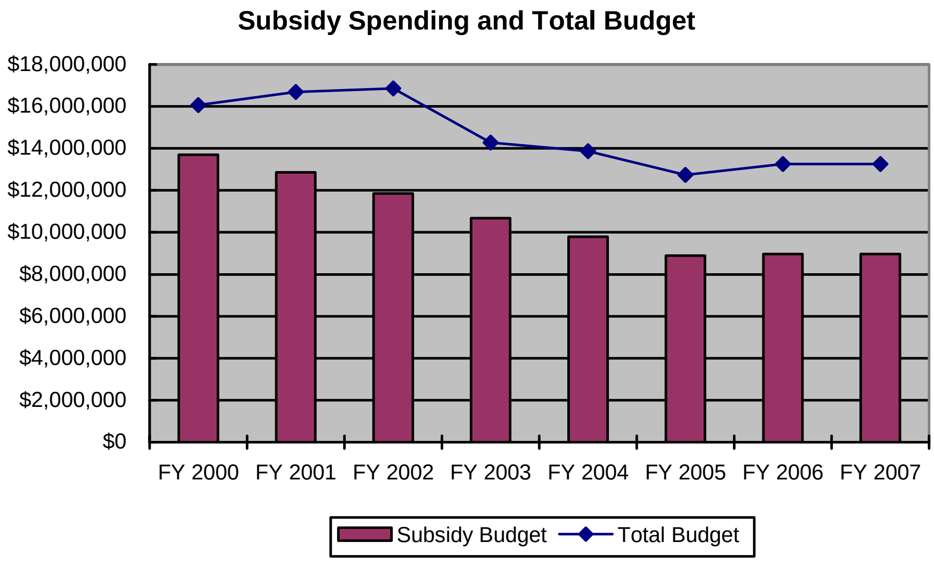
Vetoed Provisions

There are no vetoed provisions for the Ohio Arts Council.

Budget Issues

The OAC's total budget, as enacted by Am. Sub. H.B. 66, increases by 4.14%. The larger total budget reflects increases in the appropriation for the Percent for Arts program based on the state's expected capital spending and the possible receipt of federal grant moneys. Program subsidies funding remains at FY 2005 levels, the first time the subsidies budget has not decreased in several biennia.

Funding for staff, however, has decreased by 5.0%. Budget cuts in the last two biennia have reduced the Arts Council staff from a high of 40 in FY 2002 to 32 in FY 2005. Supplementing GRF funds with federal grant moneys, the Arts Council staff hopes to replace two currently unfilled positions and sustain a staffing level of 34 FTEs in the upcoming biennium.



ANALYSIS OF THE ENACTED BUDGET

Program Series 1 — Arts Programming

Purpose: Governs the majority of the Ohio Arts Council functions, including its grants making activities and the management of the Riffe Gallery.

The following table shows the line items that are used to fund the Arts Programming program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	370-100	Personal Services	$1,798,235	$1,798,235
GRF	370-200	Maintenance	$459,746	$459,746
GRF	370-300	Equipment	$4,700	$4,700
GRF	370-502	Program Subsidies	$8,975,480	$8,975,480
		General Revenue Fund Subtotal	$11,238,161	$11,238,161
General Services Fund				
460	370-602	Gifts and Donations	$400,000	$400,000
		General Services Fund Subtotal	$400,000	$400,000
Federal Special Revenue Fund				
314	370-601	Federal Programs	$1,537,200	$1,537,200
		Federal Special Revenue Fund Subtotal	$1,537,200	$1,537,200
Total Funding: Arts Programming			**$13,175,361**	**$13,175,361**

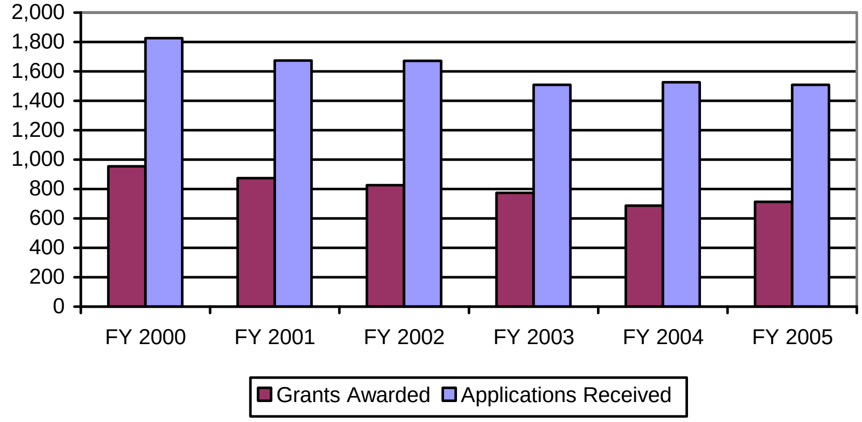
Arts Programs

Program Description: This program supports the Ohio Arts Council grants opportunities, funded through GRF appropriation item 370-502, Program Subsidies.

Implication of the Enacted Budget: The enacted budget results in a slight (<0.1%) increase in grants funding in FYs 2006 and 2007 over FY 2005. The number and size of arts grant awards will be similar to that seen in the last biennium though much reduced from previous years. General operating support for the larger arts organizations across the state has declined and access to the arts for smaller organizations, rural communities, educational programs for children and adults, and community development has been curtailed. Ohio Arts Council support of all major institutions has declined 6.9% between FY 2004 and FY 2006. The decline of support in the largest four institutions is even more marked: Cincinnati Symphony Orchestra (-17.4%), the Cleveland Museum of Art (-15.7%), the Musical Arts Association/Cleveland Orchestra (-17.6%), and the Playhouse Square Foundation (-17.5%).

As seen in recent years, as the total amount available for grant awards declines, the number of applications received is also affected, as shown by the chart below. The Council expects that potential applicants will continue to be dissuaded from applying with the knowledge that their application is less likely to be approved and that the possible funding amounts are diminished.

Ohio Arts Council Grant History



Arts Services

Program Description: The Arts Services program provides support to public, individual, and organizational efforts that encourage the growth of the arts and arts education in the state.

Implication of the Enacted Budget: Over the past two biennia, the Ohio Arts Council has reduced services and staff supporting initiatives of this program. Reductions of 5% in both the Personal Services and Maintenance appropriation items in FY 2006, as enacted, will continue to hinder the level of services provided through the Arts Services program.

Notwithstanding the reduction of 5% in appropriation item 370-100, Personal Services, the Council anticipates maintaining a full staff of 34 FTEs. Once again, the Council will utilize Basic State Plan moneys from the federal Partnership Grant to supplement personnel expenditures in the face of declining state funding. Programming will continue to operate at a reduced level. In the past biennium, the agency placed some programs on hiatus and publications have been reduced or made available strictly as on-line publications. Fortunately, the introduction of the On-line Grant Applications (OLGA) program has eliminated the printing of thousands of documents, saving the Council an estimated $58,000 per year, to some extent mitigating the impact of the 5.0% cut in appropriation item 370-200, Maintenance.

Riffe Gallery

Program Description: This program provides for the management of the Riffe Gallery in the Vern Riffe Center for Government and the Arts, owned by the Ohio Building Authority. This gallery is free to the public and offers four to five visual arts exhibitions each year.

Implication of the Enacted Budget: With previous budget cuts, the Riffe Gallery is now closed on Mondays and the agency has not filled a Riffe Gallery Education Coordinator position. The enacted funding level will permit the Riffe Gallery to remain open, but it will continue to have reduced hours of operation.

Program Series 2 Percent for Arts

Purpose: Administers the Percent for Arts program.

The following table shows the line item that is used to fund the Percent for Arts program series, as well as the enacted funding level.

Percent for Art Administration

Program Description: The program satisfies R.C. 3379.10, which requires that 1% of the appropriation for new or renovated buildings with a total appropriation of $4 million or more be granted for the placement of art in the structure.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4B7	370-603	Percent for Art Acquisitions	$86,366	$86,366
		General Services Fund Subtotal	$86,366	$86,366
Total Funding: Percent for Art Administration			**$86,366**	**$86,366**

Implication of the Enacted Budget: The enacted appropriation level for FY 2006 and FY 2007 is 25.5% higher than actual FY 2005 spending. This program is dependent on the size and funding schedule of capital projects and is subject to change.

Ohio Athletic Commission

Jason Phillips, Budget Analyst

- 1,222 licenses issued in FY 2004
- Enacted budget of $248,150 for FY 2006
- Planned consolidation within Department of Commerce in FY 2007

OVERVIEW

Duties and Responsibilities

The Ohio Athletic Commission was created by Am. Sub. S.B. 240 of the 121st General Assembly. The purpose of the Commission is to regulate boxing, wrestling, kickboxing, karate, and tough-man contests in the state in an effort to protect the safety of the 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

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
7	$248,150	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

4K9 Fund

The Ohio Athletic Commission is funded by the Occupational and Professional Licensing Fund (Fund 4K9), which serves as a repository for license fees and other assessments collected by the state's occupational licensing and regulatory boards. The 4K9 Fund allows the agencies that it funds the ability to maintain operations during years where licenses are not renewed and revenue is much lower. However, the philosophy of the 4K9 fund is that each board must generate enough revenue to cover their expenses. Yet, it is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

The Athletic Commission handles the administrative work for roughly 1,200 licenses. The Board renews its licenses annually with $149,200 in revenue versus $162,386 in expenditures in FY 2005. This has resulted in a deficit of $13,186 to the 4K9 Fund in that span. While the Athletic Commission has consistently run deficits, the Commission notes that greater licensure activity should help alleviate the deficits in the future. The Commission is also working toward the enactment of a 5% event tax on wrestling events to increase revenue. The Athletic Commission's enacted budget appropriates a total of

$248,150 in FY 2006 and $0 in FY 2007, as the Board is slated for consolidation within the Department of Commerce.

Board Consolidation

The enacted budget recommended that 20 independent occupational licensing boards be absorbed into the departments of Health, Commerce, and Public Safety. As such, the enacted budget does not appropriate funding in FY 2007 for the boards and commissions included in the consolidation proposal. The specifics of the consolidation plan will be addressed during FY 2006 by a task force consisting of the agencies acquiring the boards, the Department of Administrative Services, the Office of Budget and Management (OBM), and three individuals selected by the boards included in the consolidation proposal. According to the plan, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentives will be offered to regulatory board staff. These incentives should result in staff reductions. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board and commission members for each agency will be retained and continue to serve in the manner in which they were appointed.

Expanded Authority for Executive Director

A provision in the enacted budget allows the Executive Director of the Athletic Commission, when authorized by the Commission, to issue, deny, suspend, or revoke permits to hold prize fights and public boxing or wrestling matches or exhibitions. This permanent law change allows the executive director more authority to oversee, make changes, and sign off on events and will save the Commission from $7,500 to $10,000 per year. Previously, the law stated all changes had to be made by the Commission, which required scheduled meetings. At times, a quorum could not be reached, preventing Commission-sanctioned events from going forward. As such, this provision allows events to continue as scheduled when there are last minute changes.

Progress in Responding to the Inspector General and Auditor of State Reports

According to the Board, significant progress has been made in responding to concerns raised in reports by the State Inspector General and Auditor of State. Reforms include preventing walk-ins from competing in tough-man contests, a mandatory 48-hour registration period before competing in events, a database to track wins and championships of competitors, and better accounting procedures that ensure receipts are more efficiently deposited into the state treasury.

Vetoed Provisions

The Governor did not veto any provisions affecting the Ohio Athletic Commission.

Analysis of the Enacted Budget

For budget purposes, as detailed below, the Ohio Athletic Commission is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

Purpose: Regulates boxing, wrestling, kickboxing, karate, and tough-man contests.

The following table shows the line items that are used to fund the Athletic Commission as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	175-609	Operating Expenses	$248,150	$0
Total Funding: Ohio Athletic Commission			**$248,150**	**$0**

Program Description: In accordance with Chapter 3733. of the Revised Code, the Ohio Athletic Commission regulates prizefights, boxing, professional wrestling, and athlete agents within the state in an effort to protect the safety of the fight participants and the interests of the public.

Funding Source: GSF Fund 4K9

Implication of the Enacted Budget: The Athletic Commission received funding of $248,150 in FY 2006 and $0 in FY 2007, as the Board is slated for consolidation within the Department of Commerce. The enacted funding for the biennium allows the Board to maintain FY 2005 service levels and to hire a part-time fiscal officer. The Commission notes that the fiscal officer should be in place by October 2005.

Permanent Law: ***Expanded Authority for Executive Director (R.C. sections 3773.34, 3773.38, 3773.39, 3773.40, and 3773.57)***. Current law requires the Athletic Commission to issue, deny, suspend, or revoke permits to hold prizefights and public boxing or wrestling matches or exhibitions. This provision allows the Executive Director of the Athletic Commission, when authorized by the Commission, to perform the duties previously stated.

Attorney General

Jamie L. Doskocil, Budget Analyst

- Roughly three-quarters of budget comprised of non-GRF funds
- Non-GRF cash collections permit FY 2006 GRF appropriations reduction

OVERVIEW

Duties and Responsibilities

The Office of the Attorney General is involved in the state's justice and corrections system in a variety of ways including, but not limited to, the following:

- 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), and the Capital Crimes Section.
- Administering the state's victim assistance efforts, most notably the Victims of Crime Compensation Program and the federal Victims Assistance Program.
- Initiating legal proceedings in areas related to environmental protection, consumer fraud, antitrust, Medicaid fraud, Workers' Compensation fraud, and patient abuse and neglect.
- Providing legal representation to and initiating litigation on behalf of statewide elected officials (including the Ohio General Assembly), all state departments, agencies, boards, and commissions.
- Issuing formal opinions on questions submitted by state officials and agencies, as well as county prosecutors.
- Enforcing the state's Gambling and Charitable Bingo Laws.
- Collecting delinquent debts owed to the state of Ohio, including taxes, fines, penalties, service fees, and loans.

Agency in Brief

The following table selectively summarizes Attorney General appropriations and staffing information.

Attorney General In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
1,330**	$169.99 million	$172.01 million	$43.62 million	$54.15 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.
**The Office of the Attorney General stated that the number of full-time positions as of August 2005 was 1,254.

Reduced FY 2006 GRF Appropriations

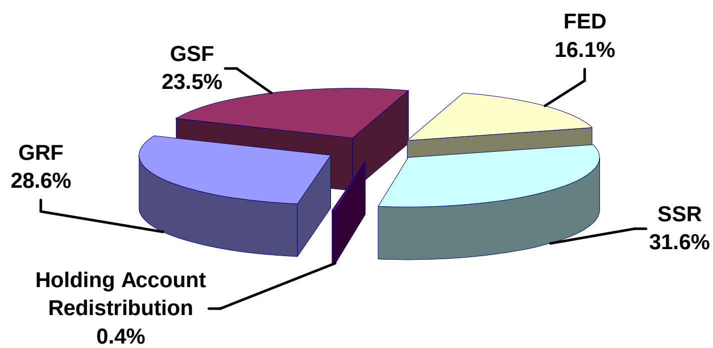
At the Attorney General's request during the legislature's biennial budget deliberations, the agency's total GRF appropriations were reduced by approximately $10.5 million from the executive recommended FY 2006 funding level. The Office of the Attorney General's plan is to offset a significant portion of this voluntary reduction in total FY 2006 GRF appropriations by tapping into the agency's non-GRF funding streams. This non-GRF cash will largely be drawn from the Claims Section Fund (Fund 419), which has enhanced revenues due to an increase in the amount of delinquent debt collected by the Attorney General's Collections Enforcement Section over the last biennium. Although the FY 2006 increase in non-GRF appropriations does not fully offset the FY 2006 GRF appropriations decrease, staff of the Attorney General has indicated that the agency's existing service levels will not be affected.

GRF Pay Supplements

The enacted biennial budget provides: (1) GRF funding totaling $760,495 and $779,509 in FYs 2006 and 2007, respectively, to fully cover statutory county sheriff pay supplements, and (2) GRF funding totaling $740,704 and $759,222 in FYs 2006 and 2007, respectively, to fully cover statutory county prosecutor pay supplements.

Appropriation by Fund Group Summary

The pie chart immediately below shows the total appropriations (FYs 2006 and 2007) by fund group. This information is shown for the GRF and for all funds.



The Office of the Attorney General's GRF funding, as measured by spending group, from actual FY 2002 disbursements through enacted FY 2007 appropriations will have decreased by $5.5 million, or 9.2%. During that same six-year period, the GRF portion of the Office of the Attorney General's budget will have dropped from 39.7% down to 31.5%. The Office of the Attorney General has filled that difference by tapping into other non-GRF funds, most noticeably the revenue-generating capability of its accounts lodged in the State Special Revenue Fund Group.

Vetoed Provisions

The Office of the Attorney General is not directly affected by any of the items contained in Am. Sub. H.B. 66 that were vetoed by the Governor.

ANALYSIS OF THE ENACTED BUDGET

What follows is LSC fiscal staff's analysis of the Attorney General's enacted biennial budget covering FYs 2006 and 2007. The presentation of this analysis is organized around the following three program series.

- ***Program Series 1: Criminal Justice***
- ***Program Series 2: Legal Services***
- ***Program Series 3: Program Management***

Program Series 1 — Criminal Justice

Purpose: To support law enforcement activities and victims services.

The following table shows the line items that are used to fund the Criminal Justice program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	055-321	Operating Expenses	$22,611,742	$22,929,554
		General Revenue Fund Subtotal	**$22,611,742**	**$22,929,554**
General Services Fund				
106	055-612	General Reimbursement	$11,808,428	$11,678,872
4Z2	055-609	BCI Asset Forfeiture and Cost Reimbursement	$1,332,109	$1,332,109
421	055-617	Police Officers' Training Academy Fee	$1,693,213	$1,693,213
590	055-633	Peace Officer Private Security Fund	$98,370	$98,370
629	055-636	Corrupt Activity Investigation and Prosecution	$15,000	$15,000
		General Services Fund Subtotal	**$14,947,120**	**$14,817,564**
Federal Special Revenue Fund				
3E5	055-638	Attorney General Pass-Through Funds	$1,981,102	$1,981,102
3R6	055-613	Attorney General Federal Funds	$3,842,097	$3,842,097
306	055-620	Medicaid Fraud Control	$2,799,000	$2,799,000
383	055-634	Crime Victims Assistance	$18,439,313	$18,439,313
		Federal Special Revenue Fund Subtotal	**$27,061,512**	**$27,061,512**
State Special Revenue Fund				
659	055-641	Solid and Hazardous Waste Background Investigations	$621,159	$621,159
402	055-616	Victims of Crime	$30,000,000	$30,000,000
		State Special Revenue Fund Subtotal	**$30,621,159**	**$30,621,159**
Holding Account Redistribution Fund				
R42	055-601	Organized Crime Commission Account	$25,025	$25,025
		Holding Account Redistribution Fund Subtotal	**$25,025**	**$25,025**
Total Funding: Criminal Justice			**$95,266,558**	**$95,454,814**

This analysis focuses on the following specific programs within the Criminal Justice program series:

- ***1.1 Law Enforcement***
- ***1.2 Victims Services***

1.1 Law Enforcement

Program Description: The Law Enforcement program encompasses all sections and functions of the Office of the Attorney General charged with providing services to the law enforcement community across the state, as well as those sections providing enforcement-related activities. The program includes the Bureau of Criminal Identification and Investigation (BCII), the Peace Officer Training Academy (POTA), the Organized Crime Investigations Commission (OCIC), and units for capital crimes and health care fraud.

Funding Sources: (1) GRF, (2) civilian record check fees, (3) federal grants, (4) asset forfeitures and cost reimbursements, (5) fees paid to POTA by applicants, (6) fines and civil penalties, (7) fees from applicants or owners of various types of hazardous waste facilities, and (8) court judgments for reimbursement of expenses of the organized crime task forces

Implication of the Enacted Budget: According to staff of the Attorney General, relative to its Law Enforcement program, the enacted budget will permit the agency to:

- Continue efforts to develop and expand the Ohio Law Enforcement Gateway (OHLEG), a secure web site designed to provide law enforcement agencies and prosecutors access to criminal justice databases and to encourage sharing of information between jurisdictions.
- Increase emphasis on programs administered by BCII, ranging from DNA and crime lab analysis to undercover narcotics investigations and the detection of methamphetamine labs, in order to improve operations and eliminate backlogs.
- Provide expanded and state-of-the-art training in the latest techniques to local peace officers at the newly renovated Peace Officers Training Academy as well as the recently opened Tactical Training Center.
- Continue investigations and prosecution of health care providers accused of defrauding the state's Medicaid program as well as the Ohio Workers' Compensation Program.
- Provide assistance to county prosecutors in every phase of death penalty prosecutions (indictment and trial through each stage of appeal).
- Assist in the formation of and logistical and technical support for multi-jurisdictional organized crime task forces to investigate and prosecute organized criminal activity around the state.
- Leverage state funds with federal grant dollars to obtain and upgrade sensitive laboratory and surveillance equipment, perform critical DNA analysis, and improve homeland security measures.

1.2 Victims Services

Program Description: This program encompasses all functions of the office charged with protecting or assisting victims of crime and with protecting children and the elderly. These functions include the following:

- Crime Victims Services and the Victims of Crime/Reparations Fund, which awards compensation to eligible victims of violent crime for their unreimbursed economic losses.
- Victims Assistance Program, which provides funding to rape crisis centers and domestic violence shelters.
- Missing Children's Clearinghouse, which coordinates and improves the availability of information on missing children.
- Identity Theft Passport Program, which is aimed at assisting victims of stolen identities.
- Child and Elder Protection, which uses experienced criminal prosecutors and investigators to assist local prosecutors in child support, physical and sexual abuse cases, Internet and computer crime investigations, and elder abuse cases.

The preponderance of funding under this program (more than 70%) goes to provide direct assistance to victims of crime (30%) or to those organizations that provide services to victims (43%). Recent legislatively enacted changes have expanded both allowable benefits and participation under Ohio's Crime Victims Compensation Law, and permit the use of up to 5% of the cash balance annually for the payment of costs associated with initiatives by the Attorney General for the apprehension, prosecution, and accountability of offenders and the enhancing of services to crime victims. According to the Office of the Attorney General, the percentage of administrative costs under these programs continues to decline as the office implements measures to increase effectiveness and to make more dollars available to victims of crime.

Funding Sources: (1) federal grants, (2) courts costs from felony, misdemeanor, and nonmoving traffic violation conviction, (3) $75 of the $425 license reinstatement fee, and (4) miscellaneous other moneys, payments, and proceeds

Implication of the Enacted Budget: According to staff of the Attorney General, relative to its Victims Services program, the enacted budget will permit the agency to:

- Continue and increase awards of compensation to eligible victims of violent crimes for their unreimbursed economic losses through the Crime Victims Compensation Program.
- Provide funding to rape crisis centers, domestic violence shelters, and other providers of direct services to victims through the Victims Assistance Program.
- Maintain the Missing Children's Clearinghouse, a database of children from Ohio that have been abducted, lost, or run away.
- Leverage state funds with federal dollars to pilot new programs such as the Identity Theft Passport program, aimed at assisting victims of stolen identities, and the Parent Project, designed to help parents connect with children who exhibit high-risk behavior.

- Assist local law enforcement, including prosecutors and police, with investigations and prosecution of crimes against children and the elderly including child support, physical and sexual abuse cases, and Internet and computer crime investigations.
- Collect DNA specimens, perform DNA analysis of those specimens, and enter the resulting records regarding those analyses into BCII's DNA database for all felonies, consistent with recently passed legislation.

Program Series 2 — Legal Services

Purpose: To provide legal services protecting the rights of citizens and businesses in Ohio and provides legal representation to various state officials and state agencies.

The following table shows the line items that are used to fund the Legal Services program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	055-321	Operating Expenses	$19,506,408	$23,152,207
		General Revenue Fund Subtotal	**$19,506,408**	**$23,152,207**
General Services Fund				
106	055-612	General Reimbursement	$6,356,397	$6,424,828
107	055-624	Employment Services	$850,000	$850,000
195	055-660	Workers' Compensation Section	$7,769,628	$7,769,628
4Y7	055-608	Title Defect Rescission	$250,000	$250,000
418	055-615	Charitable Foundations	$4,899,066	$4,899,066
420	055-603	Attorney General Antitrust	$446,449	$446,449
5A9	055-618	Telemarketing Fraud Enforcement	$7,500	$7,500
631	055-637	Consumer Protection Enforcement	$1,373,832	$1,373,832
		General Services Fund Subtotal	**$21,952,872**	**$22,021,303**
Federal Special Revenue Fund				
381	055-611	Civil Rights Legal Service	$390,815	$390,815
		Federal Special Revenue Fund Subtotal	**$390,815**	**$390,815**
State Special Revenue Fund				
419	055-623	Claims Section	$2,959,415	$0
		State Special Revenue Fund Subtotal	**$2,959,415**	**$0**
Holding Account Redistribution Fund				
R05	055-632	Antitrust Settlements	$1,000	$1,000
R18	055-630	Consumer Frauds	$300,000	$300,000
		Holding Account Redistribution Fund Subtotal	**$301,000**	**$301,000**
Total Funding: Legal Services			**$45,110,510**	**$45,865,325**

This analysis focuses on the following specific programs within the program series:

- ***2.1 Citizen Protection***
- ***2.2 State Agencies***

2.1 Citizen Protection

Program Description: This program includes consumer protection, charitable law, environmental enforcement, and antitrust. The majority of the funding for the Citizen Protection program budget represents costs for salaries and benefits of personnel required to fulfill the goals of this program through investigation, monitoring, education, and litigation of applicable state and federal laws designed to protect consumers, businesses, and the environment.

Funding Sources: (1) GRF, (2) fees collected from licensed motor vehicle dealers once the balance of the fund drops below $300,000, (3) recoveries made from violations under the Title Defect Rescission program, (4) various fees, forfeited bonds, and court awards associated with administering the Charitable Gambling Law, (5) 10% of antitrust recoveries, (6) 75% of civil penalties ordered and paid pursuant to the Consumer Practices Act and the Odometer and Rollback Disclosure Act as well as all unclaimed surety bonds associated with that program

Implication of the Enacted Budget: According to staff of the Attorney General, the enacted budget will permit the agency to maintain these Citizen Protection programs, including: (1) providing consumer protection, (2) regulating charitable gaming in Ohio by licensing, auditing, and investigating gaming establishments, (3) maintaining a registry and financial information on charitable organizations, (4) enforcing both state and federal antitrust laws that prohibit collusive business practices such as price-fixing and market allocation agreements, and (5) providing environmental enforcement services.

2.2 State Agencies

Program Description: This program provides legal representation to state officials and state agencies. This legal representation is functionally divided between 14 sections. The program is highly personnel intensive, with more than 90% of its costs attributable to salaries and fringe benefits for the attorneys and support staff who provide these services to various state officials, agencies, boards, and commissions.

Funding Sources: (1) GRF, (2) reimbursement payments for legal services rendered to state agencies pursuant to contracts between the Attorney General and those state agencies, (3) payments pursuant to a contract between the Office of the Attorney General and the Department of Job and Family Services, (4) quarterly payments from the Bureau of Workers' Compensation and the Ohio Industrial Commission, and (5) up to 11% of all of the amount collected by the Office of the Attorney General on claims due the state

Implication of the Enacted Budget: According to staff of the Attorney General, the enacted budget will permit the agency to maintain these state agencies' programs. Some of the more notable activities include:

- Representation and litigation in cases involving state boards, agencies, officials, commissions, and pension boards to recover moneys lost through deceitful practices or due to breach of fiduciary duties.

- Provision of legal counsel and representation to the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio in jury trials regarding workers' compensation claims and involving the extensive use of medical expert witnesses.
- Serving as counsel for more than 30 state departments and regulatory boards in matters relating to health law, including defense challenges in provider reimbursement and health care delivery programs, enforcement litigation against providers for substandard care, and litigation relating to professional licensure for healthcare providers.
- Supply legal counsel to the Ohio Department of Transportation in litigation involving acquisition of property by eminent domain.
- Provision of legal representation and counsel to an array of state officials, agencies, and commissions to ensure the interest of the state of Ohio is protected.

Program Series 3 — Program Management

Purpose: To provide support operations of the Office of the Attorney General and unique programs including county sheriff and county prosecutor pay supplements and the DARE program.

The following table shows the line items that are used to fund the Program Management program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	055-321	Operating Expenses	$0	$6,528,395
GRF	055-411	County Sheriffs' Pay Supplement	$760,495	$779,509
GRF	055-415	County Prosecutors' Pay Supplement	$740,704	$759,222
		General Revenue Fund Subtotal	**$1,501,199**	**$8,067,126**
General Services Fund				
106	055-612	General Reimbursement	$3,205,371	$3,266,496
		General Services Fund Subtotal	**$3,205,371**	**$3,266,496**
State Special Revenue Fund				
419	055-623	Claims Section	$20,712,540	$15,149,954
4L6	055-606	DARE	$3,927,962	$3,927,962
		State Special Revenue Fund Subtotal	**$24,640,502**	**$19,077,916**
Holding Account Redistribution Fund				
R04	055-631	General Holding Account	$275,000	$275,000
		Holding Account Redistribution Fund Subtotal	**$275,000**	**$275,000**
Total Funding: Program Management			**$29,622,072**	**$30,686,538**

This analysis focuses on the following specific programs within the Program Management program series:

- ***3.1 Program Management***
- ***3.2 Programs***

3.1 Program Management

Program Description: This program provides funding for the support operations of the Office of the Attorney General including information technology, finance, human resources, office services, training, communications, and collections enforcement. This program supports 250 employees and primarily benefits the other programs of the Office of the Attorney General.

The largest component of this program is the Collections Enforcement Section, which is responsible for collecting all delinquent debt owed Ohio on behalf of agencies, institutions, universities, and other government entities for taxes, fines, penalties, service fees, loans, and any other debt due.

Funding Sources: (1) GRF, (2) court-ordered reimbursements, and (3) up to 11% of all amounts collected by the Office of the Attorney General on claims due the state

Implication of the Enacted Budget: According to staff of the Attorney General, the enacted budget for this program will permit the agency to: (1) maintain debt collection efforts by the Collections Enforcement Section, and (2) continue provision of overall support functions, including information technology, finance, human resources, office services, training, and communications.

3.2 Programs

Program Description: This program supports three activities: (1) county sheriff pay supplements, (2) county prosecutor pay supplements, and (3) the DARE program. Both pay supplements are GRF funded and statutorily mandated. The DARE program provides grants to local law enforcement agencies to establish and implement drug abuse resistance programs in public schools, and is funded by $75 of the $425 license reinstatement fee that is transferred to the Office of the Attorney General for this purpose.

Funding Sources: (1) GRF, (2) $75 of the $425 license reinstatement fee, and (3) moneys from court-ordered settlements in a variety of cases

Implication of the Enacted Budget: According to staff of the Attorney General, the enacted budget will permit the agency to: (1) cover the county sheriff pay supplement as mandated by section 325.06 of the Revised Code, (2) cover the county prosecutor pay supplement as mandated by section 325.11 of the Revised Code, (3) continue funding of the DARE program, and (4) distribute settlement moneys to charitable and government organizations consistent with the terms of relevant court orders.

Auditor of State

Terry Steele, Budget Analyst

- Increased emphasis on Fraud and Investigative Services in the next biennium
- Oversight of BWC audits due to coin investment scandal

OVERVIEW

Duties and Responsibilities

The Auditor of State is an elected constitutional officer responsible for auditing all public offices in Ohio including: cities and villages, schools and universities, counties and townships, libraries, as well as the many departments, agencies, and commissions of state government. The Auditor issued 3,389 audits in calendar year 2004. 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 935 full-time employees and is currently operating with an annual budget of approximately $75.7 million, a decrease of approximately 12% from FY 2005, to fulfill its responsibilities. The majority of the Auditor's employees are auditors who work from the state office or one of the eight regional offices: Canton/Akron, Cincinnati, Cleveland, Columbus, Dayton, Southeast, Toledo, and Youngstown. Each regional office is staffed by a chief auditor and an assistant chief Auditor.

The office is organized in three *divisions* of operation:

- Audit Division
- Administration Division
- Legal Division

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
935	$75,814,582	$75,764,582	$31,926,156	$31,876,156	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

There are no vetoed provisions that affect this agency.

Local Government Services Funding Concerns

Approximately two-thirds of the Auditor's budget is funded through fees charged to local governments for various services. An increasing inability to pay for services by local governments will create future budgetary issues for the Auditor of State. The Auditor experienced a reduction in revenue received for local government services of $262,312 between FY 2003 and FY 2004. It is anticipated that the Auditor will also face a revenue reduction of approximately $94,000 between FY 2004 and FY 2005 when current revenues received are projected out for an entire fiscal year.

This trend could continue into this biennium. The Auditor of State anticipates an additional 15 local entities to fall into fiscal watch, caution, or emergency in FY 2005. Currently there are 21 local governments in fiscal watch or emergency. This number could rise further in the next biennium as local governments may experience a reduction in revenue as a result of the Governor's plan to cut funding to the Local Government Fund.

Fraud and Investigative Audit Group – Increased Priority

The current Auditor of State has established that one of three priorities is to find and reduce public fraud and corruption. To support that priority, three prosecutors have been reassigned and two investigators joined the group during the FY 2004-2005 biennium. These positions will initiate a redefined Fraud, Waste, and Abuse Prevention Division (FWAP) with an expanded focus compared to the former organization. The redefined FWAP will focus on uncovering public corruption, and the misuse and abuse of public money.

BWC Investment Management Concerns

The Auditor of State will also be conducting several audits of the Bureau of Workers' Compensation (BWC). The Auditor recently had three Controlling Board items approved to contract with several firms to conduct various audits. Sotheby's, Inc. will continue to inventory, appraise, and transport coins and collectibles held in the BWC's Capital Coin Fund Limited & Capital Coin Fund Limited II. The Auditor has also contracted with Clark, Schaefer, Hackett & Co., Cincinnati, Hamilton County, to conduct a review of BWC's compliance with its internal policies, procedures, and practices regarding the establishment and monitoring of Capital Coin Fund Limited and Capital Coin Fund Limited II, including a similar review of BWC investments made with MDL Capital Management. Finally, Crowe Chizek and Company, Chicago, Illinois, will continue a forensic audit of Bureau of Workers' Compensation Funds invested in the Capital Coin Fund Limited and the Capital Coin Fund Limited II.

Uniform Accounting Network (UAN) Funding Issues for FYs 2006-2007

In the past, the funding stream for the operation of the UAN consisted of (a) GRF funds for payroll to cover technical support and software development, and (b) local user fees on a graduated scale to cover hardware. Budget cuts to GRF funds in the last biennium have nearly eliminated the availability of GRF appropriations; therefore, the Auditor of State has been tapping the Uniform Accounting Network Fund (Fund 675) for the necessary funding. This fund is now the sole source of UAN funding. However, it is apparent that the office does not have adequate cash balances, nor does the current fee structure provide enough revenue, to support expenditures into the next biennium. The UAN also may face the need for software upgrades. A recent opinion of the American Institute of Certified Public Accountants (AICPA) may require that the software be upgraded to comply with GASB34 requirements. The costs of such an upgrade is unknown at this time.

Description of Division Responsibilities

Audit Group

Financial Audits. The Audit Division performs financial and compliance audits of Ohio's public entities to identify critical issues related to public entities' financial reporting, legal compliance, reportable conditions, systems of internal control, control weaknesses, high-risk investments, and irregular or illegal activities. The Audit Division serves all state and local government entities in Ohio. Working from the nine regional offices (eight geographic regions and one for state audits), the auditors audit the financial records of Ohio's political subdivisions, ensuring that state and locally collected revenues are spent according to the direction of the General Assembly, school boards, city or village councils, township trustees, and boards of county commissioners. Audits are either conducted on an annual or biennial basis. Biennial audits are performed with auditors examining both years in a biennium. Audits are done to ensure that:

- Public funds are legally expended;
- Records are maintained in accordance with law;
- Generally Accepted Accounting Principles (GAAP) are followed; and
- Standard principles of fiscal management are followed.

In Calendar year 2004, the Auditor issued approximately 3,400 audits. Of these, 145 contained findings for recovery, identifying dollars that were either misspent or stolen and owed back to the public office. Overall, nearly $8 million in findings for recovery were identified.

Performance Audits. The Auditor of State, on the Auditor of State's initiative, may conduct a performance audit of a school district that is under a fiscal caution under section 3316.031 of the Revised Code, in a state of fiscal watch, or in a state of fiscal emergency, in which the Auditor of State reviews any programs or areas of operation in which the Auditor of State believes that greater operational efficiencies or enhanced program results can be achieved. Moreover, the Auditor of State is granted similar authority and oversight when local governments (counties, townships, villages, etc.) are deemed to be in a state of fiscal watch or fiscal emergency pursuant to Chapter 118. of the Revised Code.

The purpose of the audit process is to eradicate fraudulent use of public money, eliminate waste and abuse of tax dollars, and provide oversight and assistance in a manner that produces cost savings practices for local entities. In FY 2005, 22 performance audits were released. There were 1,176 recommendations presented in these audits, which, if fully implemented, would result in more than $37.4 million in potential savings and revenue enhancements that were identified.

Special Audits. The Audit Group completes special audits of private entities that receive public funding (institutions, associations, boards, and corporations such as foster care companies and nursing homes) as well as public entities at any time when so requested by the entity or upon the Auditor of State's own initiative. There is no difference in the costs to the Auditor of State to audit private or public entities.

The Taxpayer Protection Initiative, which was launched on October 1, 2003, has logged 1,081 consumer calls through August 31, 2005. During FY 2004, eight special audits were released, in which approximately $6.4 million in findings for recovery were identified, in addition to $1.1 million in questioned costs.

Local Government Services Group (LGS)

The Local Government Services Group acts as a consulting and fiscal advisory group to all government agencies and subdivisions. In that role the Local Government Services Group provides technical expertise, training, consulting services, GAAP conversion assistance, financial forecasts, fiscal watch and emergency analysis, and records reconstruction and reconciliation. The Open Government Unit, established in January 2003, conducted 91 seminars for approximately 5,875 attendees including law enforcement, local government officials, and the media in FY 2005.

The function of this group is important as this group fulfills statutory obligations that include attempting to rescue local governments and school districts from projected insolvency. The number of local governments and school districts that are in a state of fiscal watch, caution, or emergency has an effect on the Auditor's budget. Many local entities have difficulty paying for the statutorily mandated services provided by the Auditor of State's office.

Fraud and Investigative Audit Group

The recently created Fraud and Investigative Audit Group (formerly known as Fraud Waste Abuse Prevention) helps state and local governments identify and prevent fraud, waste, and abuse in their operations and public assistance programs. Combating fraud has been identified as a high priority for the Auditor of State in this upcoming biennium. This program will seek to examine such waste and abuse within the Medicaid system in Ohio.

Under authority of Chapter 117. of the Revised Code, the Fraud and Investigative Audit Group identifies and reports incidents of noncompliance with state laws and local regulations. The Group serves as a source of analysis concerning the existence of fraud, waste, and abuse in Ohio institutions. The Group's mission is to assess how well programs are performing in respect to their mandated objectives and taxpayer expectations, and to help state agencies prevent misspending their funds and improve their program operations. The scope of the Fraud and Investigative Audit Group's work includes:

(1) Assess the efficiency, economy, and effectiveness of agency programs;

(2) Highlight incidents of noncompliance with federal and state laws and regulations;

(3) Identify systemic weaknesses in internal controls;

(4) Identify opportunities to recover misspent funds; and

(5) Recommend actions to improve agency operations and prevent future occurrences of fraud, waste, and abuse.

The Group works closely with Medicaid, Child Support, and Welfare managers in the Ohio Department of Job and Family Services (ODJFS); the Ohio Attorney General's Medicaid Fraud Unit; the U.S. Attorney's Office; the Ohio Medical and Pharmacy boards; and Federal Office of Inspector General. In addition, the Auditor's Office formed the Welfare Fraud Prevention Initiative, which brings together over 20 federal, state, local, and private sector stakeholders from across the state to discuss welfare fraud prevention.

Administration Division

Administration

The Administration Division manages the human resources, payroll, records, graphics, financial, warrant writing functions, and electronic funds transfer administration of the Auditor's office, as well as providing routine financial information to management and preparing the office's comprehensive financial report.

The Administrative Division is also responsible for maintaining a Local Area Network (LAN) and a Wide Area Network (WAN) to provide information to the nine regional offices and more than 900 personal computers. The Division develops and maintains the systems for the processing of payroll, warrant writing and electronic funds transfer, project tracking, client billing, and maintenance of both the intranet and Internet. The Division is responsible for the procurement and maintenance of the Auditor's office's computer hardware and software.

The Local Government Services Group is responsible for implementing the Uniform Accounting Network (UAN), which offers an electronic data processing accounting system for townships, villages, and libraries. The system is designed to assist political subdivisions in the maintenance of their accounting records. The system includes hardware, software, training, and support. UAN's accounting, payroll, and ancillary applications (i.e., cemetery and inventory tracking) contribute to a reduction in the time necessary for entities to process accounting transactions and maintain the related accounting records. About 1,532 Ohio townships, villages, libraries, and special districts utilize the Uniform Accounting Network. The UAN recently increased its total number of users from 1,533 to approximately 1,600. The annual fee for participating in UAN depends upon a local government's total annual budgeted revenues. The fee ranges from as low as $336 per year for entities with annual revenues under $50,000 to as high as $3,636 per year for governments with revenues over $10 million per year.

Public Affairs Group

The Public Affairs Group serves the public and news media by responding to thousands of requests for information each year, ensuring the public is informed on the results of current audits and other initiatives. The staff seeks to ensure that the audit information is delivered in a timely and understandable fashion, allowing the public to be informed on how tax dollars are spent. This group provides information through a variety of media, including regional advisory board meetings, Auditor of State technical bulletins, news releases, and other publications. The staff also provides all internal communications functions.

Legal Division

The Legal Division provides legal expertise to management and local governments in addition to working with the Fraud and Investigation Group to identify and prosecute fraud and corruption.

Analysis of the Enacted Budget

Program Series 1 **Financial Audit Services**

Purpose: To conduct financial audits of all public entities as required by Chapter 117. of the Ohio Revised Code.

The following table shows the line items that are used to fund the Financial Audit Services program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	070-321	Operating Expenses	$21,308,675	$21,308,675
GRF	070-406	UAN/Technology Improvement Fund	$1,031,206	$1,031,206
		General Revenue Fund Subtotal	**$22,339,881**	**$22,339,881**
Auditor of State Fund Group				
109	070-601	Public Audit Expense Intra-State	$6,138,000	$6,138,000
422	070-601	Public Audit Expense Local Government	$27,061,211	$27,061,211
584	070-603	Training Program	$11,812	$11,812
		Auditor of State Fund Group Subtotal	**$33,211,023**	**$33,211,023**
Total Funding: Financial Audit Services			**$55,550,904**	**$55,550,904**

Financial Audits

Program Description: This program performs financial audits of over 5,100 public entities in Ohio at least once every two fiscal years, or every year for those entities that fall within Federal Schedule guidelines for Single Audits. These audits entail a review of the methods, accuracy, and legality of accounts, financial reports, records, and files of public entities. These audits also include a compliance component to ascertain the entity's compliance with the laws, rules, ordinances and orders pertaining to the office.

Funding Sources: GRF, fees

Implication of the Enacted Budget: This program is funded at the requested level of $55,550,904 in each fiscal year. This program is funded through fees charged directly to the client as well as GRF moneys. However, some government agencies delay payment or simply fail to pay the cost of the audit due to the Auditor's office. Many local governments experience the same fiscal difficulties in making payments.

Temporary and Permanent Law Provisions: None

Program Series 2 — Fraud and Investigative Audit Services

Purpose: To identify fraud, waste, and abuse of public funds by public and private entities that receive public funds in an effort to protect scarce public resources and minimize the incidence of fraud, waste, and abuse of public funds.

The following table shows the line items that are used to fund the Fraud and Investigative Services program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	070-321	Operating Expenses	$1,043,933	$993,933
GRF	070-406	UAN/Technology Improvement Fund	$63,542	$63,542
		General Revenue Fund Subtotal	**$1,107,475**	**$1,057,475**
Auditor of State Fund Group				
109	070-601	Public Audit Expense Intra-State	$2,139,000	$2,139,000
422	070-601	Public Audit Expense - Local Government	$933,145	$933,145
		Auditor of State Fund Group Subtotal	**$3,072,145**	**$3,072,145**
Total Funding: Fraud and Investigative Audit Services			**$4,179,620**	**$4,129,620**

There are two programs funded within this program series:

- ***Health Care Contract Audit***
- ***Special Audits***

Health Care Contract Audit

Program Description: This program provides audit services that identify and report instances of noncompliance with federal and state rules and regulations. The Auditor's services include audits of reimbursement claims submitted by doctors, hospitals, long-term care facilities, and other Medicaid providers; audits of county agencies that expend public assistance, child support enforcement, and children services funds administered by ODJFS; audits of costs reports used to set payment rates for providers of Medicaid services and assessments of controls employed by state agencies to minimize fraud, waste, and abuse. In the past four fiscal years, the program has identified $22.4 million in misspent dollars, which resulted in $5.6 million in recovery for the state.

Funding Sources: GRF, fees

Implication of the Enacted Budget: This program is funded at the requested level of $2,574,704 in each fiscal year. However, 80% of this program's funding comes directly from state agencies with which the Auditor of State enters into interagency agreements. The ability to continue service provision at the current level assumes that these agencies will be funded at levels that allow them to pay for these services.

Temporary and Permanent Law Provisions: ***Billing Practices Pilot Review (Section 203.51).*** Earmarks $50,000 from line item 070-321, Operating Expenses for the purposes of conducting a pilot review of the billing practices of facilities licensed by the Department of Mental Health and the Department of Job and Family Services that serve children in a residential setting for whom mental health treatment services are provided. The Auditor must prepare a report on the conclusions of the pilot review and furnish copies to the Governor, Speaker of the House of Representatives and President of the Senate, as well as majority and minority leaders of the House of Representatives and the Senate, by June 30, 2006.

Special Audits

Program Description: This program conducts special audits to investigate allegations of fraud, theft, and misappropriation of public funds by public and private entities that receive public funds. Special audits are initiated based on evaluations of requests from public officials or initiated at the discretion of the Auditor of State. The Taxpayer Protection Initiative, which was launched on October 1, 2003, has logged 413 consumer calls through July 12, 2004, from which 89 complaints have resulted and been investigated.

Funding Sources: GRF, fees

Implication of the Enacted Budget: The Special Audits program is funded through the GRF, in addition to fees charged to the entity that is being audited. The enacted budget funds this program at $1,554,916 in each fiscal year. If the entity is a state agency, it is charged a flat fee determined by the Statewide Cost Allocation Plan (SWCAP), which is currently $56.94 hourly for FY 2005 and will drop to $54.66 hourly in FY 2006. If the entity is a local government entity, it is charged the hourly wage of the employee performing the audit in addition to an add-on fee. On occasion, the entity being audited cannot pay, or refuses to pay. If there is a strong belief that the public will be served by a special audit and the Auditor of State is able to subsidize the cost from available funds, the Auditor's office will absorb the cost of the special audit.

Temporary and Permanent Law Provisions: None

Program Series 3 Performance Audit Services

Purpose: To perform audits of public entities to help identify and correct inefficient managerial operations and waste of taxpayer dollars, in addition to general oversight and advice to ensure greater operational efficiencies of public offices and the maximization of taxpayer dollars.

The following table shows the line items that are used to fund the Performance Audit Services program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	070-321	Operating Expenses	$3,475,731	$3,475,731
GRF	070-403	Fiscal Watch/Emergency Tech Assistance	$250,000	$250,000
GRF	070-406	UAN/Technology Improvement Fund	$62,542	$62,542
		General Revenue Fund Subtotal	**$2,050,407**	**$2,050,407**
Auditor of State Fund Group				
109	070-601	Public Audit Expense Intra-State	$1,023,000	$1,023,000
422	070-601	Public Audit Expense Local Government	$622,097	$622,097
		Auditor of State Fund Group Subtotal	**$1,645,097**	**$1,645,097**
Total Funding: Performance Audit Services			**$3,695,504**	**$3,695,504**

Performance Audit

Program Description: This program conducts operational audits, which entail a comprehensive review of any programs or areas of operation in which the Auditor of State believes that greater operational efficiencies can be achieved. Typically, performance audits identify and help correct inefficient managerial operations, waste of taxpayer dollars, in addition to providing general oversight and advice to ensure efficient operation of public offices and maximization of taxpayer dollars. The Auditor may conduct performance audits on any school districts or local government entities, which have been designated as being in a state of fiscal caution (school districts only), watch, or emergency. The Auditor is also authorized to conduct performance audits of any other public entity upon request.

Funding Sources: GRF, fees

Implication of the Enacted Budget: The Performance Audit program is funded primarily through the GRF and client fees and is funded at the requested level of $3,695,504 in each fiscal year. However, the number of local governments being placed into fiscal caution, watch, or emergency has continued to increase due to economic conditions. At the same time, budget cuts to the Auditor's office have been absorbed in part by attrition, which has limited the ability to provide performance audits for all school districts and local governments placed into fiscal watch, caution, or emergency. Funding at this requested level further restricts the Auditor's ability to perform audits for local entities that are in fiscal distress. Based on current trends and projections of entities likely to fall into a state of fiscal caution, watch, or emergency, the Auditor of State believes that the requested funding level will be insufficient to provide performance audits for all these entities.

Temporary and Permanent Law Provisions: Fiscal Watch/Emergency Technical Assistance (Section 203.51). Ohio Revised Code Chapters 118. and 3316. require the Auditor of State to assume a role relating to fiscal watch or fiscal emergency activities. In performing that role, any expenses incurred will be paid from appropriation line item 070-403, Fiscal Watch/Emergency Technical Assistance. The Auditor of State's duties are the following:

- Duties related to the determination or termination of fiscal watch or fiscal emergency of local entities and school districts;
- Development of preliminary accounting reports;
- Performance of annual forecasts;
- Provision of performance audits; and
- Supervisory, accounting, or auditing services for the above-mentioned public entities and school districts.

The unencumbered balance of appropriation item 070-403, Fiscal Watch/Fiscal Emergency Technical Assistance at the end of FY 2006 will be transferred to FY 2007 for use under the same appropriation item.

Program Series 4 — Local Government Services

Purpose: To assist local governments throughout Ohio, offers a series of consulting services, which include accounting and technical assistance, training for local elected officials, in addition to providing financial and accounting expertise to entities in a state of fiscal watch, caution, or emergency.

The following table shows the line items that are used to fund the Local Government Services program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	070-321	Operating Expenses	$3,475,731	$3,475,731
GRF	070-403	Fiscal Watch/Emergency Tech Assistance	$250,000	$250,000
GRF	070-406	UAN/Technology Improvement Fund	$192,968	$192,968
		General Revenue Fund Subtotal	**$3,918,699**	**$3,918,699**
Auditor of State Fund Group				
422	070-601	Public Audit Expense Local Government	$2,488,387	$2,488,387
584	070-603	Training Program	$119,438	$119,438
675	070-605	Uniform Accounting Network	$3,317,336	$3,317,336
		Auditor of State Fund Group Subtotal	**$5,925,161**	**$5,925,161**
Total Funding: Local Government Services			**$9,843,860**	**$9,843,860**

This analysis includes a discussion of the following two programs within the program series:

- ***Local Government Services***
- ***Uniform Accounting Network***

Local Government Services

Program Description: This program provides consulting services and technical assistance to local governments throughout Ohio. In addition to providing financial and accounting expertise to local governments requesting assistance, LGS fulfills the Auditor of State's role as financial supervisor to financial planning and supervision commissions established whenever a local government is declared to be in a state of fiscal emergency. LGS also provides a variety of training services to local and state officials which include: accounting and financial reporting to newly elected township clerks, city auditors, and village clerks and continuing education for village clerks. In 2004, the Auditor conducted training for approximately 1,800 local officials.

Funding Sources: GRF, fees

Implication of the Enacted Budget: This program is funded through client fees, training fees, and the GRF. This program is funded at $6,460,639 in each fiscal year. However, the Auditor of State indicates that the current biennial budget is not adequately funded to meet the increasing demand for services needed by local governments and school districts that find themselves in a state of fiscal watch, caution, or emergency. For example, during FY 2004, 15 school districts and local governments were declared in fiscal watch or emergency. The Auditor of State is currently conducting analyses of five local governments that are expected to be declared in watch or emergency. According to school district forecasts filed with the Department of Education through May 2004, there are an additional ten school districts that could qualify for fiscal emergency and 58 school districts that meet fiscal watch criteria for FY 2005. Since this program relies upon client fees and training fees, the inability of local governments to pay for such services in a timely fashion, or at all, also creates a strain on the program.

Uniform Accounting Network

Program Description: The Uniform Accounting Network (UAN) offers an electronic data processing accounting system for townships, villages, libraries, and other local governments. Designed to help political subdivisions properly record and maintain accurate accounting records, the system includes hardware, software, training, and technical support. Approximately 1,600 political subdivisions and public offices currently participate in the UAN program.

Funding Sources: GRF, local government user fees

Implication of the Enacted Budget: This program is funded at the requested level of $3,383,221 in each fiscal year. This will allow the Auditor of State to continue providing hardware, software, support, and training to political subdivisions across Ohio. Previously, UAN was funded through a combination of user fees and the GRF. The GRF subsidy allowed the Auditor to operate the UAN program without an increase in user fees for at least ten years. Due to a series of budget cuts to the Auditor's office, the UAN has been funded entirely by user fees since FY 2003. The Auditor of State projects that the UAN program will eventually run out of money at the end of the biennium or shortly thereafter.

Temporary and Permanent Law Provisions: ***Uniform Accounting Network/Technology Improvements Fund (Section 203.51).*** This provision requires GRF appropriation item 070-406, Uniform Accounting Network/Technology Improvements Fund, shall be used to pay the cost of the development and implementation of the Uniform Accounting Network and Technology Improvements for the Auditor of State's office. The unencumbered balance of the appropriation at the end of FY 2006 is hereby transferred to FY 2007 for the same purpose. In all, the amount budgeted for this purpose is $65,785 in each fiscal year.

Program Series 5 — Warrant Issuance and Reconciliation and EFT (Wire)

Purpose: To process the payments owed by the state to employees, taxpayers, vendors, and others.

The following table shows the line items that are used to fund the WIRE program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	070-321	Operating Expenses	$289,664	$289,664
GRF	070-405	Electronic Data Processing-Automation and Administration	$823,193	$823,193
GRF	070-406	UAN/Technology Improvement Fund	$15,885	$15,885
		General Revenue Fund Subtotal	**$1,128,742**	**$1,128,742**
Auditor of State Fund Group				
R06	070-604	Continuous Receipts	$35,000	$35,000
		Auditor of State Fund Group Subtotal	**$35,000**	**$35,000**
Total Funding: WIRE			**$1,163,722**	**$1,163,722**

WIRE

Program Description: The Auditor of State is generally charged with processing payments of the state's obligations through the issuance of paper warrants and through electronic fund transfers that are approved by the Office of Budget and Management. In FY 2004, the WIRE program processed 6.8 million paper warrants, and 3.1 million EFTs, totaling $1.4 billion and $33 billion, respectively, for state payroll, public assistance payments, state vendors, and state tax refunds.

Funding Sources: GRF, payments made by the Attorney General for proceeds collected from fraud-related activity

Implication of the Enacted Budget: This program is funded at the requested level of $1,163,772 in each fiscal year. This allows the Auditor of State to continue to provide warrant writing and electronic fund transfer services on behalf of the state of Ohio.

Temporary and Permanent Law Provisions: ***Electronic Data Processing (Section 203.51).*** The provision provides for the automatic transfer of the unencumbered balance of appropriation item 070-405, Electronic Data Processing-Auditing and Administration, to FY 2007 for use under the same appropriation item.

Program Series 6 — Program Management

Purpose: To provide administrative support functions needed to support all other program areas within the Auditor of State's office.

The following table shows the line items that are used to fund the Program Management program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	070-321	Operating Expenses	$1,158,577	$1,158,577
GRF	070-406	UAN/Technology Improvement Fund	$222,395	$222,395
		General Revenue Fund Subtotal	**$1,380,972**	**$1,380,972**
Total Funding: Program Management			**$1,380,972**	**$1,380,972**

Administration

Program Description: This program includes human resources, information technology, finance, general services, records, graphics, legal, and public affairs functions not already allocated to other programs. The primary purpose of this program area is to provide administrative support function necessary to support all other program areas.

Funding Source: GRF

Implication of the Enacted Budget: This program is funded at $1,380,972 in each fiscal year. This allows the Auditor of State to continue to provide administrative support to the other programs within the Auditor's office.

Temporary and Permanent Law Provisions: None

Ohio State Barber Board

Jason Phillips, Budget Analyst

- Contributed $40,189 to the GRF in FY 2004
- Licensed over 12,500 barbers, barber school teachers, barbershops, and barber schools in FY 2004
- Planned consolidation within the Department of Commerce in FY 2007

OVERVIEW

Duties and Responsibilities

The Ohio State Barber Board was established in 1934 to ensure that the consuming public was protected from communicable diseases. The Board requires all barbers to attend a licensed barber school, after which they must pass an examination to determine their ability and competence. Additionally, licensed barbers must possess knowledge of skin diseases. In addition to licensing barbers, the Board also regulates barber schools and barbershops. Other activities undertaken by the Board include the inspections of barbershops and schools, setting standards for licensure and enforcement of those standards through examinations, investigations, and disciplinary actions. Though the Barber Board does not receive or spend any GRF funding, it transferred $40,189 to the GRF in FY 2004 from the Occupational Licensing and Regulatory Fund (Fund 4K9).

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
7	$568,126	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

4K9 Fund

The Barber Board is funded by Fund 4K9, which is a fund in the General Services Fund group that serves as a repository for license fees and other assessments collected by the state's occupational licensing and regulatory boards. The 4K9 Fund allows the agencies that it funds the ability to maintain operations during years where licenses are not renewed and revenue is much lower. However, the philosophy of the 4K9 fund is that each board must generate enough revenue to cover their expenses. Yet, it is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

The Barber Board handles the administrative work for roughly 12,500 barbers, barber schools, and barbershops. The Board renews its licenses biennially with estimated revenue of $1,066,701 versus $926,139 in expenditures over the two-year licensing period from FY 2003 to FY 2004. This has resulted in a net gain of $140,562 to the 4K9 Fund in that span. The Barber Board's enacted budget appropriates a total of $568,126 for FY 2006, but does not make an appropriation for FY 2007, as the board is slated for consolidation within the Department of Commerce.

Board Consolidation

The enacted budget recommended that 20 independent occupational licensing boards be absorbed into the departments of Health, Commerce, and Public Safety. As such, the enacted budget does not appropriate funding in FY 2007 for the boards and commissions included in the consolidation proposal. The specifics of the consolidation plan will be addressed during FY 2006 by a task force consisting of the agencies acquiring the boards, the Department of Administrative Services, the Office of Budget and Management (OBM), and three individuals selected by the boards included in the consolidation proposal. According to the plan, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentives will be offered to regulatory board staff. These incentives should result in staff reductions. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board and commission members for each agency will be retained and continue to serve in the manner in which they were appointed.

Annual Review of Rules

A provision in the enacted budget requires the Barber Board to annually review its rules in order to compare those rules with those adopted by the State Board of Cosmetology. If the Barber Board determines that rules adopted by the State Board of Cosmetology (including rules concerning technical career schools) would be beneficial to the barbering profession, the Barber Board must adopt similar rules. The Barber Board states that it does not expect any additional expense as a result of this provision.

Illegal Barbershops

The Barber Board is currently attempting to address a situation that is occurring within the barbering craft in the state of Ohio. The Board has found that many foreign individuals are coming to Ohio looking for employment and are in need of barbering services. As such, a significant number of unlicensed individuals are cutting hair, posing a potentially serious problem concerning public health and safety. The enacted budget allows the Board to maintain current service levels, but within the Board's funding levels, it will be a challenge to find illegal barbers and make sure they are licensed.

Vetoed Provisions

The Governor did not veto any provisions affecting the Barber Board.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Ohio State Barber Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

Purpose: To license and regulate barbers, barbershops, and barber schools.

The following table shows the line items that are used to fund the Ohio State Barber Board as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	877-609	Operating Expenses	$568,126	$0
Total Funding: Ohio State Barber Board			**$568,126**	**$0**

Program Description: In accordance with Chapter 4709. of the Revised Code, the Ohio State Barber Board licenses barbers, barbershops, and barber schools and teachers; conducts health, sanitation, and safety related inspections of shops and schools; sets the standards for licensure; and enforces its standards through examinations, investigations, and disciplinary actions.

Funding Source: GSF Fund 4K9

Implication of the Enacted Budget: The Barber Board received funding of $568,126 in FY 2006 and $0 in FY 2007, as the Board is slated for consolidation within the Department of Commerce. At this funding level, the Board states that it will have to eliminate overnight travel for its four inspectors and limit the number of training sessions attended by staff.

Office of Budget and Management

Ann Braam, Budget Analyst

- Implementation of the Ohio Administrative Knowledge System (OAKS) will continue to be a major focus this biennium
- OBM received a total appropriation of $29,000,444 for the biennium

OVERVIEW

Duties and Responsibilities

The Ohio Office of Budget and Management (OBM) is a cabinet level agency within the executive branch of state government. The primary mission of OBM is to provide financial management and policy analysis to help ensure the responsible use of state resources. OBM provides fiscal accounting and budgeting services to state government to ensure that Ohio's fiscal resources are used in a manner consistent with state laws and policies. OBM advises the Governor on budget concerns and helps state agencies to coordinate their financial activities. OBM also provides financial information to the Governor, state agencies, the General Assembly, and other interested parties, including local government units. The Director of OBM sits on the Governor's cabinet as the Governor's chief financial officer.

The Office is organized into three program series: Budget Development and Implementation (BDI), Financial Accounting Services, and Governmental Services. Financial Accounting Services maintains, manages, and supports the accounting and financial reporting activities of state government and the state's financial relations with the federal and local governments. It is also responsible for the pre-auditing of state expenditures. Budget Development and Implementation prepares and implements the operating and capital budgets of all state agencies. Governmental Services is responsible primarily for the development and implementation of the Ohio Administrative Knowledge System (OAKS) and for assisting Financial Planning and Supervision Commissions upon declaration of a fiscal emergency in a municipality or in a school district.

General Service Fund (GSF) funding through the Accounting and Budgeting Fund (Fund 105) makes up 68% of OBM's appropriations. GRF and SSR funding both account for 16% each.

Agency in Brief

Agency In Brief

Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
98	$14,270,401	$14,730,043	$2,226,875	$2,480,759	Am. Sub. H.B. 66

* Employee count obtained from Department of Administrative Services (DAS) payroll reports as of June 2005.

Challenges and Changes in FYs 2006-2007

Financial Planning and Supervision Commissions

Financial Planning and Supervision Commissions are established upon the occurrence or declaration of a fiscal emergency in any municipality or school district. These commissions oversee the finances and help the municipality or school district overcome financial difficulties. The Director of OBM or a designee serves as a member of each financial planning and supervision commission. Because of a recent swell in the number of school districts in fiscal emergency, the enacted budget dedicates additional resources to this program, which is GRF-funded, to help OBM carry out its duties. In the past, OBM budget analysts were responsible for several commissions. This is increasingly difficult with the current workload. The enacted budget will allow OBM to fund up to four positions on an intermittent or part-time basis, possibly regionally, depending on where the greatest need is. These four positions equal two full-time equivalents (FTEs). In addition, some analysts will still maintain commissions, but each will be responsible for a smaller number of them.

Ohio Administrative Knowledge System (OAKS)

Along with the Department of Administrative Services (DAS), the Auditor of State, and the Treasurer of State, OBM continues to move forward with the implementation of OAKS, which will integrate the functions of five major statewide business systems: capital improvements, financials, fixed assets, human resources, and procurement. When implemented, OAKS will replace the Central Accounting System (CAS), Capital Improvement Project Tracking System, Fixed Assets Management System, and the human resources system (HR2K). OBM released the systems integration services request for proposals (RFP) in December 2004. The systems integrator will configure PeopleSoft to fit OBM's business processes. In January 2005, the invitation for proposal (IFP) for business transformation architect was released. The financial modules are scheduled for implementation in 2006. Procurement, fixed assets, capital improvement projects, and human resources modules are scheduled to go live in late 2006 or early 2007.

There will be five OBM staff involved with the implementation of OAKS. OAKS contracts for a majority of the project management staff assigned to the project. Once in operation, the main source of funds used to support OAKS will come from charges to state agencies for their use of the system. The following table shows budgeted versus actual costs for OBM associated with the development of OAKS from FYs 2001 through 2005.

Table 1: OAKS Project Implementation Costs, To Date

Item	Budgeted Expenses (FYs 2001-2005)	Actual Expenses (FYs 2001-2005)
Building/Equipment	$2,682,476	$2,250,947
Project Management Office Support Staff	$7,436,645	$6,049,860
Independent Validation and Verification	$219,400	$19,400
Training	$98,300	$34,650
Software/Hardware	$8,307,128	$3,474,745
Integrator	$0	$0
Business Needs Analysis	$2,750,000	$2,750,000
E-Controlling Board	$0	$280,695
Totals	$21,493,949	$14,860,297

The overall cost to implement OAKS is approximately $158 million. A portion of funding for the OAKS project will come from the proceeds of the sale of Certificates of Participation (COPs). COPs are a form of tax-exempt debt issued by a third party agent other than the state. The state will make lease payments to the debt-issuing authority in order to support the debt maintenance payments associated with the COPs. The OAKS project was temporarily suspended for several months in 2004, but there were still some expenses associated with the project office during that time. Also during the temporary suspension, staff continued to work on the development of the "E-Controlling Board" application.

The OAKS Project Implementation Fund (Fund 5N4)

The OAKS Project Implementation Fund (Fund 5N4) consists of $5 million received through an interagency agreement with the Auditor of State in FY 2001 and GRF transfers in FYs 2002 through 2007. The enacted budget directs state payment card rebates to this fund. The rebate amount, approximately $600,000 in each fiscal year, will help reduce the fund's reliance on GRF transfers. While the enacted budget transfers $675,000 in GRF each fiscal year, this amount is approximately $575,000 less than the GRF transfer in each of FYs 2004 and 2005. In previous years, state payment card rebates were directed to the State Accounting Fund (Fund 105). The loss of payment card rebates in Fund 105 is expected to be offset by increased payroll check-off charges.

Budget Development Funding

Previously, the Budget Development program was funded entirely through GRF dollars. This funding alone was not sufficient for OBM to maintain its current staff and continue to offer current services. The enacted budget supplements GRF funding in this program with funding from the Accounting and Budgeting Fund (Fund 105) in the coming biennium. Fund 105 consists of payments from each agency that represent a percentage of each agency's payroll, a so-called "check-off." This is currently 0.295% of payroll and is expected to remain so during this biennium. Payroll revenue in this fund has declined in recent years; however, it is expected to increase and be sufficient to fund both the Budget Development and various Financial Accounting Services programs because of two factors. First, the state pay increase in FY 2006 will result in larger payroll check-off charges. Second, the check-off will be collected for all pay periods this biennium, whereas in recent fiscal years the check-off was not collected for three pay periods per year. This funding change will allow the Budget Development program to continue offering current services.

Vetoed Provisions

The Executive vetoed a provision that specified that if the Director of Budget and Management determines that the estimated ending fund balance of the GRF will be greater than the amounts assumed for FY 2006, the Director is required to transfer at least $50,000,000 *at the end of FY 2006* to the Budget Stabilization Fund, if available unobligated balances exist. The provision now provides OBM the flexibility to make this transfer at any time during the biennium rather than only at the end of FY 2006.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 **Budget Development and Implementation**

Purpose: To promote the effective and efficient use of state resources and to facilitate the operations of state agencies consistent with the priorities of the Governor and the General Assembly and in accordance with state law.

The following table shows the line items that are used to fund this program series, as well as FYs 2006-2007 appropriations.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	042-321	Budget Development and Implementation	$1,933,590*	$1,926,536*
GRF	042-410	National Association Dues	$27,089	$28,173
		General Revenue Fund Subtotal	**$1,960,679**	**$1,954,709**
General Services Fund				
105	042-603	Accounting and Budgeting	$874,341*	$923,317*
		General Services Fund Subtotal	**$874,341**	**$923,317**
Total Funding: Budget Development and Implementation			**$2,835,020**	**$2,878,026**

*Amounts do not reflect total funding because line items are used to fund programs in other program series.

Funding for Budget Development and Implementation supports the following specific programs:

- ***Budget Development, Program 01.01***
- ***Controlling Board, Program 01.02***
- ***Debt Management, Program 01.03***

Budget Development, Program 01.01

Program Description: The Budget Development program evaluates agencies' budget requests and prepares the state operating and capital budget recommendations for submission to the Ohio legislature every two years in accordance with sections 126.02 and 126.03 of the Revised Code. Biennial economic forecasts and revenue estimates are prepared as part of the budgeting process, to include estimates of future values of key economic variables such as gross domestic product, employment, unemployment, and inflation. Updates of these forecasts and estimates are prepared periodically during a biennium, and a monthly report is issued to the Governor that analyzes current economic trends, year-to-date state revenues and spending, and the GRF balance. The Budget Development program also oversees the preparation of annual allotment plans by agencies, and prepares estimates and monitors agencies' spending during the fiscal year to ensure it is done in accordance with state law and does not exceed appropriations.

The Budget Development program provides policy, program, and technical assistance as needed to state agencies, including assistance on emerging management issues both within individual agencies and extending across multiple agencies.

The Budget Development and Implementation program also funds the National Association of State Budget Officers' (NASBO) annual membership dues and helps support the internal administration functions.

Funding Sources: GRF and GSF Fund 105 (fees charged to state agencies)

Implication of the Enacted Budget: With the supplementary funding from payroll check-offs (Fund 105), the enacted budget will allow the Budget Development program to be able to continue its services at FY 2005 staffing levels. In addition, the enacted budget will permit OBM to hire consultants to help deal with the complexities of Medicaid and Education funding on an as-needed basis.

Permanent Law Provision: ***Accounting and Budgeting Fund (R.C. 126.25).*** This section requires that budgeting services provided by OBM be supported by user charges. In addition, it changes the name of the State Accounting Fund (Fund 105) to the Accounting and Budgeting Fund and directs user charges for budgeting services to that fund. In other words, Fund 105 will be used to support the Budget Development program in addition to Financial Accounting Services. The payroll check-off charge will not increase; rather, the charges will be collected every payroll period per year rather than every period except for three.

Controlling Board, Program 01.02

Program Description: The Controlling Board provides legislative oversight over certain capital and operating expenditures by state agencies and has approval authority over various other state fiscal activities. The Board meets approximately every two weeks to consider and vote on requests for action that are submitted to the Board by state agencies, boards, and/or commissions. OBM staff act as President and Executive Secretary to the Controlling Board, and provide administrative support and oversight. Also, an "E-Controlling Board" application was launched in February 2005, and state agencies are now submitting requests through this process.

Although GRF and other state funds are appropriated to the Board, it disburses none of these funds. Instead, the Board approves the transfer of these amounts to other state agencies as specified in temporary law. Among various other such actions, this involves state funds available to assist state agencies and local governments with disaster recovery and other emergency situations, as well as statewide ballot advertising expenses. The Board also approves the release of funds to help local governments defray the cost of specified unfunded mandates.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget supports the payroll and maintenance costs of two OBM staff members (President and Secretary) providing administrative support and oversight to the Controlling Board.

Debt Management, Program 01.03

Program Description: The Debt Management program coordinates the bond sales of all state bond issuers, reviews certain bond documents to ensure they are complete and accurate, keeps track of all debt service payments, projects future state debt service needs, and informs bond rating agencies of the state's debt and overall financial situation. This program also provides administrative support to the Ohio Public Facilities Commission, one of the state agencies authorized to issue debt.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget will allow the Debt Management program to continue its FY 2005 services.

Program Series 2 — Financial Accounting Services

Purpose: To maintain, manage, and support the accounting and financial reporting activities of state government and the state's financial relations with the federal and local governments.

The following table shows the line items that are used to fund this program series, as well as FYs 2006-2007 appropriations.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	042-412	Audit of Auditor of State	$55,900	$58,700
		General Revenue Fund Subtotal	**$55,900**	**$58,700**
General Services Fund				
105	042-603	Accounting and Budgeting	$8,906,744*	$9,053,372*
		General Services Fund Subtotal	**$8,906,744***	**$9,053,372***
Total Funding: Financial Accounting Services			**$8,962,644**	**$9,112,072**

*Amount does not reflect total funding because line item used to fund the Budget Development program in Program Series 1.

Funding for Financial Accounting Services supports the following specific programs:

- ***Accounting Operations and Processing, Program 02.01***
- ***Electronic Commerce, Program 02.02***
- ***Financial Reporting, Program 02.03***
- ***Internal Accounting Control Program Oversight, Program 02.04***

Accounting Operations and Processing, Program 02.01

Program Description: Accounting Operations and Processing (AOP) monitors and controls both the spending and revenue collection activities of state agencies. The program oversees and maintains the state's Central Accounting System (CAS). The activities of this program are divided between two sections – State Accounting Operations (SAO) and Management Information Systems (MIS).

SAO enters all appropriations in the CAS and exercises control over spending to ensure that legally established appropriations are not exceeded. This section reviews in excess of 5,000 encumbering documents and payment requests a day from state agencies and audits over 400 petty cash accounts annually. SAO also completes a monthly reconciliation between CAS, the Auditor of State, and the Treasurer of State.

The MIS section is responsible for network administration, database management, programming, and production. This section maintains the CAS and supports all the information needs of OBM. MIS prepares and distributes daily, weekly, and monthly CAS production reports as well as ad hoc reports to state agencies, the Governor's office, and the public, upon request. MIS is also responsible for OBM's Internet and Intranet web sites.

Funding Source: GSF Fund 105 (fees charged to state agencies)

Implication of the Enacted Budget: The enacted budget will allow the Accounting Operations and Processing program to continue its activities at FY 2005 levels.

Electronic Commerce, Program 02.02

Program Description: The Electronic Commerce program manages the state payment card, financial electronic data interchange (EDI), electronic revenue, and the Statewide Cost Allocation Plan (SWCAP) functions.

The state payment card program provides state agencies with credit cards with enhanced controls and tracking for the purchases of small dollar goods and services. At the end of FY 2004, there were 5,300 active cards used to procure $60 million in goods and services. The average purchase amount is $206. Financial EDI enables the exchange of state purchase orders, invoices, and remittance information electronically with the state's vendor trading partners. In FY 2004, the state did business electronically for $151 million. Electronic revenue facilitates the receipt and processing of electronic payments from the state's constituents. The SWCAP is filed annually with the federal government. This plan distributes costs like rent and utilities across state government in order to fairly allocate those costs to federally funded programs for reimbursement.

Funding Source: GSF Fund 105 (fees charged to state agencies)

Implication of the Enacted Budget: The enacted budget will allow the Electronic Commerce program to continue its activities at FY 2005 levels.

Financial Reporting, Program 02.03

Program Description: The Financial Reporting program compiles and publishes the Ohio Comprehensive Annual Financial Report (CAFR), the state's official annual financial report, which is prepared in conformity with Generally Accepted Accounting Principles as required under section 126.21 of the Revised Code. The CAFR officially documents the state's financial activity and financial position for Ohio citizens, taxpayers, elected officials, bond investors, the federal government, and other constituencies. The Financial Reporting program also provides several other financial reporting services. Finally, GRF expenditures in this program fund the separate annual financial audit of the Auditor of State's Office, as required by section 117.14 of the Revised Code.

Funding Sources: GRF; GSF Fund 105 (fees charged to state agencies)

Implication of the Enacted Budget: GRF appropriations of $55,900 in FY 2006 and $58,700 in FY 2007 will support the expenses of an independent accounting firm to conduct the annual financial audit of the Auditor of State's Office. Fund 105 funding will support payroll, maintenance, and equipment expenses in this program. The enacted budget will allow the Financial Reporting program to continue its activities at FY 2005 levels.

Temporary Law Provision: ***Audit Costs, (Section 203.57).*** Temporary language states that not more than $420,000 in FY 2006 and $425,000 in FY 2007 shall be used to pay for centralized audit costs associated with either Single Audit Schedules or financial statements prepared in conformance with generally accepted accounting principles.

Internal Accounting Control Program Oversight, Program 02.04

Program Description: The Internal Accounting Control Program (IACP) requires each cabinet agency to establish, maintain, and annually evaluate internal accounting control systems sufficient to provide reasonable assurance of accountable government. After agency management conducts self-assessments of the internal control environment, the respective agencies annually certify the results of their in-house reviews to OBM. When agencies identify "material" internal control weaknesses, agency management must draft improvement plans, and OBM reviews and monitors progress made on those plans. OBM provides ongoing training to agencies on internal control procedures, and provides more specific technical guidance on an as-needed basis for agencies through on-site consultations. OBM also conducts an Agency Review Evaluation Subprogram (ARES) assessment annually to review each agency's approach and methodology to completing their IACP review and to offer suggestions for improvement.

The IACP staff also provides technical and administrative support to the Ohio Internal Audit Committee (OIAC), comprised of internal audit staff members from the various state agencies.

Funding Source: GSF Fund 105 (fees charged to state agencies)

Implication of the Enacted Budget: The enacted budget will allow the IACP to continue its activities at FY 2005 levels.

Program Series 3 Governmental Services

Purpose: To provide financial management services to other governmental entities, coordinate the state's Enterprise Resource Planning System initiative in coordination with other governmental units, and fund the transition costs of the Governor-elect.

The following table shows the line items that are used to fund this program series, as well as FYs 2006-2007 appropriations.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	042-321	Budget Development and Implementation	$210,296*	$217,350*
GRF	042-435	Gubernatorial Transition	$0	$250,000
		General Revenue Fund Subtotal	**$210,296**	**$467,350**
State Special Revenue Fund				
5N4	042-602	OAKS Project Implementation	$2,262,441	$2,272,595
		State Special Revenue Fund Subtotal	**$2,262,441**	**$2,272,595**
Total Funding: Governmental Services			**$2,472,737**	**$2,739,945**

*Amount does not reflect total funding because line item is used to fund the Budget Development program in Program Series 1.

Funding for Governmental Services supports the following specific programs:

- ***Financial Planning and Supervision Commissions, Program 03.01***
- ***Ohio Administrative Knowledge System (OAKS), Program 03.02***
- ***Gubernatorial Transition, Program 03.03***

Financial Planning and Supervision Commissions, Program 03.01

Program Description: A Financial Planning and Supervision Commission is established upon the occurrence or declaration of a fiscal emergency in any municipality or school district for the purpose of overseeing the finances of and helping the municipality or school district overcome financial difficulties. The Director of OBM or a designee of the Director serves as a member of each Financial Planning and Supervision Commission.

Funding Source: GRF

Implication of Executive Recommendation: In recent years there has been an increase in the number of school districts declared to be in fiscal emergency. This has resulted in an increased workload for OBM staff in this program area. The enacted budget will allow OBM to hire up to four intermittent or part-time employees (the equivalent of two FTEs) to assist with the increased workload.

Ohio Administrative Knowledge System (OAKS), Program 03.02

Program Description: The OAKS program will integrate five major statewide business functions into an Enterprise Resource Planning (ERP) system. The business functions include capital improvements, financials, fixed assets, human resources, and procurement. When implemented, OAKS will replace the Central Accounting System (CAS), Capital Improvement Project Tracking System, Fixed

Assets Management System and, potentially, the human resources system (HR2K). The total cost to implement OAKS is approximately $158 million, a portion of which will be covered by OBM's budget.

Funding Sources: SSR Fund 5N4 ($5 million received through an interagency agreement with the Auditor of State in FY 2001, GRF transfers to SSR Fund 5N4 in FYs 2002 through 2007, and state payment card program rebates in FYs 2006-2007). In the future when the system goes live, charges to state agencies for their use of the system will likely be the main source of funds used to support OAKS. The exact future funding mechanism has not been finalized. OBM is still exploring methodologies.

Implication of Executive Recommendation: State payment card program rebates will provide approximately $600,000 in revenue each fiscal year for Fund 5N4. GRF transfers to Fund 5N4 will provide up to $675,000 each fiscal year. The enacted budget will support state employees, project management consultants, supplies, and equipment needed to maintain the OAKS project management office. OBM has indicated that there is a chance it will need to pursue a minimal amount of additional funding for OAKS operating expenses at some point during the biennium. The cost of the software and systems integration will be funded through a financing mechanism called Certificates of Participation (COPs), which are discussed in the "Overview" section of this analysis.

Temporary Law Provisions: ***OAKS Project Implementation, (Section 203.57).*** Temporary language states that in FYs 2006-2007 rebates from the state payment card program may be deposited into the OAKS Project Implementation Fund (Fund 5N4). The purpose is to further capitalize this operating fund.

GRF Transfer to Fund 5N4, OAKS Project Implementation, (Section 312.12). Temporary language requires the Director of OBM to transfer an amount not to exceed $675,000 from the GRF to the OAKS Project Implementation Fund (Fund 5N4) each fiscal year. This will add to the available cash balance in this fund to support OAKS implementation.

Gubernatorial Transition, Program 03.03

Program Description: This program pays the transition costs of the Governor-elect. A new Governor will be elected in November 2006. The General Assembly is required by law to make an appropriation for this purpose.

Funding Source: GRF

Implication of Executive Recommendation: The enacted budget will support OBM's costs associated with the transition to a new Governor.

Capitol Square Review and Advisory Board

Kerry Sullivan, Budget Analyst

- Total appropriation in FY 2006 is $6.64 million; FY 2007 is $6.60 million
- $40,000 in FY 2006 will be directed toward expansion of two House of Representatives committee hearing rooms

OVERVIEW

Duties and Responsibilities

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, maintains the underground public parking garage, and provides public tours of the Statehouse through a cooperative agreement with the Ohio Historical Society.

Membership to the Board consists of a total of thirteen members, including two members from the House, two members from the Senate, a former Speaker of the House appointed by the current Speaker, a former Senate President appointed by the current President, the clerks of the Senate and the House of Representatives, and five persons appointed by the Governor. An executive director handles the day-to-day operations of the agency.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
70	$6.64 million	$6.60 million	$2.89 million	$2.85 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Capitol Square Review and Advisory Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Buildings and Grounds Oversight

Purpose: To support the educational, security, and maintenance services for Capitol Square buildings and grounds.

The following table shows the line items that are used to fund the Board's buildings and grounds oversight responsibilities, as well as the enacted funding levels contained in Am. Sub. H.B. 66.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	874-100	Personal Services	$1,900,000	$1,900,000
GRF	874-320	Maintenance and Equipment	$992,269	$952,269
		General Revenue Fund Subtotal	**$2,892,269**	**$2,852,269**
General Services Fund				
4G5	874-603	Capitol Square Maintenance and Expenses	$15,000	$15,000
4S7	874-602	Statehouse Gift Shop / Events	$770,484	$770,484
		General Services Fund Subtotal	**$785,484**	**$785,484**
Underground Parking Garage Fund				
208	874-601	Underground Parking Garage Operating	$2,959,721	$2,959,721
		Underground Parking Garage Fund Subtotal	**$2,959,721**	**$2,959,721**
Total Funding: Capitol Square Buildings and Grounds Oversight			**$6,637,474**	**$6,597,474**

Capitol Square Buildings and Grounds Oversight

Program Description: General Revenue Fund moneys for the Board are directed toward maintenance of the Statehouse buildings and grounds as a workplace for the Ohio state government and as a museum and educational center for Ohio's citizens. This includes the operation of the Statehouse Café and providing informational, educational, and marketing materials to the public.

General Revenue funds pay for payroll expenses, grounds maintenance and custodial services, utility costs, and communications and supplies.

Additionally, contained in Section 203.60 of Am. Sub. H.B. 66 is a provision that requires $40,000 in FY 2006 to be used to expand two House of Representatives committee hearing rooms (room numbers 119 and 121).

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The Board is appropriated a total of $2,892,269 in FY 2006 and $2,852,269 in FY 2007 in General Revenue Fund dollars. Actual GRF expenditures in FY 2005 totaled $2,869,086. Annual expenses for the Board typically include the following: building and grounds – $693,000; electric – $263,000; natural gas – $252,000; insurance – $125,500; communications/ supplies – $92,000. The remainder of GRF moneys is directed toward payroll. Given the Board's (arguably) fixed expenses with respect to utilities and maintenance costs, the Board may have to reduce staff or rely more heavily on garage revenue to supplement payroll costs over the biennium (see below).

Statehouse Underground Parking Garage

Program Description: The Board is responsible for the care and maintenance of the Statehouse underground parking garage. The garage is funded entirely by its own parking fee revenue, which in turn supports wages and benefits for approximately 25 employees, an annual bond payment of $765,000, and general maintenance and upkeep for the garage.

Funding Source: Parking fee revenue

Implication of the Enacted Budget: Fund 208, Underground Parking Garage Operating, is appropriated a total of $2,959,721 in each of FYs 2006 and 2007. This is slightly more than actual spending from the fund in FY 2005 ($2,916,563) and will provide continuation funding over the biennium for the garage and its employees. In recent years, however, as GRF appropriations to the agency have decreased, revenue from the garage has been directed toward operating expenses for the Capitol Square and grounds. In FY 2005, for example, $350,000 from the garage fund was used for other operating expenses of the agency. As a result, priority projects for the garage, such as the completion of the installation of a fire suppression system, have been put on hold. This trend may continue throughout the FY 2006-2007 biennium (see above).

Statehouse Goods and Services

Program Description: The Board is also responsible for the operation of the Statehouse Museum Shop and the coordination of special events, such as legislative receptions held at the Statehouse. The agency provides for the purchase and restoration of art and artifacts, special room dedications, and educational projects in conjunction with the Statehouse Education Center, which is a program of the Ohio Historical Society.

The Statehouse Museum Shop offers a selection of merchandise relevant to Ohio heritage and the history of the Statehouse. The shop achieves some $400,000 in sales annually and employs one shop manager and five shop associates.

Additionally, the Board hosts some 600 special events annually, roughly half of which involve catered food service. Permits are required of every person or group who gathers (or demonstrates) on Statehouse grounds. (Governmental entities do not pay for these permits as a standard courtesy.) By design, all charges assessed to a permit holder are intended to cover only what it costs the Board to host an event.

Funding Sources: Merchandise sales revenue from the Statehouse Museum Shop, rental and permit fees associated with Statehouse special events, and gifts and donations received by the Capitol Square Foundation

Implication of the Enacted Budget: A total of $785,484 in each of FYs 2006 and 2007 is available for the operation of the Statehouse Museum Shop and the coordination of special events at the Statehouse. Funding will allow for the continuation of current service levels.

State Board of Career Colleges and Schools

Ronnie Romito, LSC Intern

- Funding is entirely provided by fee revenue
- Additional funding is provided for the hiring of one new full-time staff member beginning in FY 2006

OVERVIEW

Duties and Responsibilities

The State Board of Career Colleges and Schools monitors and regulates Ohio's private, for-profit, post-secondary career schools in order to ensure compliance with the standards set by state law. The Board establishes the standards for the registration and operation of the schools, which include standards to ensure a school's financial stability. The Board regulates approximately 265 career colleges and schools, enrolling over 60,000 students across the state.

The Board consists of eight members: the Superintendent of Public Instruction or designee, the Chancellor of the Board of Regents or designee, and six members appointed by the Governor (including one nonvoting student representative). The six members of the Board appointed by the Governor are reimbursed at an hourly rate, which is established pursuant to division (J) of section 124.15 of the Revised Code, for their time conducting Board business. An executive director oversees the daily operations of the Board and its two other full-time employees. The full-time staff reviews new and renewal applications for certificates of registration, which a school must have in order to operate legally. They also review and accredit each program offered by the schools, and issue permits for agents of the schools. In addition, the Board has five part-time school evaluators who are based around the state, and perform the Board's fieldwork under purchased service contracts.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
3	$486,700	$508,600	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005. This number does not include part-time employees or board members.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the State Board of Career Colleges and Schools is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Operating Expenses

Purpose: To monitor, regulate, and conduct investigations of career colleges and schools in accordance with Chapter 3332. of the Revised Code.

The following table shows the line item that is used to fund the State Board of Career Colleges and Schools, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
GSF: 4K9	233-601	Operating Expenses	$486,700	$508,600
		General Services Fund Subtotal	**$486,700**	**$508,600**
Total Funding: State Board of Career Colleges and Schools			**$486,700**	**$508,600**

Regulation

The only program of the Board is Regulation, which funds the Board's monitoring, regulating, and conducting of investigations of career colleges and schools, in order to ensure their compliance with the standards set by state law. The enacted budget appropriates $486,700 in FY 2006, a 16.4% increase over the expenditure level in FY 2005, and $508,600 in FY 2007, a 4.5% increase over the FY 2006 appropriation level. The increases in funding will be used to hire one additional full-time employee, as well as pay for the 4% raise scheduled for July 1, 2005 and the increases in health costs for the Board's full-time staff. The increases in funding will also be used to cover the increased costs of providing an hourly rate of compensation for Board members appointed by the Governor, as provided by S.B. 266 of the 124th General Assembly. Prior to this change, these members were only reimbursed for actual expenses accrued through Board business. The hourly pay provision is being phased in with only new members appointed after the enactment of S.B. 266 eligible for this compensation. Currently two Board members are hourly pay eligible, and by FY 2007 all six members appointed by the Governor will be eligible for this compensation.

The Board is completely supported by fee revenue that is deposited in Fund 4K9 and receives no appropriations from the General Revenue Fund (GRF). The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Service Fund that is a repository for license fees and other assessments collected by the state's professional and occupational licensing boards, including the State Board of Career Colleges and Schools.

Chemical Dependency Professionals Board

Holly Wilson, Budget Analyst

- Enacted budget calls for transferring the Board's funding and duties to the Department of Health in FY 2007
- Greatest challenge is operating within enacted appropriation level.

OVERVIEW

Duties and Responsibilities

The Chemical Dependency Professionals Board (CDP) is responsible for administering and enforcing the practice of chemical dependency counseling as defined in Chapter 4758. of the Ohio Revised Code. The Board received authority of the credentialing process from the Ohio Department of Alcohol and Drug Addiction Services (ODADAS) at the start of FY 2005. Much of FYs 2006 and 2007 will be directed toward this period of transition to ensure that credentialed professionals retain their ability to practice in the field.

The Board is a thirteen-member panel. Twelve of the thirteen are voting members, appointed by the Governor, and eligible for pay. The remaining member is an ex officio member appointed by the director of the Department of Alcohol and Drug Addiction Services. The twelve voting board members represent the various levels and types of credentials the Board offers the medical profession and the general public. Their membership is broken out as follows: Four individuals who hold a valid Licensed Independent Chemical Dependency Counselor (LICDC) credential; Two individuals who hold a valid Licensed Chemical Dependency Counselor III (LCDC III) credential; One individual who holds a valid Licensed Chemical Dependency Counselor II (LCDC II) credential; Two individuals who hold a valid Ohio Certified Prevention Specialist (OCPS) credential; One individual who is authorized to practice medicine and surgery or osteopathic medicine and surgery and has experience practicing in a field related to chemical dependency counseling; Two individuals who represent the public and have not practiced chemical dependency counseling or alcohol and other drug prevention services and have not been involved in the delivery of those services.

In addition to the twelve board members, the Board employs a staff of five full-time equivalents (FTEs) to perform licensure and ethics enforcement activities. The mission of the Chemical Dependency Professionals Board is to assure professionally competent chemical dependency professionals in Ohio by regulating examinations and licensure, enforcing continuing education compliance, monitoring continuing education quality, renewal of licensure, and enforcement of the laws and administrative rules as found in Chapter 4758. of the Ohio Revised Code.

4K9 Fund

The Chemical Dependency Professionals Board is part of the 4K9 Fund group. The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Services Fund that is a repository for license fees and other assessments collected by the state's professional and occupational licensing boards. The 4K9 Fund was established by Am. Sub. H.B. 152 of the 120th General Assembly. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated did not meet their expenditures. The 4K9 Fund eliminated these problems. The philosophy of the fund is that each board must generate enough revenues to cover their expenses. It is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

The licensure activities of the Board include the testing and certification of chemical dependency counselors, as well as renewing the licenses of practicing chemical dependency counselors annually. Currently the Board regulates 8,230 chemical dependency professionals.

Board Consolidation

The enacted budget merges 20 independent occupational licensing boards into the departments of Health, Commerce, and Public Safety. As such, the enacted budget contains no funding in FY 2007 for the boards. The specifics of the consolidation will be addressed during FY 2006 by a task force consisting of the agencies acquiring the boards, as well as the Department of Administrative Services, the Office of Budget and Management (OBM), and the Governor's Office. According to OBM, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentives will be offered to regulatory board staff. These incentives should result in staff reductions. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board and commission members for each board will be retained and continue to serve in the manner in which they were appointed.

Enacted Budget

The greatest challenge the Chemical Dependency Professionals Board faces in the FY 2006-2007 biennium is operating within the appropriation level. With the exception of a small portion (approximately $3,000) set aside for CAVU, the Board's appropriation authority is based loosely on old revenue and expenditure amounts from the time the credentialing process was carried out by a former private, nonprofit Ohio Credentialing Board and has remained unchanged since the first full fiscal year the credentialing process became a state function (2002). While the appropriation amount is a concern, the Board states that it should be able to cover its fixed costs (salaries, rent, telecommunications, etc.), but will need to find other ways to fully cover items like postage, printing, and office supplies. The Board is working on cost containment to minimize these costs, however, the Director anticipates requesting additional spending authority from the Controlling Board sometime in FY 2006. The Board states that it has the revenue to support reasonable and realistic increases in its appropriation authority that will match its operating costs.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
5	$452,976	$0	$0	$0	Am. Sub. H.B. 66
* Employee count obtained from the Chemical Dependency Professionals Board.					

* In FY 2007, 20 occupational licensing boards will be consolidated into various agencies. According to OBM, current staff will be retained through FY 2006. However, it is expected that some staff reductions will occur as a result of the implementation of a hiring freeze and early retirement incentives. Remaining staff for the Chemical Dependency Professionals Board will be transferred to the Department of Health in FY 2007. Board members will be retained.

Vetoed Provisions

There were no vetoed provisions in the enacted budget that affect the Chemical Dependency Professionals Board.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Chemical Dependency Professionals Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 License/Registration/Enforcement

Purpose: To license and certify chemical dependency professionals and alcohol and drug prevention professionals in Ohio.

The following table shows the line items that are used to fund the License/Registration/Enforcement program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	930-609	Operating Expenses	$452,976	$0
		General Services Fund Subtotal	**$452,976**	**$0**
Total Funding: License/Registration/Enforcement			**$452,976**	**$0**

This analysis focuses on the following specific programs within the License/Registration/Enforcement program series.

License/Registration/Enforcement

Program Description: The Board's responsibilities as laid out in Ohio Revised Code Chapter 4758. are to regulate the licensing and certification of chemical dependency counselors and prevention specialists, issue and renew those licenses and certifications, investigate ethics complaints in order to protect the interests of Ohioans who receive alcohol and other drug prevention and treatment services, and review and approve the content of education and training as it pertains to chemical dependency professionals and Alcohol and Other Drug (AOD) prevention professionals.

Implication of the Enacted Budget: The greatest challenge the Chemical Dependency Professionals Board faces in the FY 2006-2007 biennium is operating within the appropriation level. While the appropriation amount is a concern, the Board states that it should be able to cover its fixed costs (salaries, rent, telecommunications, etc.), but will need to find other ways to fully cover items like postage, printing, and office supplies. The Board is working on cost containment to minimize these costs; however, the Director anticipates requesting additional spending authority from the Controlling Board sometime in FY 2006. The Board states that it has the revenue to support reasonable and realistic increases in its appropriation authority that will match its operating costs.

Temporary and Permanent Law Provisions: ***Consolidation of Regulatory Boards (Section 315.03).*** The enacted budget contains a temporary law provision that: (1) expresses the intent to consolidate 16 health-related regulatory boards, including the Chemical Dependency Professionals Board, within the Department of Health not later than July 1, 2006, (2) creates a transition team to develop a plan to ensure the smooth and timely transition of those boards into the Department, and (3) expresses the intent to introduce a bill in FY 2006 that will include the necessary statutory changes to effect the consolidation and include revised appropriations for FY 2007.

Chiropractic Board

Wendy Risner, Budget Analyst

- The Board licensed 2,154 chiropractors in FY 2004
- The Board received no funding in FY 2007 and will be consolidated into the Department of Health that year

OVERVIEW

Duties and Responsibilities

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.

Fund 4K9

The Ohio State Chiropractic Board is part of the 4K9 Fund group. The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Services Fund that is a repository for license fees and other assessments collected by the state's professional and occupational licensing boards. The 4K9 Fund was established by Am. Sub. H.B. 152 of the 120th General Assembly. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated did not meet their expenditures. The 4K9 Fund eliminated these problems. The philosophy of the fund is that each board must generate enough revenues to cover their expenses. It is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

Revenue is generated from new and renewal license fees, which are collected annually. Expenditures are for operating expenses associated with the licensure, regulation, and enforcement processes. Expenditures and revenues for FY 2004 were $552,162 and $586,970, respectively. The Board contributed $34,808 more to Fund 4K9 than it expended during the FY 2004 renewal cycle.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
8*	$605,278	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Summary of FY 2006-2007 Budget Issues

Board Consolidation

In the enacted version of Am. Sub. H.B. 66 of the 126th General Assembly, 20 of the independent occupational licensing boards are to be consolidated into the departments of Health, Commerce, and Public Safety in FY 2007. As a result, the affected boards received no funding in FY 2007. In the case of the Chiropractic Board, the Board and its duties will be consolidated into the Department of Health. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, and the Office of Budget and Management (OBM), as well as three members selected by the affected boards. According to OBM, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentive will be offered to regulatory board staff. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board members will be retained.

Vetoed Provisions

There were no vetoed provisions for the Chiropractic Board.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Chiropractic Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Operating Expenses

Purpose: To license and regulate the chiropractic profession.

The following table shows the line items that are used to fund the State Chiropractic Board, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
GSF	878-609	Operating Expenses	$605,278	$0
		General Services Fund Subtotal	**$605,278**	**$0**
Total Funding: Chiropractic Board			**$605,278**	**$0**

Chiropractic Board

Program Description: In accordance with Chapter 4734. of the Revised Code, the Ohio State Chiropractic Board protects the health and welfare of Ohio's citizens by setting standards for licensure and by enforcing these standards through examination, renewal, clinical inspection, investigation, and disciplinary action.

Funding Source: Licensing fees and other assessments deposited into GSF Fund 4K9

Implication of the Enacted Budget: The Board received funding of $605,278 in FY 2006 and $0 in FY 2007. According to the Board, they will try to reduce costs, but will not reduce staff in FY 2006. In FY 2007, the Board will be consolidated into the Department of Health. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, and the Office of Budget and Management, as well as three members selected by the affected boards.

Ohio Civil Rights Commission

Jamie L. Doskocil, Budget Analyst

- GRF funding bump to slow depletion of federal funds reserve
- Series of budget reductions means three out of every ten staff positions eliminated over last five years or so

OVERVIEW

Duties and Responsibilities

The Ohio Civil Rights Commission is charged with enforcing Chapter 4112. of the Revised Code, which prohibits discrimination in the following areas: (1) employment on the basis of race, color, sex, religion, national origin, age, ancestry, or disability, (2) places of public accommodation on the basis of race, color, sex, religion, national origin, age, ancestry, or disability, (3) housing on the basis of race, color, sex, religion, national origin, ancestry, disability, or familial status, (4) granting of credit on the basis of race, color, sex, religion, national origin, age, ancestry, disability, or marital status, and (6) higher education on the basis of disability.

The Commission was established in 1959 with the enactment of Am. S.B. 10 of the 103rd General Assembly. The Governor, with the advice and consent of the Senate, appoints five members to the Commission, not more than three of whom can be of the same political party, and at least one member of whom must be at least 60 years of age.

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.

Agency in Brief

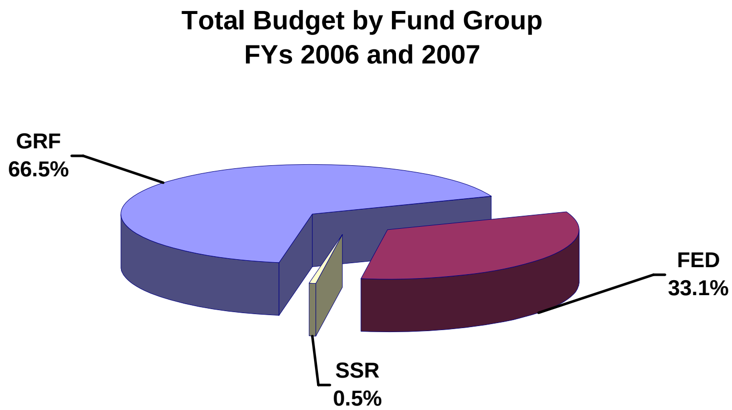
The following table selectively summarizes Commission appropriations and staffing information.

Commission In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
138	$11.06 million	$11.08 million	$7.25 million	$7.47 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Expense by Fund Group Summary

The pie chart immediately below shows the total appropriations (FYs 2006 and 2007) by fund group. This information is shown for the GRF and for all funds.



Historically, it has been the case that revenues generated through work-sharing agreements between the Commission and both the U.S. Equal Employment Opportunity Commission (EEOC) and the U.S. Department of Housing and Urban Development (HUD) have covered roughly one-third of the Commission's annual operating expenses. The EEOC contract is for a fixed dollar amount, subject to modification by EEOC. The HUD contract is variable depending upon the number of eligible cases processed the previous year. From the Commission's perspective, both sources of federal funding are somewhat unpredictable.

Staffing Levels

As a result of budget reductions and various related actions taken to reduce costs, the Commission has cut its number of full-time equivalent (FTE) staff from approximately 200 in FY 2000 to around 140 in FY 2005. 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. Based on the enacted budget for FYs 2006 and 2007, the Commission will be able to employ an annual workforce of around 145 or so FTEs.

Vetoed Provisions

The Commission is not directly affected by any of the items contained in Am. Sub. H.B. 66 that were vetoed by the Governor.

ANALYSIS OF THE ENACTED BUDGET

The Commission is a single-program series agency with two major activities or programs, both of which are discussed in more detail below.

Program Series 1 — Protection of Civil Rights

Purpose: To protect the civil rights of Ohio's citizens as well as take a proactive approach through educating, training, and disseminating publications informing the public of their rights.

The following table shows the line items that are used to fund the Protection of Civil Rights program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	876-321	Operating Expenses	$7,253,075	$7,470,667
		General Revenue Fund Subtotal	**$7,253,075**	**$7,470,667**
Federal Special Revenue Fund				
334	876-601	Investigations	$3,760,000	$3,560,000
		Federal Special Revenue Fund Subtotal	**$3,760,000**	**$3,560,000**
State Special Revenue Services Fund				
217	876-604	Operations Support	$50,951	$50,951
		State Special Revenue Fund Subtotal	**$50,951**	**$50,951**
Total Funding: Protection of Civil Rights			**$11,064,026**	**$11,081,618**

This analysis focuses on the following specific programs within the Protection of Civil Rights program series:

- ***Investigation and Enforcement***
- ***Public Affairs and Community Service***

Investigation and Enforcement

Program Description: This program: (1) processes approximately 5,000 discrimination charges annually, which includes charge intake, field investigation, conciliation/settlement, case recommendations, public hearings, compliance reviews, and enforcement, and (2) pays approximately $400,000 per year to the Office of the Attorney General for the services of the equivalent of 5.5 full-time attorneys to prosecute discrimination cases.

Funding Sources: (1) GRF, (2) federal reimbursement payments, and (3) payment for the provision of various goods and services, including copies of Commission documents.

Implication of the Enacted Budget: The Investigation and Enforcement program is fully funded by the enacted budget, which includes additional GRF moneys to compensate for the fact that the Commission has depleted its federal funding reserve. It still may be possible that the Commission will lose additional personnel due to budgetary constraints, but at the time of this writing, it is hoped that any such cuts would occur through attrition.

Public Affairs and Community Service

Program Description: This program provides technical assistance and other community service programs to inform the public about Ohio laws against discrimination.

Funding Source: Federal funds designated specifically for technical assistance and community service programs

Implication of the Enacted Budget: The enacted budget fully funded this program, which should allow the Commission to maintain current service levels.

Department of Commerce

Jason Phillips, Budget Analyst

- Planned GRF transfers from liquor profits in the range of $127.9 million in FY 2006 and $124.9 million in FY 2007
- Planned consolidation of several licensing and regulatory boards within the Department of Commerce in FY 2007

OVERVIEW

Duties and Responsibilities

The Department of Commerce is a multi-functional regulatory agency that emphasizes economic development, public safety, and customer service. Commerce operates with the use of little General Revenue Funds (GRF), funding most programs by assessing fees and charges on the industries that it regulates. However, the Department transfers profits and excess cash balances from these programs regularly to the GRF and other state agencies.

Commerce is organized into eight operating divisions and one administrative division. Each division is charged with carrying out specific sections of the Ohio Revised Code. 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

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
902*	$580.52 million	$609.00 million	$2.09 million	$2.03 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

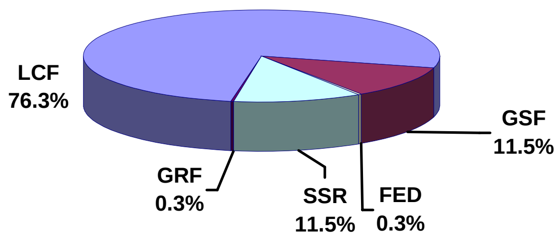
Vetoed Provisions

The Governor did not veto any provisions affecting the Department of Commerce.

Enacted Budget Summary

The enacted budget appropriates $580,520,066 in FY 2006 and $608,995,528 in FY 2007, which is a 4.9% increase from FY 2006. The following pie chart illustrates that less than 1% of the Department's budget comes from GRF funds. The Liquor Control Fund Group comprises over three-fourths of the agency's budget due to the sale of spirituous liquor. The State Special Revenue Fund Group makes up most of the remainder of Commerce's budget through fees that finance some or all of five of the Department's nine divisions.

Total FYs 2006-2007 Funding by Fund Group



As the table below also indicates, Liquor Control, through the administration of the sale of spirituous liquor in Ohio, is the program series with the greatest amount of funding in the Department of Commerce, followed by Unclaimed Funds.

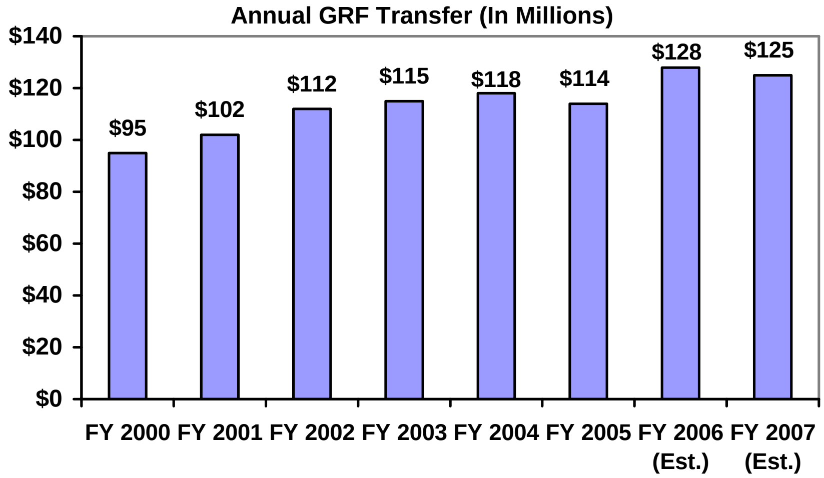
Department of Commerce Biennium Funding by Program Series		
Program Series	**Biennium Total Funding**	**% of Total**
Liquor Control	$907,903,885	76.3%
Unclaimed Funds	$121,702,102	10.2%
Industrial Compliance	$50,074,514	4.2%
Financial Institutions	$46,845,696	3.9%
State Fire Marshal	$34,864,548	2.9%
Program Management	$14,149,249	1.2%
Real Estate	$9,756,726	0.8%
Labor and Worker Safety	$4,218,874	0.4%
Total	**$1,189,515,594**	**100%**

Board Consolidation

The enacted budget recommends that 20 independent occupational licensing boards be absorbed into the departments of Health, Commerce, and Public Safety. Under the proposal, the Department of Commerce will absorb the Ohio Athletic Commission, the Barber Board, the State Board of Cosmetology, the Board of Embalmers and Funeral Directors, the Manufactured Homes Commission, the Board of Motor Vehicle Collision Repair Registration, and the State Board of Sanitation Registration. The enacted budget includes no funding in FY 2007 for these boards and commissions. Instead, the specifics of the consolidation plan will be addressed during FY 2006 by a task force consisting of the agencies acquiring the boards, as well as the Department of Administrative Services, the Office of Budget and Management (OBM), and representatives from the boards involved in the consolidation. According to the Governor's initial plan, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentives will be offered to regulatory board staff. These incentives should result in staff reductions. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board and commission members for each agency will be retained and continue to serve in the manner in which they were appointed.

Liquor Sales Projections

Liquor sales are expected to reach $602 million in FY 2006 and $626 million in FY 2007. A portion of these proceeds is transferred to the GRF. The table below illustrates the Division of Liquor Control's annual GRF transfer from FY 2000 to FY 2007. The transfer of excess liquor profits to the GRF is expected to be $127.9 million in FY 2006 and $124.9 million in FY 2007. The transfer in FY 2007 is lower than that of FY 2006 due to increased costs and an increased amount of liquor sales proceeds going to the financing of Development Bonds.



PERRP, OSHA Consultation Program Transfer to BWC

The Bureau of Workers' Compensation budget bill moved the Public Employer Risk Reduction Program (PERRP) and the OSHA On-site Consultation program from the Division of Labor and Worker Safety to the Bureau of Workers' Compensation. The enacted budget fully funds the Wage and Hour Bureau, the Division's only remaining section.

Fire Department Grants Program moves to Non-GRF Funding

The enacted budget moves the Grants for Volunteer Fire Departments program that was formerly funded by the GRF to the State Fire Marshal's Fund (Fund 546). Fund 546 is funded by a .75% surcharge on fire insurance premiums, and 20% of retaliatory taxes collected from out-of-state insurance companies, course fees, licenses, and permits. The $1.6 million in appropriations for the Fire Department Grants line item should be easily absorbed into the State Fire Marshal's Fund.

Transfers of Funds

The enacted budget contains provisions that make various fund transfers that could total as much as $104.4 million over the course of the biennium. The provisions include:

- A transfer of $50 million from the Unclaimed Funds to the GRF in each fiscal year.

- A transfer of up to $1.7 million in FY 2006 and $1.6 million in FY 2007 from the State Fire Marshal's Fund (Fund 546) to the Budget Stabilization Fund.

- A transfer of $375,000 in FY 2006 and $325,000 in FY 2007 from the State Fire Marshal's Fund to the Department of Public Safety's Public Safety Services Fund (Fund 5CC). This provision includes various earmarks for the City of Eastlake, the City of Warren, and the Southern Ohio Drug Task Force.

- A transfer of $200,000 from the State Fire Marshal's Fund to the Department of Health's Poison Control Fund (Fund 5CB) in each fiscal year. This provision calls for the cities of Cleveland, Cincinnati, Columbus, and Dayton to receive an allocation of $50,000 in each fiscal year for poison control centers.

- A transfer of the cash balance (approximately $6,000) in the Fireworks Training and Education Fund (Fund 4L5) to the State Fire Marshal's Fund. The enacted budget abolished the Fireworks Training and Education Fund.

- A transfer of to $100,000 from the Real Estate Recovery Fund (Fund 548) and up to $350,000 from the Real Estate Appraisers Recovery Fund (Fund 4B2) during the biennium to the Real Estate Operating Fund (Fund 549). This provision replenishes the cash reserve of the Real Estate Operating Fund by up to $450,000, which had depleted by a transfer to the GRF in FY 2004 and a reduced amount of revenue in the operating fund.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 **Financial Institutions**

Purpose: To ensure the overall safety and soundness of the financial institutions and companies under its supervision, and ensures that these institutions comply with all applicable laws and regulations.

The following table shows the line items that are used to fund the Financial Institutions program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
4X2	800-619	Financial Institutions	$2,400,843	$2,400,843
544	800-612	Banks	$6,757,197	$6,759,197
545	800-613	Savings Institutions	$2,678,248	$2,669,774
552	800-604	Credit Union	$2,936,852	$2,941,852
553	800-607	Consumer Finance	$4,300,445	$4,300,445
550	800-617	Securities	$4,300,000	$4,400,000
Total Funding: Financial Institutions			**$23,373,585**	**$23,472,111**

This analysis focuses on the following specific programs within the Financial Institutions program series:

- ***Program 1.01: Banks***
- ***Program 1.02: Consumer Affairs***
- ***Program 1.03: Consumer Finance***
- ***Program 1.04: Credit Unions***

- ***Program 1.05: Money Transmitters***
- ***Program 1.06: Savings Institutions***
- ***Program 1.07: Securities***

Program 1.01: Banks

Program Description: The Banks section regulates state-chartered banks and trust companies. In FY 2004, 106 banks, 2 trust-only banks, and 15 trust departments within state-chartered banks were under the jurisdiction of this section. The section does not have jurisdiction over federal thrifts or national banks. The program is responsible for approving new bank charters, mergers, branch ventures, and other activities.

Applicants for bank charters must meet minimum capital and other business requirements. They must also receive approval for deposit insurance. Existing institutions wishing to expand operations through mergers, acquisitions, or branching must demonstrate their ability to do so. In addition, any Ohio state banks and state banks headquartered in other states must receive a certificate of authority to conduct a trust business in Ohio from the Superintendent.

The program also determines the safety and soundness of each bank and monitors the institution's adherence to applicable laws and regulations. Examinations vary in frequency from six months to two years and are dependent upon each institution's size and/or overall conditions. Examiners, who differ from bank auditors in that they are directly responsible to the agency and not the institution, use a standard rating system (CAMELS) to determine capital adequacy, asset quality, management effectiveness, earnings levels and quality, liquidity, and sensitivity to market risk.

The program derives its authority from Chapter 1125. of the Revised Code. Established in 1908, it serves all consumers of banking services.

Funding Sources: Application, examination, and investigation fees paid by banks, and an assessment charged to all banks and money transmitter fees

Implication of the Enacted Budget: The enacted budget fully funds the Banks program and allows it to maintain FY 2005 service levels with a funding level of $7,388,220 in FY 2006 and $7,376,001 in FY 2007.

Permanent Law Provisions: ***Safekeeping of Investments Securing Payment (R.C. section 1111.04).*** A provision in the enacted budget adds a federal home loan bank as eligible to be a qualified trustee for the safekeeping of investments that must be pledged to secure payments of trust companies engaging in trust business. As federal home loan banks do not appear to be regulated by the Department of Commerce, there is no direct fiscal impact from this provision.

Program 1.02: Consumer Affairs

Program Description: The Consumer Affairs section, through the Office of Consumer Affairs, educates Ohioans on how to protect themselves in the mortgage lending process, receives complaints from those who have been victimized, and acts as a referral service to organizations that can assist the borrower. If lending laws have been violated, the office initiates enforcement actions and refers criminal cases for prosecution.

Funding Sources: Annual license fees for all consumer finance licensees, investigatory fees for new consumer finance licenses, and related examination fees

Implication of the Enacted Budget: The enacted budget fully funds the Consumer Affairs program and allows it to maintain FY 2005 service levels with funding of $1,178,191 in FY 2006 and $1,188,854 in FY 2007. The enacted budget allows the program to expand existing community outreach and education initiatives through such outlets as newsletters, educational events, and public service announcements.

Program 1.03: Consumer Finance

Program Description: The Consumer Finance section is responsible for licensing, regulating, and ensuring the safety and soundness of consumer finance organizations including check-cashing services, check-casher lenders, credit service organizations, insurance premium finance companies, mortgage brokers, mortgage broker loan officers, pawnbrokers, precious metals dealers, second mortgage businesses, and small loan businesses. The Consumer Finance section regulates nearly 9,900 organizations and individuals.

Funding Sources: Investigation and annual license or registration fees charged to consumer loan companies, pawnbrokers, precious metal dealers, check-cashing businesses, mortgage brokers, loan officers, and credit service organizations; one-half of the fees collected from pawnbrokers and precious metals dealers are returned to the local government in which these operators reside

Implication of the Enacted Budget: The enacted budget fully funds the Consumer Finance program and allows it to maintain current service levels with funding of $3,716,482 in FY 2006 and $3,705,819 in FY 2007.

Program 1.04: Credit Unions

Program Description: The Credit Unions section monitors the financial safety and soundness of Ohio's state-chartered credit unions. In FY 2004, there were 234 credit unions with total aggregated assets of $8.5 billion under the jurisdiction of the Credit Union section. The program also examines and co-regulates the private insurer American Share Insurance, formerly the National Deposit Insurance Corporation, which is located in Ohio.

Funding Source: A semi-annual assessment on the gross assets of credit unions

Implication of the Enacted Budget: The enacted budget fully funds the Credit Unions program and allows it to maintain FY 2005 service levels with a funding level of $3,299,991 in FY 2006 and $3,304,991 in FY 2007. The enacted budget enables an increase in the number of field examiners, who conduct credit union examinations, from 12 to 15 to provide off-site monitoring of institutions that are increasing in overall size and complexity.

Program 1.05: Money Transmitters

Program Description: The Money Transmitters section provides for the licensing, supervision, and regulation of domestic and foreign money transmitters in Ohio, including financing networks that may be potential threats to Homeland Security. In FY 2004, 35 such entities operated in the state.

Funding Sources: Annual license fees (including new and renewal) for both domestic and foreign money transmitters and investigatory fees for new money transmitter licenses in accordance with section 1315.02 of the Ohio Revised Code

Implication of the Enacted Budget: The enacted budget provides $348,353 in FY 2006 and $362,572 in FY 2007 for the Money Transmitters program. These amounts allow the program to maintain FY 2005 support levels and to add 0.75 FTE to the program to assist in the investigation and examination of foreign and domestic money transmitters.

Program 1.06: Savings Institutions

Program Description: In FY 2004, there were 63 state-chartered savings and loan associations and state-chartered savings banks under the jurisdiction of the Savings Institution section. These institutions invest in real estate-related loans and securities. State-chartered savings banks offer an important credit alternative to savings and loans and other banks as they combine the advantages found in both. The section funds its regulatory duties by levying assessments based upon the total assets of savings banks or savings and loans, which is then divided into the appropriation of the program budget.

Funding Source: Annual assessments based upon total assets of savings banks and savings and loans

Implication of the Enacted Budget: The enacted budget fully funds the Savings Institutions program and allows it to maintain FY 2005 service levels with a funding level of $2,942,348 in FY 2006 and $2,933,874 in FY 2007.

Program 1.07: Securities

Program Description: The Securities program promotes investor education, regulates the sale of securities in Ohio, and licenses securities professionals in Ohio who sell securities and give advice about investing in securities. It engages in administrative sanctions against those persons and entities violating the securities laws in Ohio and makes referrals for criminal prosecution. In FY 2004, 5,800 filings for sale of securities were reviewed and the Division of Securities licensed over 123,000 securities salespersons.

Funding Source: Fees from securities registration and exemption filings, and license applications and renewals

Implication of the Enacted Budget: The enacted budget provides $4,300,000 in FY 2006 and $4,400,000 in FY 2007. The amount appropriated is sufficient to maintain FY 2005 service levels.

Program Series 2 — Industrial Compliance

Purpose: To examine and approve construction plans, performs inspections at industrial facilities, licenses and certifies inspectors, operators, individuals, and equipment.

The following table shows the line item that is used to fund the Industrial Compliance program series as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
556	900-615	Industrial Compliance	$25,037,257	$25,037,257
Total Funding: Industrial Compliance			**$25,037,257**	**$25,037,257**

This analysis focuses on the following specific programs within the program series:

- ***Program 2.01: Plans and Specifications***
- ***Program 2.02: Construction Compliance***
- ***Program 2.03: Operations and Maintenance***
- ***Program 2.04: Building Code***
- ***Program 2.05: Ohio Construction Industry Examining Board***

Program 2.01: Plans and Specifications

Program Description: The Plans and Specifications section reviews building plans for new construction, major renovations, additions, or alterations for structures, except where local certified building departments have jurisdiction, and regulates industrialized units.

Funding Source: Architectural plan review and processing fees

Implication of the Enacted Budget: The enacted budget fully funds the Plans and Specifications program and allows it to maintain FY 2005 service levels with a funding level of $4,205,153 in FY 2006 and $4,252,969 in FY 2007.

Program 2.02: Construction Compliance

Program Description: The Bureau inspects construction plans for commercial buildings to ensure that the structural design, electrical, and plumbing systems meet standards established by the Ohio Basic Building Code. The Bureau is responsible for inspecting buildings, plumbing, electrical wiring, pressure vessels, pressure piping, and industrialized units throughout the state. The Bureau maintains next day inspection service and conducts over 50,000 inspections per year.

Funding Source: Application fees

Implication of the Enacted Budget: The enacted budget fully funds the Construction Compliance program and allows it to maintain FY 2005 service levels with a funding level of $5,685,980 in FY 2006 and $5,753,227 in FY 2007.

Permanent Law Provisions: ***Additional Requirements for Commercial Plumbing Inspectors (R.C. sections 3703.01, 3703.03, 3703.04, 3703.05, 3703.06, 3703.07, 3703.08, 3703.10, and 3703.99)***. A provision in the enacted budget allows the Superintendent of Industrial Compliance to charge fees for administering a program for the certification, re-certification, and continuing education of plumbing inspectors; contract with a third party to conduct examinations for certifying inspectors; adopt rules governing continuing education for inspectors; enter into reciprocal licensing agreements with other states and other agencies in this state; refuse, suspend, or revoke the certification of inspectors; and examine an inspector and the inspector's records and books.

The provision also repeals the prohibition preventing inspectors employed by the Department of Commerce from engaging in the plumbing business. The primary purpose of the provision was to codify the process, procedures, and personnel the Department was already using to perform the task for the industry. As such, this provision will not result in increased costs to administer the program. The Department estimates that revenues to the Industrial Compliance Operating Fund (Fund 556) have increased by approximately $44,000 per year from the certification of plumbing inspectors.

Program 2.03: Operations and Maintenance

Program Description: The Bureau of Operations and Maintenance is responsible for the proper operation and maintenance of "critical systems" and oversees areas such as boiler operations and maintenance, elevators, and bedding and upholstered furniture. The Boiler section enforces rules regarding the construction, installation, and operation of boilers and inspects over 60,000 operating boiler rooms each year, verifying safety procedures and operator credentials. The Elevator section performs inspections of passenger, freight, special-service, tower, and handicap elevators as well as escalators, dumbwaiters, and belt-type man lifts.

Funding Source: License and permit fees

Implication of the Enacted Budget: The enacted budget fully funds the Operations and Maintenance program and allows it to maintain FY 2005 service levels with a recommended funding level of $10,620,943 in FY 2006 and $10,754,941 in FY 2007.

Program 2.04: Building Code

Program Description: The Building Code section supports the Board of Building Standards, which formulates and adopts rules governing building construction and maintenance to ensure building safety. The Board also certifies local building code enforcement departments. More than 9,100 building department personnel, state agency personnel, design professionals, and contractors in FY 2004 attended 153 continuing education courses developed and taught by the Board's staff. This section also supports the Board of Building Appeals, which reviews appeals of orders issued by the Department's Bureau of Construction Compliance or of a certified city or county building department.

Funding Sources: The Board of Building Appeals receives funding through a $200 fee for each building appeal; the Board of Building Standards receives funding through various fees

Implication of the Enacted Budget: The enacted budget fully funds the Building Code program and allows it to maintain FY 2005 service levels with a funding level of $3,022,946 in FY 2006 and $2,773,883 in FY 2007.

Permanent Law Provisions: ***Ohio Residential Building Code Changes (R.C. sections 307.37, 3781.07, 3781.10, 3781.102, 3781.191, and 4740.14).*** A provision in the enacted budget makes changes to the enforcement of the Ohio Residential Building Code in several ways. First, it specifies that the Ohio Board of Building Appeals does not have the authority to hear any case based on the Ohio Residential Building Code or to grant any variance to that code. Second, it clarifies that the local residential building code and the existing structures code adopted by a board of county commissioners may be enforced within the unincorporated areas of the county and the districts the board establishes in any part of the unincorporated area. Third, it expands the list of persons who, if certified by the Board of Building Standards, may approve plans and conduct inspections on behalf of a municipal corporation, township, or county to include persons furnishing other services besides architectural or engineering services pursuant to a contract with a political subdivision. Fourth, it specifies that expenses incurred by the Residential Construction Advisory Committee be paid from the Industrial Compliance Operating Fund (Fund 556). Fifth, it adds a member to the Ohio Board of Building Standards and the Residential Construction Advisory Committee, respectively, chosen from a list submitted by the Ohio Municipal League and who is a mayor of a municipal corporation that meets specified requirements.

The fourth item does not appear to result in increased costs as H.B. 175 of the 125th General Assembly recreated the Residential Construction Advisory Committee under the Department of Commerce's control, but did not specify who would pay for committee expenses. It appears as though expenses would have been paid from the Industrial Compliance Operating Fund (Fund 556). As such, the provision only codifies this arrangement. The fifth change may result in a minimal increase in the Industrial Compliance Operating Fund. The additional member of the Board of Building Standards will receive expenses and a salary pursuant to R.C. section 125.15(J). The additional member of the Residential Construction Advisory Committee shall receive actual and necessary expenses and a per diem for each day in attendance at an official meeting of the committee.

Program 2.05: Ohio Construction Industry Licensing Board

Program Description: This Board coordinates tests and issues certificates to persons who have passed state examinations for the HVAC, electrical, refrigeration, and hydronics trades.

Funding Source: License fees

Implication of the Enacted Budget: The enacted budget fully funds the Ohio Construction Industry Licensing Board program and allows it to maintain FY 2005 service levels with a recommended funding level of $1,502,235 in FY 2006 and $1,502,237 in FY 2007.

Program Series 3 Liquor Control

Purpose: To provide for the safe sale, consumption, and distribution of alcoholic beverages in Ohio.

The following table shows the line items that are used to fund Liquor Control as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
Liquor Control Fund				
043	800-601	Merchandising	$382,595,409	$397,839,347
043	800-627	Liquor Control Operating	$16,873,183	$15,981,346
043	800-633	Development Assistance Debt Service	$32,158,300	$39,230,000
043	800-636	Revitalization Debt Service	$9,740,500	$13,485,800
Total Funding: Liquor Control			**$441,367,392**	**$466,536,493**

This analysis focuses on the following specific programs within the program series:

- ***Program 3.01: Liquor Agency Operations***
- ***Program 3.02: Liquor Permit Licensing***
- ***Program 3.03: Beer and Wine Compliance***
- ***Program 3.04: Debt Service Payments***

Program 3.01: Liquor Agency Operations

Program Description: The Liquor Agency Operations program regulates the sale of spirituous liquor through private businesses, known as liquor agencies. The Division contracts with these businesses to serve as its sales agents. Agents are paid a commission based on their amount of sales, and the state retains ownership of the inventory. Current commission rates are 6% of sales for retail establishments, and 4% of sales for wholesale operations.

Spirituous liquor sales generate a large amount of revenue, which is used by several other state agencies to fund certain programs. Per Revised Code section 4301.12, liquor revenue is to pay for the operating expenses of the Liquor Control Commission and an alcohol-testing unit in the Department of Health. Liquor profits also are devoted to the Department of Public Safety's Liquor Enforcement Division, an alcohol treatment program operated by the Department of Alcohol and Drug Addiction Services, and Development Assistance Debt Service.

The above Revised Code section also requires that the remaining liquor profits be transferred to the GRF. For FY 2006, this transfer is expected to be $128 million, with a predicted decline to $125 million in FY 2007.

Funding Source: Liquor sales profits

Implication of the Enacted Budget: The enacted budget fully funds the Liquor Agency Operations program and appropriates $393,648,873 in FY 2006 and $407,995,974 in FY 2007. The appropriated amounts allow the program to account for expected increases in consumption.

Permanent Law Provisions: ***Reduction in Wholesale Price Discount for Spirituous Liquor (R.C. section 4301.10).*** A provision in the enacted budget reduces the minimum price discount for wholesale purchases of spirituous liquor from 12.5% to 6% of the retail-selling price of that liquor. This provision may result in a gain in revenue to the Liquor Control Fund (Fund 043) of $16.0 million in FY 2006 and $16.3 million in FY 2007. As a result, the transfer to the GRF of excess liquor profits is estimated to be approximately $127.9 million in FY 2006 and $124.9 million in FY 2007.

Program 3.02: Liquor Permit Licensing

Program Description: The Liquor Permit Licensing program administers the state's complex liquor permitting system established by Chapters 4301., 4303., 4305., 4307., and 4399. of the Revised Code. The program reviews applications for permits to sell, manufacture, or distribute alcoholic beverages. The decision to grant or deny a permit is based on various factors including: (1) the wet or dry status of the location, (2) the number of permits allowed in a geographic area based on population density and the amount of existing permits or "quotas," (3) prior compliance record with legal requirements by the applicant, and (4) findings of the Division's investigations. All licenses are renewable on an annual basis. The fee is divided between the local taxing districts, the GRF, and the Department of Alcohol and Drug Addiction Services.

Funding Source: License fees paid by all liquor permit holders including manufacturers, distributors, retailers, and importers of alcoholic beverages

Implication of the Enacted Budget: The enacted budget fully funds the Liquor Permit Licensing program and allows it to maintain FY 2005 service levels with a funding level of $5,283,599 in FY 2006 and $5,283,599 in FY 2007. The appropriated amounts allow for the completion of the conversion of LITS (License Issuance and Tracking System) to allow seamless distribution of liquor permit fees.

Permanent Law Provisions: ***Ski Area Sunday Sales Liquor Permit (R.C. section 4303.182).*** A provision in the enacted budget authorizes the issuance of a Sunday sales liquor permit to any D-permit premises (retail food service operation or retail food establishment that is authorized to have sales of on-premises consumption) located at a ski area whether or not the Sunday sales have been approved in a local option liquor election, provides that the passenger tramway operator at that area is registered under current law. This provision may result in a gain in liquor permit revenue from a potential increase in the number of liquor permits issued. The permit fee for a D-6 permit (the Sunday sales liquor permit) is $500. Liquor permit fees are deposited into the Undivided Liquor Permit Fund (Fund 066) and distributed to the GRF, ODADAS, and local governments. This provision primarily benefits the Snow Trails ski resort in Mansfield, Ohio.

Program 3.03: Beer and Wine Compliance

Program Description: The Beer and Wine Compliance program is responsible for regulating the manufacture, importation, and distribution of beer, wine, and low-proof (containing 21% or less alcohol by volume – 42 proof) beverages. Under the authority of Chapter 4301. of the Revised Code, the program must approve and register all beer, wine, and low-proof beverages sold in the state. Manufacturers and distributors (A and B permit holders), out-of-state suppliers and retail operations are inspected for compliance in the areas of advertising, pricing, the proper maintenance of draft beer dispensing equipment, and consignment or credit sales. Inspectors also investigate allegations of commercial bribery and look for tied-house violations such as exclusionary activity or inducements.

Funding Source: Fees for label registration, certificates of registration for out-of-state suppliers, solicitor registration, and coil cleaning of beer and wine dispensing equipment and revenue from liquor sales

Implication of the Enacted Budget: The enacted budget fully funds the Beer and Wine Compliance program and allows it to maintain FY 2005 service levels with a funding level of $541,120 in FY 2006 and $541,120 in FY 2007.

Program 3.04: Debt Service Payments

Program Description: The Debt Service Payments program provides debt service payments on bonds issued under the authority of the Ohio Revised Code Chapters 151. and 166. to support various economic development initiatives and environmental clean-up initiatives that are appropriated in the Department of Development. In FY 2004, $22.4 million in liquor profits was pledged for development assistance. For the upcoming biennium, a substantial share of the liquor profits will be pledged against bonds issued to support urban revitalization initiatives (also known as "Clean Ohio"), and to support development assistance. The enacted budget provides for $32.2 million in FY 2006 and $39.2 million in FY 2007 for development assistance and $9.7 million in FY 2006 and $13.5 million in FY 2007 for revitalization.

Funding Source: Revenue from the sale of spirituous liquor

Implication of the Enacted Budget: The enacted budget provides required payments on bonds issued to support economic development and environmental revitalization initiatives with funding of $41,898,800 in FY 2006 and $52,715,800 in FY 2007.

Program Series 4 Real Estate and Professional Licensing

Purpose: To license and regulate real estate brokers, salespersons, appraisers, and registers foreign real estate property, register and investigate complaints involving Ohio cemeteries while supporting the Ohio Cemetery Dispute Resolution Commission.

The following table shows the line items that are used to fund the Real Estate and Professional Licensing program series as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
4B2	800-631	Real Estate Appraisal Recovery	$35,000	$35,000
4H9	800-608	Cemeteries	$273,465	$273,465
547	800-603	Real Estate Education/Research	$250,000	$250,000
548	800-611	Real Estate Recovery	$50,000	$50,000
549	800-614	Real Estate	$3,605,892	$3,605,892
6A4	800-630	Real Estate Appraiser Operating	$664,006	$664,006
Total Funding: Real Estate and Professional Licensing			**$4,878,363**	**$4,878,363**

This analysis focuses on the following specific programs within the Real Estate and Professional Licensing program series:

- ***Program 4.01: Real Estate***
- ***Program 4.02: Real Estate Appraisers***
- ***Program 4.03: Cemetery Registration***

Program 4.01: Real Estate

Program Description: The section licenses and regulates real estate brokers and salespersons across the state as well as foreign real estate brokers and salespersons. The section also registers foreign real estate property. Another important function of the Real Estate section is to oversee the continuing education requirements for these various licensees. The Real Estate section also enforces the continuing education requirements for real estate brokers, real estate salespersons, and certified and licensed appraisers. In cases of documented and proven real estate fraud, consumers may apply for compensation from the Real Estate Recovery Fund.

Funding Sources: License and other fees charged, interest earned on investments (real estate recovery only), and assessments against certificate holders (real estate appraisal recovery only)

Implication of the Enacted Budget: The enacted budget appropriates $3,905,892 in FY 2006 and $3,905,892 in FY 2007 for the Real Estate program. The amounts appropriated allow the program to maintain FY 2005 service levels.

Temporary Law Provisions: ***Cash Transfer to Real Estate Operating Fund (Section 203.75).*** The enacted budget includes a provision that transfers up to $100,000 from the Real Estate Recovery Fund (Fund 548) and up to $350,000 from the Real Estate Appraisers Recovery Fund (Fund 4B2) during the biennium to the Real Estate Operating Fund (Fund 549). This provision replenishes the cash reserve of the Real Estate Operating Fund by up to $450,000, which had depleted by a transfer to the GRF in FY 2004 and a reduced amount of revenue.

Program 4.02: Real Estate Appraisers

Program Description: The Real Estate Appraisers section licenses and certifies all general and residential appraisers in the state. In addition, the program oversees the pre-licensure and continuing education requirements of the industry, investigates complaints against licensees, and initiates disciplinary hearings as required. The program protects consumers who have been harmed during a real estate transaction by a licensee through the Real Estate Appraiser Recovery Fund. This program regulates more than 3,500 real estate appraisers.

Funding Source: license and permit fees

Implication of the Enacted Budget: The enacted budget appropriates $699,006 in FY 2006 and $699,006 in FY 2007 for the Real Estate program. The amounts appropriated allow the program to maintain FY 2005 service levels.

Program 4.03: Cemetery Registration

Program Description: The Cemeteries section registers all active cemeteries in Ohio, and investigates complaints or disputes involving registered cemeteries. Complaints against cemeteries are investigated and referred to the Ohio Cemetery Dispute Resolution Committee. There are currently over 3,300 cemeteries registered. This program also collects fees for burial permits issued in Ohio.

Funding Source: Fees generated from registering and renewing registrations of cemeteries ($25 each) and from burial permit fees ($2.50 each)

Implication of the Enacted Budget: The enacted budget fully funds the Cemetery Registration program and allows it to maintain FY 2005 service levels with funding of $273,465 in FY 2006 and $273,465 in FY 2007.

Program Series 5 — State Fire Marshal

Purpose: To protect the citizens of Ohio from the dangers of fire and explosions and protects the environment from releases of petroleum from underground storage tanks.

The following table shows the line items that are used to fund the State Fire Marshal program series as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
546	800-610	Fire Marshal	$12,187,994	$12,292,994
546	800-639	Fire Department Grants	$1,647,140	$1,647,140
653	800-629	UST Registration/Permit Fee	$1,249,632	$1,249,632
		State Special Revenue Fund Subtotal	**$15,084,766**	**$15,189,766**
General Services Fund				
5F1	800-635	Small Government Fire Departments	$250,000	$250,000
		General Services Fund Subtotal	**$250,000**	**$250,000**
Federal Special Revenue Fund				
348	800-622	Underground Storage Tanks	$195,008	$195,008
348	800-624	Leaking Underground Storage Tanks	$1,850,000	$1,850,000
		Federal Special Revenue Fund Subtotal	**$2,045,008**	**$2,045,008**
Total Funding: State Fire Marshal			**$17,379,774**	**$17,484,774**

This analysis focuses on the following specific programs within the State Fire Marshal program series:

- ***Program 5.01: Ohio Fire Academy***
- ***Program 5.02: Code Enforcement***
- ***Program 5.03: Investigations***
- ***Program 5.04: Fire Prevention***
- ***Program 5.05: Forensic Lab***
- ***Program 5.06: Bureau of Underground Storage Tanks***
- ***Program 5.07: Fireworks and Explosives***
- ***Program 5.08: Fire Department Assistance***

Program 5.01: Ohio Fire Academy

Program Description: The Ohio Fire Academy program conducts fire-related training courses for more than 15,000 emergency responders annually. Training, which is conducted at the Academy facilities and on-site throughout the state, includes firefighting, anti-terrorism response, and urban search and rescue.

Funding Sources: 0.75% surcharge on the total value of fire insurance premiums sold statewide, retaliatory taxes, and fees from fireworks licenses and building inspections; the program is also funded through course fees and Department of Homeland Security grants through the Ohio Emergency Management Agency to fund payroll, purchased and personal services, maintenance, and equipment

Implication of the Enacted Budget: The enacted budget fully funds the Ohio Fire Academy program and allows it to maintain FY 2005 service levels with a funding level of $3,111,239 in FY 2006 and $3,216,239 in FY 2007. The amount appropriated also provides $400,000 for Fire Academy Homeland Security Equipment and vehicle replacement. Specifically, the equipment includes an over-the-road tractor, a pick-up truck, two 15-passenger vans, a mobile fire training aid, a search and rescue mobile training aid, fire engine replacement and a few additional miscellaneous pieces of equipment. All of these items will be used for training or direct support of training for Ohio's firefighters and first responders.

Program 5.02: Code Enforcement

Program Description: The Code Enforcement section performs fire safety inspections at hotels, motels, hospitals, nursing homes, and other buildings and events. It also enforces the fire code at fireworks facilities, manufacturers, and exhibitions. The program also conducts plan review and inspections for flammable and combustible liquid storage tanks not regulated by the Bureau of Underground Storage Tanks Regulations or the local fire department.

Funding Sources: 0.75% surcharge on the total value of fire insurance premiums sold statewide, retaliatory taxes, and fees from fire safety inspections and flammable and combustible liquid permits

Implication of the Enacted Budget: The enacted budget fully funds the Code Enforcement program and allows it to maintain FY 2005 service levels with a funding level of $2,711,239 in FY 2006 and $2,711,239 in FY 2007.

Temporary Law Provisions: ***Cash Transfer to Budget Stabilization Fund (Section 203.75).*** The enacted budget includes a provision that transfers to the Budget Stabilization Fund up to $1.7 million in FY 2006 and up to $1.6 million in FY 2007 from the State Fire Marshal Fund (Fund 546).

Cash Transfer from the State Fire Marshal's Fund to the Poison Control Fund (Section 206.42.19). The enacted budget includes a provision that transfers $200,000 from the State Fire Marshal's Fund to the Department of Health's Poison Control Fund (Fund 5CB) in each fiscal year. This provision calls for the cities of Cleveland, Cincinnati, Columbus, and Dayton to receive an allocation of $50,000 in each fiscal year for poison control centers.

State Fire Marshal's Fund Cash Transfers for Public Safety Services (Section 209.51). The enacted budget includes a provision that transfers $375,000 in FY 2006 and $325,000 in FY 2007 from the State Fire Marshal's Fund to the Department of Public Safety's Public Safety Services Fund (Fund

5CC). This provision includes various earmarks for the City of Eastlake, the City of Warren, and the Southern Ohio Drug Task Force.

Program 5.03: Investigations

Program Description: The Investigations section is responsible for investigating the cause, origin, and circumstances of fires, explosives, and fireworks incidents in Ohio. It is also responsible for the prosecution of persons believed to be guilty of arson or a similar crime.

Funding Sources: 0.75% surcharge on the total value of fire insurance premiums sold statewide and retaliatory taxes to out-of-state insurance companies

Implication of the Enacted Budget: The enacted budget fully funds the Investigations program and allows it to maintain FY 2005 service levels with a funding level of $2,475,479 in FY 2006 and $2,465,479 in FY 2007.

Program 5.04: Fire Prevention

Program Description: The Fire Prevention program creates fire safety publications and conducts fire safety education outreach at schools, senior centers, health care facilities, and other locations as requested. This program also compiles statistical data collected through the Ohio Fire Information Reporting System regarding the nature and causes of fire and promotes the use of fire detectors and distributes free detectors in southeast Ohio.

Funding Sources: 0.75% surcharge on the total value of fire insurance premiums sold statewide and retaliatory taxes to out-of-state insurance companies

Implication of the Enacted Budget: The enacted budget fully funds the Fire Prevention program and allows it to maintain FY 2005 service levels with funding of $1,732,439 in FY 2006 and $1,732,439 in FY 2007.

Program 5.05: Forensic Lab

Program Description: The Forensic Lab section analyzes evidence from fires and explosions as well as hazardous material leaks and spills on behalf of fire investigators and state and local law enforcement agencies. During FY 2004, the laboratory examined nearly 780 cases consisting of over 2,400 pieces of evidence.

Funding Sources: 0.75% surcharge on the total value of fire insurance premiums sold statewide and retaliatory taxes to out-of-state insurance companies

Implication of the Enacted Budget: The enacted budget fully funds the Forensic Lab program and allows it to maintain FY 2005 service levels with funding of $1,178,799 in FY 2006 and $1,178,799 in FY 2007.

Program 5.06: Bureau of Underground Storage Tanks

Program Description: The Bureau of Underground Storage Tanks program regulates and enforces statutes related to the registration, installation, removal, upgrade, or repair of petroleum underground storage tanks.

Funding Sources: Tank registration fees, permit and licensing fees, enforcement penalties, federal EPA grants of $1.437 million for the BUSTR environmental program (Leaking Underground Storage Tank grant) and $186,000 that partially funds the BUSTR field staff charged with performing compliance and permit inspections (Underground Storage Tank grant)

Implication of the Enacted Budget: The enacted budget fully funds the Bureau of Underground Storage Tanks program and allows it to maintain FY 2005 service levels with funding of $3,294,640 in FY 2006 and $3,294,640 in FY 2007.

Program 5.07: Fireworks and Explosives

Program Description: The Fireworks and Explosives section formulates and implements program policy and supervising programs dealing with the Investigations Bureau and Fire Safety Inspectors engaged in duties related to the identification and handling of explosives and/or fireworks; and/or the licensing and inspection of facilities where explosives and/or fireworks are manufactured, stored, or sold. Additionally, the program oversees more than 50 fireworks wholesalers and manufacturing facilities, over 520 licensed fireworks exhibitors, nearly 1,100 registered assistants, and multiple flame effect technicians regulated by the State Fire Marshal.

Funding Sources: 0.75% surcharge on the total value of fire insurance premiums sold statewide, retaliatory taxes to out-of-state insurance companies, assessments to fireworks manufacturers, and licensing fees

Implication of the Enacted Budget: The enacted budget appropriates $1,178,799 in FY 2006 and $1,178,799 in FY 2007. This amount allows the program to maintain FY 2005 service levels.

Permanent Law Provisions: ***Changes to the Fireworks Laws (R.C. sections 3743.01, 3743.02, 3743.04, 3743.05, 3743.06, 3743.15, 3743.17, 3743.18, 3743.19, 3743.59, 3743.65, 3743.75).*** A provision in the enacted budget removes statutorily specified requirements for distances between buildings used for fireworks and other buildings and roadways and instead requires the State Fire Marshal to adopt rules establishing distance requirements. The provision also allows a fireworks wholesaler or manufacturer to expand its licensed premises to include storage locations that are located on premises that are not contiguous with the licensed premises if the wholesaler or manufacturer meets the specified requirements. According to the Department, there will be no appreciable expenses associated with the development of distance requirements. In addition, only a negligible gain in revenue to the State Fire Marshal's Fund (Fund 546) may occur from the expansion of fireworks storage facilities, as the Department does not envision the industry expanding by more than five to six facilities.

Fire Marshal's Fireworks Training and Education Fund (R.C. section 3743.57). A provision in the enacted budget eliminates the Fire Marshal's Fireworks Training and Education Fund (Fund 4L5). The cash balance in the fund is to be transferred to the State Fire Marshal's Fund (Fund 546) while any existing encumbrances against the Fireworks Training and Education Fund are to be cancelled and re-established against the State Fire Marshal's Fund. This provision, in effect, ceases the double billing of the fireworks industry to support the Fireworks Training and Education Fund. Previously, the industry paid an annual license fee in addition to an assessment to maintain the Fireworks Training and Education Fund. As a result, the fireworks industry will simply pay the annual license fees.

Program 5.08: Fire Department Assistance

Program Description: The Fire Department Assistance program provides grants and no-interest loans to local fire departments to offset the cost of training and equipment.

Funding Source: Loan repayments

Implication of the Enacted Budget: The enacted budget fully funds the Fire Department Assistance program with an appropriation of $1,697,140 in FY 2006 and $1,697,140 in FY 2007. The enacted budget increases the funding available for grants to volunteer fire departments from $609,000 in FY 2005 to $760,000 annually, supports full or partial reimbursement to local units of government and fire departments for the cost of firefighter training and equipment or gear (as previously provided from the Mandate Assistance line item in the Controlling Board budget), and provides up to $200,000 per fiscal year for grants to fire departments to assist in the conversion of existing data systems to the National Fire Information Reporting System 5 (NFIRS 5) electronic fire reporting system.

Temporary Law Provisions: ***Fire Department Grants (Section 203.75).*** A provision in the enacted budget earmarks up to $760,000 in each fiscal year to make annual grants to volunteer fire departments of up to $10,000, or up to $25,000 if the volunteer fire department provides service for an area affected by a natural disaster. The provision also earmarks $687,140 in each fiscal year for full or partial reimbursement to local units of government and fire departments for firefighter training and equipment, with priority given to fire departments that serve small villages and townships and $200,000 in each fiscal year for grants of up to $50,000 to fire departments to assist in the conversion of existing data systems to the NFIRS 5 electronic fire reporting system.

Program Series 6 Unclaimed Funds

Purpose: To safekeep and return moneys designated as "unclaimed."

The following table shows the line items that are used to fund Unclaimed Funds as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
543	800-602	Unclaimed Funds - Operating	$7,351,051	$7,351,051
543	800-625	Unclaimed Funds - Claims	$52,000,000	$55,000,000
Total Funding: Unclaimed Funds			**$59,351,051**	**$62,351,051**

Program 6.01: Unclaimed Funds

Program Description: Each year, due to death, inadvertence, or forgetfulness, more than 200,000 people and organizations lose track of moneys, rights to moneys, and intangible property in Ohio. The Division of Unclaimed Funds is responsible for the safekeeping and return of moneys designated as "unclaimed." State law requires that these funds be reported to the state for safekeeping after the owners have left the funds unclaimed for a specific period of time, usually five years. The state acts as a custodian for the funds until the rightful owners or their heirs claim them. Common sources of unclaimed funds include: dormant checking and savings accounts, insurance proceeds, unclaimed wages and employment benefits, uncashed checks and money orders, undelivered stock and dividends, forgotten rent or utility deposits, and intangible contents of safe deposit boxes. The Ohio Department of Development and the Ohio Housing Finance Agency use these resources to guarantee and fund low- and moderate-income housing programs. Unclaimed funds also guarantee performance bonds for the Minority Business Bonding Fund.

Funding Sources: Funds from the unclaimed funds custodial account under the Treasurer of State which receives at least 10% of the aggregate amount of unclaimed funds of financial and business institutions, as well as the interest earned on these funds

Implication of the Enacted Budget: The enacted budget fully funds the Unclaimed Funds program with an appropriation of $59,351,051 in FY 2006 and $62,351,051 in FY 2007. The enacted budget increases funding to this program to more accurately reflect what Unclaimed Funds will need to pay in claims in FYs 2006-2007. The budget also requires a transfer of unclaimed funds to the GRF, described immediately below.

Temporary Law Provisions: ***Unclaimed Funds Transfers (Section 203.75).*** The bill includes a provision that, prior to the end of FYs 2006 and 2007, would transfer to the GRF up to $50 million of unclaimed funds that have been reported by holders of unclaimed funds irrespective of the allocation of unclaimed funds under section 169.05 of the Revised Code.

Program Series 7 Labor and Worker Safety

Purpose: To enforce Ohio's labor laws, including wage and hour, child labor, and employee and employer safety and health inspections.

The following table shows the line items that are used to fund the Labor and Worker Safety program as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	800-410	Labor and Worker Safety	$2,086,477	$2,032,397
		General Revenue Fund Subtotal	**$2,086,477**	**$2,032,397**
State Special Revenue Fund				
5K7	800-621	Penalty Enforcement	$50,000	$50,000
		State Special Revenue Fund Subtotal	**$50,000**	**$50,000**
Total Funding: Labor and Worker Safety			**$2,136,477**	**$2,082,397**

Program 7.01: Wage and Hour Law Enforcement

Program Description: The Wage and Hour Law Enforcement program enforces minimum wage and minor labor laws. Since September 2002, over 1,300 schools have registered to file age and schooling certificates (minor work permits) electronically, thus resulting in savings for schools districts, the state, and employers. The program also enforces Ohio's prevailing wage, which is the wage rate that must be paid to employees who are working on any type of public works or public improvement construction project. In FY 2004, this program collected more than $825,000 in prevailing wage back wages, more than $111,000 in minimum and overtime back wages, and more than $43,000 in prevailing wage penalties.

Funding Sources: General Revenue Funds; statutory penalties assessed against companies that have violated the prevailing wage laws

Implication of the Enacted Budget: The enacted budget fully funds the Wage and Hour Law Enforcement program and allows it to maintain FY 2005 service levels with funding of $2,136,477 in FY 2006 and $2,082,397 in FY 2007. It should be noted that the Public Employee Risk Reduction Program (PERRP) and the OSHA On-Site Consultation programs were transferred to the Bureau of Workers' Compensation in the BWC Budget Bill.

Program Series 8 — Program Management

Purpose: To direct, administer, support, and coordinate the activities of the seven operating divisions of the Department and serve as a liaison to other government, corporate, and public entities.

The following table shows the line items that are used to fund Program Management as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
163	800-620	Division of Administration	$4,262,314	$4,368,037
163	800-637	Information Technology	$2,733,853	$2,785,045
Total Funding: Program Management			**$6,996,167**	**$7,153,082**

Program 8.01: Program Management

Program Description: The Program Management section provides communications, fiscal administration, human resources, information technology, legal, legislative affairs, quality, training, and employee development and support services. During the FY 2004-2005 biennium, the Division of Administration consolidated the IT staff within the Division to allow the supervision of all information technology for Commerce through a centralized group.

Funding Source: Special assessment levied on the Department's various operating funds. The assessment is a percentage of the actual payroll costs incurred by each of the individual funds within the Department and is collected on a monthly basis (a month in arrears). The percentage is established annually and has steadily increased as a result of the expansion of Commerce's services provided to each of the operating divisions.

Implication of the Enacted Budget: The enacted budget fully funds the overall administration of the Department with an appropriation of $6,996,167 in FY 2006 and $7,153,082 in FY 2007. The enacted budget increases funding to this program to correct an inadvertent under-appropriation that occurred during the FY 2004-2005 budget cycle. Because of the under-appropriation, the Department went before the Controlling Board in FY 2004 and FY 2005 to bring the Division of Administration's funding in line with its operating costs.

Office of Consumers' Counsel

Ross Miller, Senior Economist

- The Office of Consumers' Counsel is funded by annual assessments on utility companies; no GRF funding.
- The enacted budget accelerates payment of a portion of the assessments.

OVERVIEW

Duties and Responsibilities

The Office of Consumers' Counsel (OCC), established in 1976, is the statutory advocate for residential utility customers. The OCC 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. The OCC resolves complaints individual customers may have with utilities, either through informal dispute resolution or through litigation, and educates consumers on utility issues. The Office's consumer education activities have become both more complex and more sought after as Ohio has moved toward a competitive utility environment; during the past two fiscal years the OCC has distributed over 700,000 educational materials to utility consumers.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
71	$7.77 million	$7.77 million	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services payroll reports as of June 2005.

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. The OCC receives no funding from the General Revenue Fund. The agency's FY 2005 expenditures were $8.24 million.

Summary of FYs 2006-2007 Budget Issues

All operations and programs of the OCC are funded through a single appropriation line item. The enacted budget appropriates $7,770,000 to that line item in FY 2006 (a 5.7% decrease compared with FY 2005 expenditures) and the same amount in FY 2007. Any funds appropriated but not spent during a fiscal year are returned to the utilities that fund the agency's budget.

Am. Sub. H.B. 66 changes the annual assessments of public utilities that constitute the sole source of funding for the agency. Operating costs for OCC are funded by the assessments levied against utilities that are deposited into Fund 5F5. The enacted budget increases the minimum annual assessment against a public utility from $50 to $100. It also revises the schedule by which the OCC collects the assessments. Currently OCC assesses these companies on or before October 1 of each year and the money is typically received in October. The current system requires the Director of Budget and Management to transfer money from the GRF to Fund 5F5 at the beginning of each fiscal year to cover operating costs until receipts from the assessment are received (at which time the amounts transferred are returned to the GRF). This provision alters this schedule beginning in calendar year 2006, allowing OCC to assess companies half the amount they were assessed on October 1 by the following May 15 if the company paid more than $1,000 in assessments for that fiscal year, with the amount assessed due by June 20. The remainder of the assessment will be payable on the current schedule. This provision essentially accelerates payment of a portion of the annual assessment, in the process increasing the total assessment paid in FY 2006, but not changing it significantly in future fiscal years. The acceleration means that approximately half of the assessment will be due by June 20 rather than October.

The enacted budget also created a prohibition against OCC operating a telephone call center for consumer complaints. The Public Utilities Commission (PUCO) is required to "expeditiously provide the consumers' counsel with all information concerning residential consumer complaints" received by PUCO through the operation of its call center.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Office of Consumers' Counsel is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 **Consumer Advocacy**

Purpose: To advocate for and educate Ohio's residential utility consumers.

The following table shows the line item that is used to fund the Consumer Advocacy program series, as well as the funding levels provided in the enacted budget.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
5F5	053-601	Operating Expenses	$7,770,000	$7,770,000
		General Services Fund Subtotal	**$7,770,000**	**$7,770,000**
Total Funding: Consumer Advocacy			**$7,770,000**	**$7,770,000**

This analysis focuses on the following specific program within the Consumer Advocacy program series.

Consumer Advocacy

Program Description: The Office of Consumers' Counsel resolves complaints individual customers may have with utilities, either through informal dispute resolution or through litigation. OCC operates a call center that received approximately 230,000 calls during the FY 2003-2004 biennium. The staff of OCC handled consumer complaints against utilities in 2003 that resulted in $390,000 in direct savings to consumers through refunded charges and bill credits. Note that, as described above, H.B. 66 enacted a prohibition against operating a call center to handle consumer complaints.

The coming year will see a milestone in the ongoing effort at utility restructuring: Am. Sub. S.B. 3 of the 123rd General Assembly (S.B. 3), often referred to as the electric restructuring law, defined "market development periods" during which the Public Utilities Commission of Ohio would retain authority over electric rates. The market development periods will end on December 31, 2005, after which PUCO will not have authority over electric rates, but will have authority to approve standard service offers by the electric utilities. PUCO is working with electric utilities to establish rate stabilization plans to ensure that electric rates do not increase substantially in markets where competition has not developed. OCC staff will represent Ohio's residential consumers in proceedings before the PUCO as the Commission makes decisions about rate stabilization plans for electric utilities.

The OCC also educates consumers on utility issues. OCC speakers attend and present at meetings throughout the state, participate in consumer shows and fairs, provide newsletter articles about utility issues, provide large print brochures and materials printed in Spanish, participate in and assist community advisory panels, and employ program specialists who serve as liaisons between local regions and OCC. The OCC has distributed over 700,000 educational materials over the last two years.

Funding Source: GSF - assessments on utilities

Implication of the Enacted Budget: The appropriation levels in the enacted budget are less than FY 2005 expenditures by $469,754, or 5.7%, but higher than expenditures in preceding years – 10.6% higher than FY 2004 expenditures. The prohibition against operating a call center for consumer complaints should reduce the volume of telephone calls handled in the OCC call center, which will remain operative to field calls from consumers that do not involve complaints – calls seeking information, for example. The expected reduction in call volume, together with the reduction in the FY 2006 appropriation, has lead OCC management to implement staffing reductions in the call center, and to leave vacant some open positions on the staff. Management also expects to reduce purchased services in order to avoid exceeding spending authority; for example, the budget for expert consultants to provide technical testimony before PUCO has been reduced. Discussions with PUCO are continuing, as of this writing, regarding how to implement both the forwarding of complaints received by telephone to PUCO and a system for PUCO to provide information regarding complaints to OCC. Those discussions have not yet yielded final decisions about a number of implementation issues.

Controlling Board

Joseph Rogers, Senior Budget Analyst

- Up to $50 million in funding for the unexpected
- $1.9 million to assist with local costs of certain state mandates

OVERVIEW

Duties and Responsibilities

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, it most commonly takes action on matters related to: (1) the waiver of competitive selection for the purchase of goods and services, including real estate leases, (2) the transfer and release of capital appropriations, (3) the transfer of operating appropriations, (4) the increase or establishment of operating appropriations, (5) the creation of a new fund, and (6) the acquisition of real estate.

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, carried forward to the next fiscal year, or allowed to lapse back into the available cash balance of the General Revenue Fund. In general, Controlling Board appropriations are used to cover costs related to unexpected events such as natural disasters, and to reimburse political subdivisions for the cost of carrying out certain state mandates.

Agency in Brief

The table below summarizes the Controlling Board's FYs 2006 and 2007 appropriations.

Controlling Board In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
N/A	$5.95 million	$5.95 million	$5.95 million	$5.95 million	Am. Sub. H.B. 66

*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 the OBM employee count.

Vetoed Provisions

The Controlling Board is not directly affected by any of the items contained in Am. Sub. H.B. 66 that were vetoed by the Governor.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Controlling Board activities are considered a single program series and are not subdivided into separate programs.

Program Series 1 Appropriations and Spending Oversight

Purpose: To provide appropriation authority and/or funding to state agencies and to oversee certain state agency expenditure decisions.

The following table shows the three GRF line items used by the Controlling Board to assist various state agencies and political subdivisions, as well as their enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	911-401	Emergency Purposes/Contingencies	$5,000,000	$5,000,000
GRF	911-404	Mandate Assistance	$650,000	$650,000
GRF	911-441	Ballot Advertising Costs	$300,000	$300,000
		General Revenue Fund Subtotal	**$5,950,000**	**$5,950,000**
Total Funding: Appropriations and Spending Oversight			**$5,950,000**	**$5,950,000**

Program Description: This program provides: (1) appropriation authority and funding to state agencies for the costs of emergencies and unplanned contingencies, and (2) reimbursement funding to certain political subdivisions for all or a portion of their costs incurred in complying with certain unfunded state mandates.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget provides: (1) $10 million in GRF funding over the biennium to provide assistance made necessary by disasters and emergency situations, (2) a temporary law provision specifying the circumstances under which up to $40 million would be transferred to the Controlling Board's Disaster Services Fund (Fund 5E2), and (3) nearly $1 million in GRF funding over the biennium to provide certain political subdivisions with funding related to the costs of statewide ballot initiative advertising, child abuse detection training, and certain felony prosecutions.

Temporary Law: Disaster Assistance (Section 203.81). Temporary law related to line item 911-401, Emergency Purposes/Contingencies, permits the Department of Public Safety to request transfers from line item 911-401 to provide funding for assistance to political subdivisions and individuals made necessary by natural disasters or emergencies.

Disaster Services Fund (Section 203.81). Section 312.01 of the enacted budget stipulates that, with regard to FY 2005 surplus GRF revenue, after the first $60 million is transferred to the Public Assistance Reconciliation Fund (Fund 5AX), the next $40 million is to be transferred to the Controlling Board's Disaster Services Fund (Fund 5E2). (The transfer of that cash to Fund 5E2 was made in July 2005.) Related temporary law in Section 203.81 of the enacted budget stipulates that the money: (1) may be transferred to the Department of Public Safety to provide assistance to political subdivisions made necessary by natural disasters or emergencies and that meets the Ohio Emergency Management Agency's criteria for assistance, and (2) shall be transferred to state agencies for the payment of state agency program expenses for certain floods, tornados, or storms, or other disasters declared by the Governor.

Southern Ohio Correctional Facility Cost (Section 203.81). Temporary law related to line item 911-401, Emergency Purposes/Contingencies, permits the Division of Criminal Justice Services in the Department of Public Safety and the Public Defender Commission, upon approval of the Director of OBM, to request appropriations from line item 911-401 for costs related to the disturbance that occurred on April 11, 1993, at the Southern Ohio Correctional Facility in Lucasville, Ohio.

Mandate Assistance (Section 203.81). The enacted budget contains funding of $650,000 in each of FYs 2006 and 2007 for GRF line item 911-404, Mandate Assistance. Related temporary law requires that these appropriations be used to provide financial assistance to: (1) county prosecutors for the cost of prosecuting certain felonies that occur on the grounds of state institutions operated by the Department of Rehabilitation and Correction and the Department of Youth Services, and (2) school districts for the cost of in-service training related to child abuse detection. Any moneys allocated within line item 911-411 not fully utilized may, upon application of the Ohio Public Defender Commission, be disbursed to county commissioners to provide additional reimbursement for the costs incurred by counties in providing defense to indigent defendants in criminal matters.

Ballot Advertising Costs (Section 203.81). The enacted budget includes funding of $300,000 in each of FYs 2006 and 2007 for GRF line item 911-441, Ballot Advertising Costs. Related temporary law authorizes the Controlling Board to transfer appropriations from line item 911-411 to the Ohio Ballot Board in order to reimburse county boards of elections for the cost of providing public notices associated with statewide ballot initiatives.

Ohio State Board of Cosmetology

Jason Phillips, Budget Analyst

- Enacted budget of $2.93 million for FY 2006
- Licensed over 115,000 individuals, salons, individual contractors, schools, and tanning facilities in FY 2004
- Planned consolidation within the Department of Commerce in FY 2007

OVERVIEW

Duties and Responsibilities

The Ohio General Assembly created the State Board of Cosmetology in 1932 to establish and maintain sanitary and professional standards in the beauty salon industry. The Board is charged with ensuring the health, safety, and sanitation of the beauty industry and its patrons through licensing and regulation of salons and individual licensees. In addition, the Board has oversight over the indoor tanning industry through regulation of ultraviolet radiation devices. The Board's oversight authority is located in Chapter 4713. of the Revised Code.

Agency in Brief

Agency In Brief

Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
40	$2.93 million	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

4K9 Fund

The State Board of Cosmetology is supported by fees that are deposited within the Occupational and Professional Licensing Fund (Fund 4K9), which serves as a repository for license fees and other assessments collected by the state's occupational licensing and regulatory boards. The 4K9 Fund allows the agencies that it funds the ability to maintain operations during years where licenses are not renewed and revenue is much lower. However, the philosophy of the 4K9 fund is that each board must generate enough revenue to cover their expenses. Yet, it is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

The State Board of Cosmetology handles the administrative work for roughly 115,000 individuals, salons, schools, and tanning facilities. The Board renews its licenses biennially with estimated revenue of $5.45 million versus $5.30 million in expenditures over the two-year period from FY 2004 to FY 2005. This has resulted in a net gain of $154,809 to the 4K9 fund in that span. The Cosmetology Board's enacted budget appropriates a total of $2.93 million for FY 2006, but does not make an appropriation for FY 2007, as the board is slated for consolidation within the Department of Commerce.

Board Consolidation

The enacted budget recommended that 20 independent occupational licensing boards be absorbed into the departments of Health, Commerce, and Public Safety. As such, the enacted budget does not appropriate funding in FY 2007 for the boards and commissions included in the consolidation proposal. The specifics of the consolidation plan will be addressed during FY 2006 by a task force consisting of the agencies acquiring the boards, the Department of Administrative Services, the Office of Budget and Management (OBM), and three individuals selected by the boards included in the consolidation proposal. According to the plan, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentives will be offered to regulatory board staff. These incentives should result in staff reductions. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the designated agency. Board and commission members for each agency will be retained and continue to serve in the manner in which they were appointed.

Relocation of Office

A provision in the enacted budget requires the State Board of Cosmetology to establish an office within Franklin County, Ohio instead of in Columbus, Ohio. The Board notes that the Real Estate division within the Department of Administrative Services is currently in negotiations with several lessors. The Board also reported that the move of its offices could occur by January of 2006 at a cost of approximately $100,000. No additional funds were appropriated for the move, which may result in the Board having to go before the Controlling Board to receive an appropriation increase.

Vetoed Provisions

The Governor did not veto any provisions affecting the State Board of Cosmetology.

Analysis of the Enacted Budget

For budget purposes, as detailed below, the Cosmetology Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Operating Expenses

Purpose: To establish and maintain sanitary and professional standards in the beauty salon industry.

The following table shows the line items that are used to fund the State Board of Cosmetology as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	879-609	Operating Expenses	$2,929,630	$0
Total Funding: State Board of Cosmetology			**$2,929,630**	**$0**

Program Description: In accordance with Chapter 4713. of the Revised Code, the State Board of Cosmetology maintains sanitary and professional standards in cosmetology by licensing and regulating individuals and salons.

Funding Source: GSF Fund 4K9

Implication of the Enacted Budget: The State Board of Cosmetology received $2.93 million for FY 2006, but did not receive an appropriation in FY 2007 as the Board is slated for consolidation into the Department of Commerce. The enacted budget held the Board to a flat funding level while the number of licensees is increasing approximately 6%-8% per year. The Board notes that, at the current funding level, it cannot meet its standards in service and that complaints could increase because of the increase in time for processing applications, licenses, calls, etc. Therefore, the Board has indicated that it will go before the Controlling Board for a fee increase and an increase in appropriation to cover office-moving costs, envisioned January 2006.

Counselor, Social Worker, and Marriage and Family Therapist Board

Maria E. Seaman, Senior Analyst

- The Board received no funding for FY 2007 and will be absorbed into the Department of Health that year
- There are over 30,000 licenses on file with the Board

OVERVIEW

Duties and Responsibilities

The Counselor, Social Worker, and Marriage and Family Therapist Board was created in 1984. The Board currently 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, evaluates supervised training experiences, and investigates complaints about issues of incompetent, unethical, and/or impaired practitioners.

The Counselor and Social Worker Board currently consists of 15 members appointed by the Governor. Four of the members are licensed professional clinical counselors or professional counselors. Two are licensed independent social workers. Two are licensed social workers. Two are licensed independent marriage and family therapists and two are licensed marriage and family therapists. Three represent the public.

There are over 30,000 licenses on file with the Counselor, Social Worker, and Marriage and Family Therapist Board. During FY 2004, the Counselor and Social Worker Board licensed 889 social workers, 277 independent social workers, 342 professional counselors, 253 professional clinical counselors, 18 marriage and family therapists, 123 independent marriage and family therapists, 3 temporary marriage and family therapists, and registered 100 social worker assistants. Additionally, the Board has 4,000 individuals registered as counselor trainees who are working toward licensure as professional counselors or clinical counselors.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
14	$1,058,445	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll report as of June 2005.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Counselor, Social Worker, and Marriage and Family Therapist Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

The following table shows the line item that is used to fund the activities of the Board, as well as the enacted appropriations.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	899-609	Operating Expenses	$1,058,445	$0
Total Funding: Counselor, Social Worker, and Marriage and Family Therapist Board			**$1,058,445**	**$0**

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

Funding Source: General Services Fund Group (Fund 4K9)

Implication of the Enacted Budget: In FY 2006, the enacted budget will allow the Board to maintain its current operations.

In FY 2007, the enacted budget requires that the Counselor, Social Worker, and Marriage and Family Therapist Board, along with many other occupational licensing boards, be absorbed into the Department of Health. As such, the enacted budget contains no funding in FY 2007 for the Board. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, the Office of Budget and Management, the Governor's Office, and three members selected by the affected boards. Current staff will be retained through FY 2006 and a hiring freeze and early retirement incentive will be offered to regulatory board staff. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board members will be retained.

Court of Claims

Laura A. Potts, Budget Analyst

- Current service levels to be maintained
- Court moved to newly renovated Ohio Judicial Center in Spring 2004

OVERVIEW

Duties and Responsibilities

The Court of Claims, established in 1975, is the only statutory court with statewide jurisdiction. The Court consists of incumbent or retired justices or judges of the Supreme Court of Ohio, courts of appeals, and courts of common pleas, who sit by assignment of the Chief Justice of the Supreme Court. The appointments to the Court are temporary, usually about three months. Many of the judges, however, are reappointed for multiple terms. While a motion can be filed requesting that a panel of three judges hear a particular case, these cases must present unusual or complex issues of law or fact for the request to be granted. Few cases are eligible for a hearing before a panel of three judges. In addition to its judges, the Court also has seven commissioners who are appointed by the Chief Justice of the Supreme Court of Ohio. Commissioners are not required to have previous judicial experience, although they are required to be lawyers with three years of work experience.

The Court has the two major responsibilities: (1) hearing civil actions filed against the state and (2) hearing appeals from decisions made by the Attorney General on claims allowed under the Victims of Crime Act.

Agency in Brief

The following table selectively summarizes Court appropriations and staffing information.

Court of Claims In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
44	$4.18 million	$4.26 million	$2.60 million	$2.68 million	Am. Sub. H.B. 66

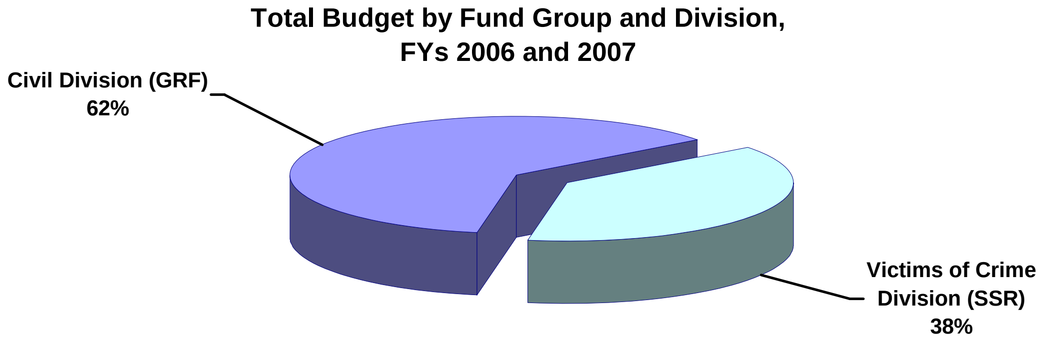
*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

The Court is not directly affected by any of the items contained in Am. Sub. H.B. 66 that were vetoed by the Governor.

Expense by Fund Group and Division Summary

The pie chart immediately below shows the Court's total enacted appropriations (FYs 2006 and 2007) by fund group and division. This information is shown for the GRF and for all funds.



The Court's budget structure can be summarized as follows:

- All of the Court's appropriated GRF funding is held in a single administration line item: 015-321, Operating Expenses. These funds are used to fund the Court's Civil Division.
- The Victims of Crime Fund (Fund 5K2) moneys used by the Court are appropriated to line item 015-603, CLA Victims of Crime. These funds are used to fund the Court's Victims of Crime Division.
- The budget of the Court also includes a GRF line item for which funds are never appropriated in the main operating appropriations act: line item 015-402, Wrongful Imprisonment Compensation. The line item's funds are transferred from the Controlling Board's budget on an as-needed basis to pay individuals who have been judged wrongfully imprisoned in the state of Ohio. When a wrongful imprisonment judgment has been journalized in a court of common pleas, the Controlling Board, upon certification by the Court of Claims, transfers the sum necessary to the line item.

Ohio Judicial Center

During FY 2004, the Court relocated their organization to the newly restored Ohio Judicial Center, formerly known as the Ohio Departments Building. The costs associated with the Court physically moving its operation and purchasing new office furniture and equipment were built into the FY 2004-2005 biennial budget. The Court does not currently pay rent to occupy space in the Ohio Judicial Center.

Analysis of the Enacted Budget

The Court of Claims is a single-program series agency with two major activities or programs, both of which are discussed in more detail below.

Program Series 1 — Court of Claims

Purpose: To hear and determine all civil actions against the state of Ohio and its agencies and to administer appeals for the Ohio Victims of Crime Compensation Program.

The following table shows the line items that are used to fund the Court of Claims, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	015-321	Operating Expenses	$2,598,040	$2,678,331
	General Revenue Fund Subtotal		$2,598,040	$2,678,331
State Special Revenue Fund				
SSR	015-603	CLA Victims of Crime	$1,582,684	$1,582,684
	State Special Revenue Fund Subtotal		$1,582,684	$1,582,684
Total Funding: Court of Claims			**$4,180,724**	**$4,261,015**

This analysis focuses on the following specific programs within the Court of Claims program series:

- ***Civil Division***
- ***Victims of Crime Division***

Civil Division

Program Description: Under this program, the Court hears all civil actions filed against the state of Ohio and its agencies. On average, around 1,200 civil cases have been filed with the Court over the last seven years. It appears that most civil cases do not go to trial; the matters are either dismissed for various reasons, e.g., failure to state a cause of action, or settled out of court.

Funding Source: GRF

Implication of the Enacted Budget: When civil cases are filed against the state, the affected state agency and not the Court pays any judgment against the state; thus the Court's GRF funds go only to cover its annual operating expenses. The amount of GRF funding received by the Court should allow it to maintain current service levels, as well as hire one additional part-time employee for the Civil Division.

Victims of Crime Division

Program Description: Under this program, the Court hears appeals of decisions made by the Office of the Attorney General pursuant to the Victims of Crime Compensation Program, which permits individuals suffering personal injury as the result of criminal conduct to apply for certain forms of compensation. Prior to FY 2001, the Court's Victims of Crime Division handled all compensation claims, with the Attorney General investigating the claim and filing a finding of fact and recommendation with the Court. With the passage of Am. Sub. S.B. 153 of the 123rd General Assembly, primary administrative responsibility for the program was shifted from the Court to the Attorney General, and the Court became responsible solely for hearing and determining appeals of determinations made by the Attorney General.

Funding Source: Cash transferred from the Office of the Attorney General's Victims of Crime Fund (Fund 402), also known as the Reparations Fund

Implication of the Enacted Budget: The Court essentially received continuation services funding, which means the amount of moneys that it calculated were necessary to perform the role of the appellate authority for the Victims of Crime Compensation Program. The amount should be sufficient to pay for the Court's annual costs associated with its appellate role, including payroll expenses of five full-time program staff.

Office of Criminal Justice Services

Holly Wilson, Budget Analyst

- Office abolished; merged with the Department of Public Safety

OVERVIEW

Office Abolished; Division Created

Prior law created the Office of Criminal Justice Services with a director appointed by the Governor and employees appointed by the Director. The Office served as the state criminal justice services agency and performed criminal justice system planning in Ohio; collected, analyzed, and correlated information and data concerning the criminal justice system in Ohio; assisted state and local governmental agencies and entities in dealing with criminal justice services planning and problems; administered federal and state programs and funds related to criminal justice; reported to the General Assembly, Attorney General, and Governor on ways to improve the criminal and juvenile justice systems; and performed other tasks related to criminal justice services.

The enacted budget abolished the Office of Criminal Justice Services and generally transferred its personnel and functions to, and created, the Division of Criminal Justice Services in the Department of Public Safety.

For information discussing the implications of the Office's consolidation as a division within the Department of Public Safety and related funding levels in terms of the prior level of services being provided by the Office of Criminal Justice Services, the reader is referred to the analysis of Public Safety's operating budget contained in this document.

Cultural Facilities Commission

Kerry Sullivan, Budget Analyst

- Total appropriation in FY 2006 is $39.33 million; FY 2007 is $39.51 million
- GRF dollars available for operating expenses are reduced by 60% compared to FY 2005; reliance on interest earned from bond sales increases by 59%
- Total membership on the Commission increases from ten to twelve

OVERVIEW

Duties and Responsibilities

The Ohio Cultural Facilities Commission was established in 1988, as the Ohio Arts Facilities Commission, to provide for the development, performance, and presentation of the arts in Ohio. Over the years, the responsibilities of the Commission have been expanded by the legislature to include funding oversight for projects at science and technology museums, local historical facilities, state historical sites, arts education facilities, and publicly owned professional sports venues.

The Commission's mission is to ensure wise stewardship of state capital improvement funds appropriated by the General Assembly and the Governor for planning, construction, renovation, and expansion projects. The General Assembly and Governor assign projects to the Commission in the state's biennial capital appropriations bills. The Commission reports to the Governor and General Assembly on the need for any additional facilities, and conducts reviews to ensure that uses of Ohio cultural facilities are consistent with statewide interests and the Commission's purposes. After a project is assigned to the Commission, the staff works with communities and local project sponsors to assist them through required processes. These include project management assistance, funding administration, and contract oversight. Over the last 16 years, more than $440 million in capital spending authority has been appropriated for over 200 projects of various sizes and complexities.

The Commission consists of seven members appointed by the Governor and three nonvoting members, consisting of one member each from the Senate and the House of Representatives and the Executive Director of the Ohio Arts Council. The Commission's full-time staff has historically included the Executive Director, Finance Director (currently vacant), Community Relations Director, Information Systems Director, three project managers, an executive assistant, and an administrative assistant.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
7	$39.33 million	$39.51 million	$38.33 million	$38.44 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Cultural Facilities Commission is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Ohio Cultural Facilities Commission Operations

Purpose: To protect state capital investments by determining the need for facilities and determining that there is sufficient local/regional support prior to making expenditures for a facility.

The following table shows the line items that are used to fund the Ohio Cultural Facilities Commission, as well as the enacted funding levels contained in Am. Sub. H.B. 66.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	371-321	Operating Expenses	$198,406	$195,707
GRF	371-401	Lease Rental Payments	$38,126,600	$38,246,500
		General Revenue Fund Subtotal	**$38,325,006**	**$38,442,207**
State Special Revenue Fund				
4T8	371-601	Riffe Theatre Equipment Maintenance	$81,000	$81,000
4T8	371-603	Project Administration	$920,448	$983,295
		State Special Revenue Fund Subtotal	**$1,001,448**	**$1,064,295**
Total Funding: Ohio Cultural Facilities Commission Operations			**$39,326,454**	**$39,506,502**

Ohio Cultural Facilities Commission Operations

Program Description: The Ohio Cultural Facilities Commission oversees capital improvement funds appropriated by the General Assembly and Governor for planning, construction, renovation, and expansion projects at Ohio's nonprofit theatres, museums, historical sites, and publicly owned professional sports venues. In the past 16 years, more than $440 million has been appropriated for over 200 projects of various sizes and complexities. The Commission partners with nonprofit organizations and local governments to administer these community projects.

Enacted under section 3383.02 of Am. Sub. H.B. 66 is a provision that increases the number of members on the Commission from ten to twelve, and in turn increases the number of voting members from seven to nine and the number needed for a quorum from four to five. The initial terms of the two new members are set to expire December 31, 2007 and December 31, 2008. The change is not expected to result in higher operating costs for the Commission because members serve without compensation.

Changes to Capital Bill Appropriations

Am. Sub. H.B. 66 also contains several amendments to previous capital appropriation and capital reappropriation legislation. These changes include: (1) the elimination of a $100,000 appropriation to the Fairfield Outdoor Theatre (CAP-836), made under Am. Sub. H.B. 189 of the 125th General Assembly, (2) an increased appropriation to the Butler Palace Theatre (CAP-846) from $100,000 made under Am. Sub. H.B. 16 of the 126th General Assembly to $200,000, (3) the elimination of a $30,000 appropriation to the Becky Thatcher Showboat (CAP-828), made under Am. Sub. H.B. 189 of the 125th General Assembly, and the transfer of that appropriation to the Mid Ohio Valley Players (CAP-829), increasing its appropriation from $50,000 to $80,000, and (4) the elimination of a $15,000 appropriation to the Kennedy Stone House (CAP-865), made under Am. Sub. H.B. 16 of the 126th General Assembly, and the reestablishment of that appropriation (CAP-068, Kennedy Stone House) under the administration of the Department of Natural Resources.

Funding Sources: General Revenue Fund, equipment and theatre ticket fees, and revenue bond interest

Implication of the Enacted Budget: The total FY 2006 appropriation to GRF item 371-321, Operating Expenses, is $198,406, which represents a decrease of 60% compared to FY 2005 actual spending ($490,473). As a result of decreased appropriations to this GRF line item, and in light of a current vacancy that exists within the position of finance director, in order to cut costs, the Commission is considering changing the nature of this position and outsourcing some of the higher-level financial analysis the person in this position used to perform. The Commission is also planning other cuts to purchased goods and services in order to operate within the budget appropriation.

The Commission also relies upon interest earnings from bond sales for operating revenue. These earnings are deposited to Fund 4T8, Project Administration. Revenue to this fund is partially dependent on the timing of bond issuances (determined by the Office of Budget and Management), the total amount of capital appropriation authority assigned to the Commission, and interest rates. Although the overall operating expenses of the Commission have not varied significantly over the years, revenue and appropriations to these two line items have fluctuated somewhat. In FY 2006, the fund is appropriated a total of $1,001,448, which represents an increase of 59% compared to FY 2005 actual spending ($630,396). Language contained within Am. Sub. H.B. 66 clarifies that the Treasurer of State may issue obligations to refund bonds previously issued to pay the costs of capital facilities leased to the Ohio Cultural Facilities Commission (formerly known as the Ohio Arts and Sports Facilities Commission). Additional language (1) permits the Director of Budget and Management to transfer to the Ohio Cultural Facilities Administrative Fund the premium paid on any bonds issued on behalf of the Commission and credited to the Cultural and Sports Facilities Building Fund that exceed federal arbitrage rebate requirements and (2) requires the Director of Budget and Management to determine the amount of cash from the premium paid on each bond issuance to be transferred from Fund 030 to Fund 4T8. As reliance on GRF dollars to fund Commission operations decreases, these changes will ultimately allow a portion of premiums paid on the Commission's bond issuances to be used for project management.

Dental Board

Wendy Risner, Budget Analyst

- Contributed $202,695 more to Fund 4K9 than expended during the FY 2004-2005 biennium
- Licenses 6,848 dentists, 6,772 dental hygienists, and 7,168 dental radiographers

OVERVIEW

Duties and Responsibilities

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.

Fund 4K9

The Ohio State Dental Board is part of the 4K9 Fund group. The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Services Fund that is a repository for license fees and other assessments collected by the state's professional and occupational licensing boards. The 4K9 Fund was established by Am. Sub. H.B. 152 of the 120th General Assembly. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated did not meet their expenditures. The 4K9 Fund eliminated these problems. The philosophy of the fund is that each board must generate enough revenues to cover their expenses. It is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

In fiscal year (FY) 2004, the Board licensed 6,848 dentists, 6,772 dental hygienists, and 7,168 dental radiographers. Revenue is generated from new and renewal license fees, which are collected biennially. Expenditures are for operating expenses associated with the licensure, regulation, and enforcement processes. Expenditures and revenue for the FY 2003-2004 two-year renewal cycle were $2,514,517 and $2,717,212, respectively. Thus, the Board contributed $202,695 more to Fund 4K9 than it expended during the two-year licensing cycle.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
14*	$1.42 million	$1.42 million	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

There were no vetoed provisions for the Dental Board.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Dental Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

Purpose: To license and regulate the dentistry profession.

The following table shows the line items that are used to fund the Ohio State Dental Board, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	880-609	Operating Expenses	$1,424,791	$1,424,791
		General Services Fund Subtotal	**$1,424,791**	**$1,424,791**
Total Funding: Dental Board			**$1,424,791**	**$1,424,791**

Ohio State Dental Board

Program Description: In accordance with Chapter 4715. of the Revised Code, the Ohio State Dental Board regulates the practice of dentistry, dental hygiene, and dental assistant radiography by setting and enforcing standards of practice through licensure, regulation, and enforcement.

Funding Source: Licensing fees and other assessments deposited into GSF Fund 4K9

Implication of the Enacted Budget: The Board received funding of $1,424,791 in both FY 2006 and FY 2007. The funding will maintain current service levels.

Board of Deposit

Ruhaiza Ridzwan, Economist

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

OVERVIEW

Duties and Responsibilities

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 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

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
0	$1.68 million	$1.68 million	$0	$0	Am. Sub. H.B. 66

* Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

The Board of Deposit received appropriations of $1,676,000 for both FY 2006 and FY 2007. This amount is 45.51% higher than FY 2005 actual expenditures. FY 2005 actual expenditures were $1,151,820. The appropriations provide the necessary funding to maintain the Board of Deposit's banking charges and fees at current levels, to enable the Board to continue to designate financial institutions to serve as public depositories, and to regulate the deposits of state funds in designated financial institutions.

The Board of Deposit uses no GRF moneys. The Board of Deposit Expenses Fund receives transfers of cash from the Investment Earnings Distribution Fund (Fund 608) after certification of the Board's expenses by the Director of Budget and Management.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Board of Deposit is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — State Treasury Account Management

Purpose: To designate which financial institutions serve as public depositories and implement the Uniform Depository Act as it applies to the state.

The following table shows the line item that is used to fund State Treasury Account Management, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
GSF	974-601	Board of Deposit	$1,676,000	$1,676,000
		General Services Fund Subtotal	**$1,676,000**	**$1,676,000**
Total Funding: State Treasury Account Management			**$1,676,000**	**$1,676,000**

This analysis focuses on the State Treasury Account Management program series.

<u>State Treasury Account Management</u>

Program Description: The Board of Deposit designates which financial institutions serve as public depositories and implements the Uniform Depository Act as it applies to the state. The Board also approves bank service charges and confirms the designation and investment of interim moneys of the state.

Funding Source: The Board of Deposit Expenses Fund receives transfers of cash from the Investment Earnings Distribution Fund (Fund 608) after certification of the Board's expenses by the Director of Budget and Management

Implication of the Enacted Budget: 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.

- Total funding is $892 million in FY 2006 and $894 million in FY 2007
- New or enhanced programs include the Shovel Ready Sites program, Defense Conversion Assistance Program, Alternative Fuel Transportation Grant Program, and the Lung Cancer and Lung Disease Research Fund
- Increased funding is provided to the Business Development Grants Program, Ohio Investment in Training Program, and Roadwork Development Grants Program
- Funding for the First Frontier Program is eliminated

Department of Development

Kerry Sullivan, Budget Analyst

OVERVIEW

Duties and Responsibilities

The Ohio Department of Development (DEV) promotes economic growth, creates employment opportunities, and retains employment within the state by using a combination of state and federal funds, tax credits, tax incentives, and interaction with other state agencies. The Department administers funding for economic development and minority business assistance programs, workforce training, technology development, community and regional development, housing programs, electric utility service payment assistance, home weatherization and energy conservation programs, international trade, and travel and tourism.

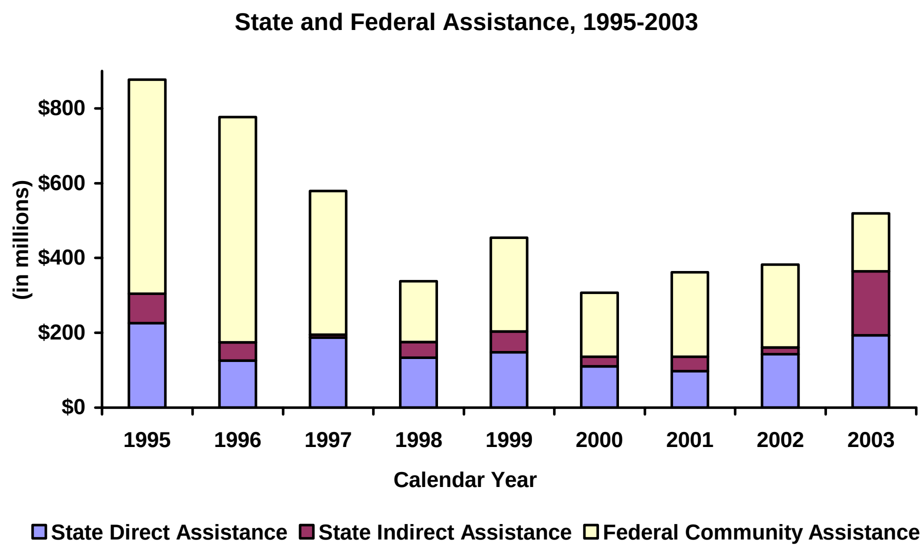
Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
419	$892.13 million	$894.79 million	$99.80 million	$103.37 million	Am. Sub. H.B. 66 Am. Sub. H.B. 68

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Economic Development Issues of Interest

State and federal funds administered by the Department of Development include: **direct assistance**, ODOD financial assistance for business attraction and expansion projects that include job creation, retention, and training; **indirect assistance**, ODOD funding programs that improve an entity's competitiveness but are not measurable in terms of employment increases; and **community assistance**, quality-of-life enhancements at the local level that are mainly federally funded and administered by ODOD. These assistance activities are supported by programs within the Department's Economic Development Division, Division of Minority Business Affairs, Technology Division, and the Community and Housing Development Divisions.



Financial Assistance Programs

The Department of Development provides assistance to firms interested in expanding or locating their operations in Ohio. Integral to the Department's economic development initiatives are the following programs: Business Development Grants (GRF 195-412), the Ohio Investment in Training Program (GRF 195-434, GSF 195-667), 166 Direct Loans and Ohio Enterprise Bond Loans (Fund 037, Facilities Establishment), and the Job Creation Tax Credit Program.

Third Frontier Project

The Third Frontier Project is Ohio's economic development initiative to invest over $1 billion over a ten-year period for the purpose of expanding high-tech research capabilities, promoting innovation, encouraging company formation, and creating high-paying jobs in the state of Ohio. The initiative is composed of multiple parts: (1) funding of $500 million over a ten-year period to existing Third Frontier programs, (2) $500 million for ten years for the Wright Capital Fund to provide competitive grants for capital assets, (3) $100 million for the Innovation Ohio Loan Program for targeted industry sectors in Ohio, (4) $200 million for the Research and Development Loan Program for capital investments in research facilities, and (5) a ballot issue for the use of bonds toward applied research and technology commercialization projects.

The Third Frontier Commission coordinates the many initiatives of the Third Frontier Project, while the Third Frontier Advisory 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 is composed of the Director of Development, Chancellor of the Board of Regents, and the Governor's Science and Technology Advisor. The Third Frontier Advisory Board consists of 16 members (9 business representatives, 5 university or nonprofit research institutions, 1 member from the House of Representatives and 1 member from the Senate).

Third Frontier Action Fund

The Third Frontier Action Fund (GRF 195-422) is administered by the ODOD and provides competitive grants for entrepreneurial activities. The program seeks to encourage the creation of quality job opportunities in technology-driven sectors.

Wright Capital Fund

Funding for the Wright Capital Fund program is provided through capital appropriations and is intended for the acquisition, renovation, or construction of facilities and the purchase of equipment for research programs, technology development, product development, and commercialization programs. Funding under the program is to be used for grants, which are awarded on a competitive basis and are administered by the Department of Development, for capital assets, specifically buildings and equipment for conducting research and commercializing new technologies at the Wright Centers of Innovation. The Wright Centers are intended to draw together Ohio business and industry, higher education and nonprofit research institutions, and the state to pursue research and development opportunities.

Innovation Ohio Loan Fund Program

Under the Innovation Ohio Loan Fund Program, $100 million in revolving loan funds are intended 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 FYs 2006 and 2007, $50 million are appropriated to line item 195-664, Innovation Ohio.

Research and Development Loan Fund Program

Under the Research and Development Loan Fund Program, an eventual $200 million in revolving loan funds is intended for research and development projects that design, create, or formulate new or enhanced products, equipment, or processes, and conduct scientific or technological inquiry and experimentation in the physical sciences with the goal of increasing scientific knowledge that may reveal the bases for new or enhanced products, equipment, or processes. Under this program, the state provides loans ranging from $1.5 million to $25 million for up to 50% of eligible capital costs to companies investing a minimum of $2 million in fixed assets. In FYs 2006 and 2007, $50 million is appropriated to line item 195-665, Research and Development.

Ballot Issue

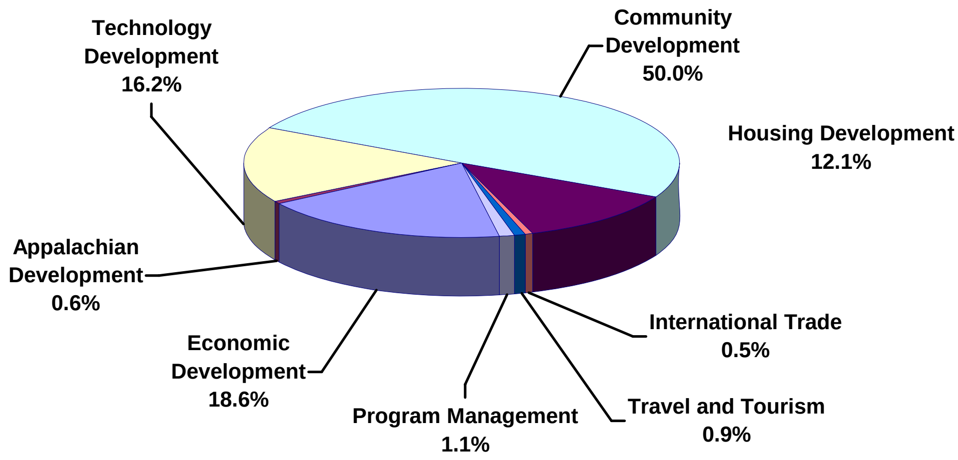
H.J.R. 2, passed by the General Assembly on August 3, 2005 proposes to submit a constitutional amendment for the state voters' approval at the November 8, 2005 general election. The proposal authorizes the state, generally, to issue general obligation bonds to fund local government public infrastructure capital improvements, research and development, and the development of certain sites and facilities for industry, commerce, distribution, and research and development.

A total of $500 million in general obligation bonds with a maximum of 20 years' maturity period may be issued for research and development purposes. Bond issuance is limited up to $100 million in the first three fiscal years, and up to $50 million in the last four fiscal years. The bonds will be used for development and commercialization projects competitively selected by Ohio's Third Frontier Commission for the Third Frontier Program.

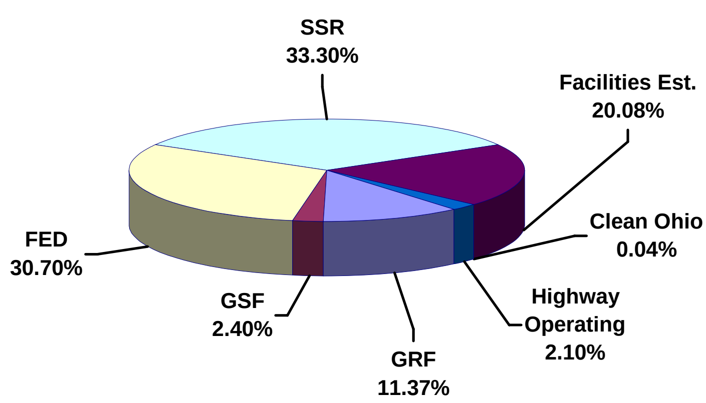
Additionally, a total of $150 million general obligation bonds with a maximum of 30 years' maturity period may be issued for the development of certain sites and facilities purposes. Bond issuance is limited up to $30 million in the first three fiscal years, and up to $15 million in the last four fiscal years. The bonds for the site and facility development will be used to prepare sites for industrial and business expansion for the Job Ready Sites program.

Breakdown of Department of Development's Total Budget

Total Budget by Program Series



Total Budget by Fund Group



ANALYSIS OF THE ENACTED BUDGET

Program Series 1 Economic Development

Purpose: To retain and expand existing businesses in Ohio, attract businesses to the state, and develop new businesses in Ohio.

The following table shows the line items that are used to fund the Economic Development program series, as well as the enacted funding levels contained within Am. Sub. H.B. 66 and Am. Sub. H.B. 68.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	195-321	Operating Expenses	$1,479,482	$1,440,003
GRF	195-404	Small Business Development	$1,740,722	$1,740,722
GRF	195-405	Minority Business Development Division	$1,580,291	$1,580,291
GRF	195-410	Defense Conversion Assistance	$300,000	$200,000
GRF	195-412	Business Development Grants	$11,750,000	$11,750,000
GRF	195-414	First Frontier Match	$0	$0
GRF	195-415	Economic Development Division and Regional Offices	$5,794,975	$5,894,975
GRF	195-426	Clean Ohio Implementation	$300,000	$300,000
GRF	195-434	Investment in Training Grants	$12,227,500	$12,227,500
GRF	195-436	Labor/Management Cooperation	$811,869	$811,869
GRF	195-515	Economic Development Contingency	$10,000,000	$0
		General Revenue Fund Subtotal	**$45,984,839**	**$35,945,360**
General Services Fund				
5AD	195-667	Investment in Training Expansion	$5,000,000	$5,000,000
5AD	195-668	Worker Guarantee Program	$3,000,000	$3,000,000
5AD	195-677	Economic Development Contingency	$0	$10,000,000
		General Services Fund Subtotal	**$8,000,000**	**$18,000,000**
Federal Special Revenue Fund				
308	195-609	Small Business Administration	$4,296,381	$4,296,381
3AE	195-643	Workforce Development Initiatives	$5,800,000	$5,800,000
		Federal Special Revenue Fund Subtotal	**$10,096,381**	**$10,096,381**
State Special Revenue Fund				
450	195-624	Minority Business Bonding Program Administration	$53,967	$53,967
451	195-625	Economic Development Financing Operating	$2,358,311	$2,358,311
4F2	195-639	State Special Projects	$8,000	$8,000
4F2	195-676	Promote Ohio	$5,228,210	$5,228,210
4H4	195-641	First Frontier	$0	$0
4S0	195-630	Enterprise Zone Operating	$275,000	$275,000

Fund	ALI	Title	FY 2006	FY 2007
4S1	195-634	Job Creation Tax Credit Operating	$375,800	$375,800
4W1	195-646	Minority Business Enterprise Loan	$2,580,597	$2,580,597
5CA	195-678	Shovel Ready Sites	$5,000,000	$5,000,000
5CV	195-680	Defense Conversion Assistance	$1,000,000	$0
617	195-654	Volume Cap Administration	$200,000	$200,000
		State Special Revenue Fund Subtotal	**$17,079,885**	**$16,079,885**
Facilities Establishment Fund				
037	195-615	Facilities Establishment	$63,931,149	$63,931,149
4Z6	195-647	Rural Industrial Park Loan	$3,000,000	$3,000,000
5D2	195-650	Urban Redevelopment Loans	$5,475,000	$5,475,000
5H1	195-652	Family Farm Loan Guarantee	$1,000,000	$1,000,000
5S8	195-627	Rural Development Initiative	$3,000,000	$3,000,000
5S9	195-628	Capital Access Loan Program	$3,000,000	$3,000,000
		Facilities Establishment Fund Subtotal	**$79,406,149**	**$79,406,149**
Highway Operating Fund				
4W0	195-629	:oadwork Development	$18,699,900	$18,699,900
		Highway Operating Fund Subtotal	**$18,699,900**	**$18,699,900**
Clean Ohio Revitalization Fund				
003	195-663	Clean Ohio - Operating	$350,000	$350,000
		Clean Ohio Revitalization Fund Subtotal	**$350,000**	**$350,000**
Total Funding: Economic Development			**$179,617,154**	**$178,577,675**

This analysis focuses on the following specific programs within the Economic Development program series:

- ***Business Development and Financial Incentives***
- ***Investment in Training***
- ***Small and Developing Business***
- ***Minority Business Development***
- ***Tax Incentives***
- ***Regionalization of Economic Development***
- ***Marketing, Promotion, and Advertisement***

Business Development and Financial Incentives

Program Description: Programs within the Department of Development's Economic Development Division assist and promote economic growth by providing financial assistance and various support services to companies and communities throughout the state. Assistance ranges from direct financial assistance to small business counseling. The Division also provides specialized funding for various activities, including Clean Ohio funding to revitalize underutilized "brownfield" sites.

The Office of Business Development assists companies looking to expand or locate in Ohio by structuring incentive packages, providing information on the state's business assistance programs, and conducting site and building searches. The Office administers the 412 Business Development and 629 Roadwork Development (funded under the Transportation Budget Bill) grant programs, which support economic development through infrastructure assistance. The Office also contains a Key Projects Section, which focuses on larger and more complex economic development deals.

The Office of Financial Incentives has two sections: the Credit and Finance Section that manages the state's business loan portfolio, analyzes loan applications, and provides recommendations regarding appropriate loan terms; and the Loan and Grant Servicing Section that monitors all existing loans and grants, including loans and grants governed under Chapter 166. of the Revised Code and implemented through the Facilities Establishment Fund (including 166 Direct Loans, Rural Industrial Park Loans, Rural Development Initiative Grants, Urban Redevelopment Loans, and the Family Farm Loan Guarantee Program).

Funding Sources: General Revenue Fund, unclaimed funds, various program participation fees, various program loan repayments, economic development bond proceeds, investment interest

Implication of the Enacted Budget: Enacted funding levels for all aspects of this program total $128,395,447 in FY 2006 and $127,393,133 in FY 2007. Noteworthy provisions contained within the Main Operating Budget Bill and the Transportation Budget Bill are described below.

Business Development Grants: GRF appropriation item 195-412, Business Development Grants, receives a total of $11.75 million in each fiscal year, reflecting a 32% increase above FY 2005 appropriations. Business Development Grants are used as an incentive for attracting and retaining business opportunities for the state. Projects that receive funding must create and/or retain a significant number of jobs in the state. The Department of Development's primary goal is to award funds to political subdivisions for off-site infrastructure improvements, though the Director may recommend that funds be used in an alternative manner when considered appropriate to meet an extraordinary economic development opportunity or need.

Facilities Establishment Fund: A number of transfers from the Facilities Establishment Fund (Fund 037) are authorized under Am. Sub. H.B. 66. These include:

- Up to $1.8 million each FY to the Economic Development Financing Operating Fund (Fund 451);
- Up to $10.95 million to the Urban Redevelopment Loan Fund (Fund 5D2) over the biennium;
- Up to $3 million each FY to the Rural Industrial Park Loan Fund (Fund 4Z6);
- Up to $1 million each FY to the Family Farm Loan Guarantee Fund (Fund 5H1);
- Up to $3 million each FY to the Rural Development Initiative Fund (Fund 5S8);
- Up to $3 million each FY to the Capital Access Loan Program Fund (Fund 5S9);
- Up to $5 million each FY to the Shovel Ready Sites Fund (Fund 5CA).

Shovel Ready Sites Program: The Shovel Ready Sites program is established in permanent law to provide grants for projects to port authorities and development entities approved by the Director of Development. Grants may be used toward the acquisition of property; the preparation of sites; construction of road, water, telecommunication, and utility infrastructure; and the payment of professional fees. The program was originally established as a pilot program in Am. Sub. H.B. 95 of the 125th

General Assembly and was funded with a GRF appropriation. Under Am. Sub. H.B. 66, a new fund (Fund 5CA) is established and appropriated $5 million per fiscal year. Moneys will be transferred from the Facilities Establishment Fund (Fund 037).

Defense Conversion Assistance: In response to the U.S. Department of Defense's Base Realignment and Closure (BRAC) Commission recommendations, Am. Sub. H.B. 66 authorizes municipalities and counties to enter into agreements with the U.S. or any department, agency, or instrumentality of the U.S. (i.e., tenants) for the purpose of retaining jobs at military facilities. Under these agreements, tenants who propose a project to retain jobs at facilities recommended for realignment or closure under the BRAC program may receive annual payments from the Department of Development equal to the income tax revenue the tenants generate from the retention of employees. These annual payments are to be paid from revenue that is not raised by taxation (this is likely to include revenue generated from liquor sales).

Additionally, the Defense Conversion Assistance Fund (Fund 5CV) is established to provide grants to local communities for costs associated with the preparation and redevelopment of military installations slated for closure under the BRAC program. One million dollars is transferred to Fund 5CV from unclaimed funds during FY 2006.

Roadwork Development Grants: The Ohio Department of Transportation (ODOT) and the Department of Development have established a 14-year partnership allocating gas tax moneys to the Roadwork Development (195-629) account. Available funding for 629 grants increases $6.0 million in each of FYs 2006 and 2007 compared to FY 2005 levels ($12.7 million in FY 2005; $18.7 million in FYs 2006 and 2007). The additional funding is intended to meet a recent and strong increase in demand for these grants that is not expected to subside in the near term.

Investment in Training

Program Description: The Ohio Investment in Training Program (OITP) assists companies by financially supporting employee training. The primary functions of the OITP are to create and retain jobs within Ohio, train and educate Ohio's workforce, and support new and expanding Ohio businesses. The OITP grants require a 50% match of eligible project costs and require companies to make capital investments that can include the purchase of new machinery and equipment or construction of new facilities.

The Worker Guarantee Program is designed to guarantee employers the skilled workers they need to fill new job openings and grow their businesses in Ohio. Eligible companies includes those who create at least 100 high-paying, full-time jobs over a three-year period and who demonstrate, prior to the commitment of state funds, that the availability of those skilled workers is a major factor in the employer's decision to locate or expand in Ohio. Activities eligible for funding through the Worker Guarantee Program include job assessment services, screening and testing of potential employees, customized training activities, and any other training or related service determined by the Director of Development.

Funding Sources: General Revenue Fund, unclaimed funds, U.S. Department of Labor Workforce Investment Act funds

Implication of the Enacted Budget: The enacted budget funds all aspects of this program at $26,342,588 in FY 2006 and $26,344,902 in FY 2007. A new line item, Investment in Training Expansion (GSF 195-667), which was established to supplement grant funding provided under line item

195-434, Investment in Training Grants, receives $5 million in appropriation authority each year. Additionally, the Worker Guarantee Program is continued, and provides funds to assess, train, and screen employees for companies creating 100 or more jobs. Funding also supports the Governor's Workforce Policy Board, which is working to improve Ohio's employment and training services through systematic workforce development change.

The Investment in Training Expansion Program and the Worker Guarantee Program are funded through a transfer of unclaimed funds made by the Director of Commerce.

Small and Developing Business

Program Description: This program works with small- and women-owned businesses interested in expanding or locating their businesses in Ohio. The program acts as a liaison between the small business community and governmental agencies and provides technical assistance through its network of Small Business Development Centers (SBDC) and Manufacturing SBDCs.

The Small Business Development Center Program helps to build community capacity to provide in-depth small business consulting and training resources and to foster a strong climate for small business survival and growth. Key activities of this program include a network of regional direct-service offices, the 1st Stop Business Connection, the Ohio Graduate Business School Competition, the eVantage Training Program, the NxLevel Entrepreneurship Training Initiative, the International Trade Assistance Program, and the Ohio Manufacturing, Defense and Technology Program. Additionally, the Ohio Small Business Ombudsman offers assistance to business owners who have not been able to settle business or regulatory issues with state agencies.

The Ohio Labor/Management Cooperation Program consists of a network of area labor-management councils and university based labor-management centers. The program provides information on cooperative processes and a variety of services including conducting workplace assessments, establishing and training teams, and implementing quality improvement programs.

The Capital Access Loan Program is designed to encourage state-chartered financial institutions to make loans to for-profit or not-for-profit small businesses that are having difficulty obtaining business loans through conventional underwriting standards. The program encourages lending by establishing a unique loan "guarantee" reserve pool at an Ohio Capital Access Program participating lending institution. The state, the lender, and the borrower each pay a small fee contribution into the pool. The reserve pool is available to the participating lender for recovery of any losses on any loan they have enrolled in the Ohio Capital Access Program.

Funding Sources: General Revenue Fund, Small Business Development Center funds, program participation fees, program loan repayments, economic development bond proceeds, investment interest

Implication of the Enacted Budget: Enacted funding levels for all aspects of this program total $9,348,972 in each of FYs 2006 and 2007. In addition to supporting the Small Business Development Center Program, funding also supports the Governor's Small Business Advisory Council in soliciting the concerns and priorities of small business owners, and continues the Capital Access Loan Program, an economic development tool that encourages lending to small businesses for growth and expansion.

Capital Access Loan Program: Under Am. Sub. H.B. 66, the conditions under which the state contributes moneys to a financial institution's program reserve account is modified. Formerly, an eligible business that received a loan under the Capital Access Loan Program was required to pay a fee equal to not less than one and one-half percent (1 1/2%), and not greater than three percent (3%), of the principal amount of the loan. The amount of this fee was then matched by the financial institution, and both payments were deposited to the financial institution's program reserve account. The state contributed an amount equal to 10% of the principal amount of the loan, which was also deposited to the reserve account. Under new law, the Department of Development will contribute 50% of the principal amount of the loan for the first three loans that are issued by the financial institution. Thereafter, the state's contribution drops back to 10%.

Increasing the state's contribution for the first three loans issued under the Capital Access Loan Program is likely to provide an incentive to banks that are not currently participating in the program to make these loans. Section 122.602 of the Revised Code sets the parameters for loan amounts as follows: $500,000 for fixed assets and $250,000 for lines of credit. According to the agency, the average loan amount under the program is $65,802. Depending on the number of financial institutions that participate in the program, there will likely be greater expenditures from the Capital Access Loan Program Fund (Fund 5S9) to meet the new 50% of principal match requirement. Revenue to Fund 5S9 is derived from the sale of economic development bonds.

Minority Business Development

Program Description: This program aids in the creation of a business environment that is sensitive to the needs of small, disadvantaged, and minority businesses. Information is provided to minority business owners through the Minority Contractors and Business Assistance Program, the Office of Technical Services, and the Office of Procurement Services.

A program launched by a Governor's Executive Order in December 2002 is the Encouraging Diversity, Growth and Equity (EDGE) Program, a small business assistance program designed to promote, nurture, and encourage diversity, growth, and equity in Ohio's marketplace. The program includes assisting small business with securing contracts in the marketplace and also includes a mentor-protégé component that will pair larger companies as mentors to EDGE Program participants to benefit both companies commercially. This program is funded through line item 195-405, Minority Business Development Division, in conjunction with the Department of Administrative Services.

Funding Sources: General Revenue Fund, Procurement Technical Assistance Center funds, program participation fees, interest income, loan principal and interest repayments

Implication of the Enacted Budget: Enacted funding levels for all aspects of this program total $4,714,855 in each of FYs 2006 and 2007. Funding will support activities to assist targeted businesses, including the EDGE Program, and continues programs that provide loans, bond guarantees, and loan guarantees to assist minority and small businesses with growth and development.

Minority Business Development Loan and Bonding Programs: Under Am. Sub. H.B. 66, the powers of regional economic development entities to recommend loan assistance for minority business enterprises to the Director of Development are recognized and established. This authority is in addition to the powers of the Minority Development Financing Advisory Board to recommend loan assistance for minority business enterprises.

Additionally, the membership of the Minority Development Financing Advisory Board is increased from seven to ten and the Director of Development (or his designee) is designated as a voting member on the board. Seven members are to be appointed by the Governor, one member is to be a member of the Senate, and one of the House of Representatives. Also, the number of members necessary for a quorum increases from five to six, and the number of affirmative votes necessary for any action taken by the board increases from five to six.

Tax Incentives

Program Description: The Office of Tax Incentives provides technical assistance to both local government and business clients to successfully implement various state and local tax incentive programs permitted under the Ohio Revised Code, including local income tax incentives, real and personal property exemptions, and state franchise/income tax incentives. The programs include the Enterprise Zone, Community Reinvestment Area, and Tax Increment Financing programs, the Job Creation Tax Credit and Job Retention Tax Credit programs, and the Machinery and Equipment Investment Tax Credit program. The state's role in these programs is to:

(1) Review applications submitted from areas eligible for an exemption;

(2) Review requests affecting the intrastate relocation of projects into a nondistressed based area;

(3) Provide technical assistance to local economic development officials considering a property tax incentive; and

(4) Report to the Governor, General Assembly, and other interested parties on the performance of property tax projects throughout the state.

Funding Sources: Application fees and penalties collected under the Enterprise Zone Program and the Community Reinvestment Area Program, application and servicing fees from recipients of tax credits under the Job Creation Tax Credit Program and the Job Retention Tax Program

Implication of the Enacted Budget: Enacted funding levels for all aspects of this program total $650,800 in each of FYs 2006 and 2007. Funding will support administration of the Job Creation Tax Credit (JCTC) and the Job Retention Tax Credit (JRTC) programs, which are available to companies with proposed projects that meet statutory and administrative requirements regarding job creation and retention. Funding also supports the Ohio Tax Credit Authority, an independent board that approves JCTC and JRTC projects and oversees the execution of existing tax credit agreements.

Regionalization of Economic Development

Program Description: The purpose of the Governor's Regional Economic Development offices is to enhance the overall business climate of the state by providing outreach assistance to local governments, businesses, and professional economic development agencies. These 12 regional offices assist with the department's mission of retaining, expanding, and creating new employment opportunities in the state, and act as liaisons between their region and state government.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: Enacted funding levels for all aspects of this program total $3,448,800 in each of FYs 2006 and 2007. Funding will support the operation of 12 regional offices, located in Youngstown, Marietta, Cambridge, Akron, Cleveland, Chillicothe, Mansfield, Cincinnati, Dayton, Lima, Toledo, and Columbus.

Marketing, Promotion, and Advertisement

Program Description: This program promotes the programs and services of the Department of Development, plans economic development-related events, responds to media inquiries, and coordinates marketing programs that promote the state as a favorable site for business expansion and relocation.

The Ohio Business Development Coalition (OBDC) is a 501(c) 6 organization, charged with developing and executing a targeted, proactive marketing and sales strategy for Ohio. A self-appointed Board of Directors leads the coalition with representation from the business community, corporate marketing, communications professionals, and regional and local economic development professionals. The primary objective of the OBDC is to provide the Department of Development and economic regional development organizations with qualified leads and effective tools to both retain and expand Ohio companies, and to attract new companies to Ohio.

Funding Sources: General Revenue Fund, vendor fees and other payments from utility companies, unclaimed funds, matching funds from local governments/economic development organizations who participate in First Frontier marketing initiatives

Implication of the Enacted Budget: Enacted funding levels for this program total $6,715,692 in FY 2006 and $6,676,213 in FY 2007. Funding will assist with the operation of the Ohio Business Development Coalition (through line item 195-676, Promote Ohio), and will support the operation of the Office of Marketing Communications. Promote Ohio is funded through a transfer of unclaimed funds from the Department of Commerce.

First Frontier Program: All funding for the First Frontier Program is eliminated under Am. Sub. H.B. 66. The program assisted Ohio's rural and Appalachian counties with business marketing efforts to attract economic development opportunities to their communities. In the past, the program produced special Ohio marketing supplements focusing on Appalachian Ohio, which were published in economic development publications and larger media such as Forbes and the Wall Street Journal.

Program Series 2 — Appalachian Development

Purpose: To provide economic and community development assistance to Ohio's Appalachian region.

The following table shows the line items that are used to fund the Appalachian Development program series, as well as the enacted funding levels contained within Am. Sub. H.B. 66.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	195-416	Governor's Office of Appalachia	$4,122,372	$4,122,372
GRF	195-501	Appalachian Local Development Districts	$380,080	$380,080
GRF	195-502	Appalachian Regional Commission Dues	$246,803	$246,803
		General Revenue Fund Subtotal	**$4,749,255**	**$4,749,255**
Federal Special Revenue Fund				
308	195-602	Appalachian Regional Commission	$600,660	$600,660
		Federal Special Revenue Fund Subtotal	**$600,660**	**$600,660**
Total Funding: Appalachian Development			**$5,349,915**	**$5,349,915**

Appalachian Development

Program Description: The Governor's Office of Appalachia assists the 29-county Appalachian Region with economic and community development projects, both short- and long-term planning, and represents Ohio's Appalachian counties in state government. The economic and community development-related activities of the program include grants and loans supported by state and federal funding, which are administered with the help of three local development district offices located in Marietta, Cambridge, and Waverly. The federal Appalachian Regional Commission provides funding for projects in concert with other federal, state, and local moneys. Ohio's Appalachian Regional Commission follows a strategic plan to implement its various activities.

Funding Sources: General Revenue Fund; federal grant moneys for Appalachian state research, technical assistance, and demonstration projects

Implication of the Enacted Budget: The enacted budget funds this program at $5,349,915 in each of FYs 2006 and 2007. Funding will provide continued support of Appalachian development activities, including participation in federal Appalachian Regional Commission efforts.

Industrial Site Improvement Fund: The Industrial Site Improvement Grant Program provides grants to eligible counties for the improvement of commercial or industrial areas within Appalachian counties, counties designated as "distressed," and counties that experienced specific types of job loss within the previous calendar year. Am. Sub. H.B. 66 amends the program in the following ways: (1) reduces the maximum grant award to eligible counties from $1 million to $500,000, (2) limits the amount of a grant to not more than 75% of the estimated total cost of the project, (3) prohibits more than 10% of a grant from being used for professional services related to the project, (4) prohibits an eligible county that receives a grant in one fiscal year from receiving any additional grant that same fiscal year or in the subsequent fiscal year, (5) allows grant money to be used to acquire commercial or industrial land or buildings, and (6) allows an eligible county to designate a port authority, community improvement corporation, or other economic development entity in the county to apply for a grant.

During FY 2005, the grant program was supported by a transfer of liquor profits from the Department of Commerce. In each of FYs 2006 and 2007, the program will be funded through a transfer of $2.5 million from the Energy Efficiency Revolving Loan Fund (Fund 5M5). The Industrial Site Improvement Fund (Fund 5AR) does not have established appropriation authority under Am. Sub. H.B. 66.

Program Series 3 — Technology Development

Purpose: To support economic development through the research, development, and commercialization of advanced systems, processes, and products.

The following table shows the line items that are used to fund the Technology Development program series, as well as the enacted funding levels contained within Am. Sub. H.B. 66.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	195-401	Thomas Edison Program	$17,554,838	$17,454,838
GRF	195-422	Third Frontier Action Fund	$16,790,000	$16,790,000
GRF	195-905	Third Frontier Research and Commercialization Debt Service	$0	$13,910,000
		General Revenue Fund Subtotal	**$34,344,838**	**$48,154,838**
Facilities Establishment Fund				
037	009	Innovation Ohio	$50,000,000	$50,000,000
037	010	Research and Development	$50,000,000	$50,000,000
		Facilities Establishment Fund Subtotal	**$100,000,000**	**$100,000,000**
Total Funding: Technology Development			**$134,344,838**	**$148,154,838**

This analysis focuses on the following specific programs within the Technology Development program series:

- ***Thomas Edison Program***
- ***Third Frontier Program***

Thomas Edison Program

Program Description: The Thomas Edison Program provides companies with research and technology resources in Ohio's key manufacturing sectors, including primary metals, metal fabrication, rubber, transportation (both automobile and aerospace), and electrical machinery and equipment. The Edison Program also provides assistance with the formation of new, technology-oriented businesses. Services are delivered through Edison Technology Centers, Edison Technology Incubators, Edison Partners, and the Small Business Innovation Research Program. The overall goal of the Technology Division is to coordinate all Department and state technology activities and functions.

Edison Technology Centers: These centers develop and deploy critical technologies, and deliver associated services to enhance industrial competitiveness that drives economic growth. Services offered include workforce development and training, electronic commerce, quality standards, regulatory compliance, pollution prevention, shop floor problem solving, product and process improvement, applied R&D collaboratives, and financing. The seven Edison Technology Centers are CAMP, EWI, OMERIS, EISC, EMTEC, TechSolve, and OITA.

Edison Technology Incubators: Incubators contribute to the formation and enhanced survival rate of new technology-oriented companies in Ohio that produce high-wage jobs and create wealth for the state. They provide start-up businesses with quality entrepreneurial and business services, and access to below market rate office, laboratory, and manufacturing space. The seven Edison Technology Incubators are Akron Industrial Incubator, Youngstown Business Incubator, Business Technology Center, The Entrepreneur's Center, Hamilton County Business Center, Braintree, and BioStart.

Edison Partners: The Great Lakes Industrial Technology Center (GLITeC) provides technology for NASA Glenn through NASA and Department of Development funding. Polymer Ohio, JumpStart, and the Regional Growth Partnership provide assistance, access to capital, access to strategic partners and other assistance needed to launch and grow technology-based businesses.

Small Business Innovation Research Program: This program assists companies applying for research funds through the federal Small Business Innovation Research (SBIR) Program. The SBIR awards are granted to small businesses in amounts of up to $100,000 (Phase I) and up to $750,000 (Phase II). Ohio's SBIR Office assists businesses in identifying research topics for research and development projects, educational services, workshops, and conferences.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The enacted budget funds this program at $17,554,838 in FY 2006 and $17,454,838 in FY 2007. Funding will provide continued support for seven Edison Centers, seven Edison Incubators, and four Edison Partners that assist new and existing businesses in product-based technology. Additionally, the program provides support for the Governor's Fuel Cell Initiative, the Ohio Venture Capital Association, and the Ohio Aerospace and Defense Council.

Am. Sub. H.B. 66 provides for an earmark of $100,000 in FY 2006 from GRF appropriation item 195-401, Thomas Edison Program, for technology recruitment, development, and construction.

Third Frontier Program

Program Description: This program includes significant portions of the Governor's Third Frontier Initiative. Program investments are focused in the areas of bioscience, advanced materials, information technology, power and propulsion, and instruments, control, and electronics. The Third Frontier Action Fund awards competitive grants to projects that contribute to technology-based economic development in Ohio. The Innovation Ohio Loan Program assists Ohio companies in developing next generation products and services. The Research and Development Loan Program targets large, private-sector research and development investments that create high-wage jobs.

Funding Sources: General Revenue Fund, economic development bond proceeds, investment interest, loan repayments, service fees

Implication of the Enacted Budget: The enacted funding levels for all aspects of this program total $116,790,000 in FY 2006 and $130,700,000 in FY 2007. Funding will provide continued support for Third Frontier Action awards, will provide required payments on bonds projected to be issued for Third Frontier projects, and will maintain funding for the Innovation Ohio Loan Program and the Research and Development Loan Program.

A provision of Am. Sub. H.B. 66 that would have prohibited the Third Frontier Commission from making any grants or loans for any activities involving human embryonic stem cell research was vetoed by the Governor.

Program Series 4 Community Development

Purpose: To support local economic development activities that create and retain jobs, rehabilitate communities and neighborhoods through infrastructure improvements, and provide weatherization services, energy conservation incentives, and homeless assistance.

The following table shows the line items that are used to fund the Community Development program series, as well as the enacted funding levels contained within Am. Sub. H.B. 66.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	195-497	CDBG Operating Match	$853,584	$853,584
GRF	195-498	State Match Energy	$94,000	$94,000
		General Revenue Fund Subtotal	**$947,584**	**$947,584**
Federal Special Revenue Fund				
308	195-605	Federal Projects	$15,300,249	$15,300,249
308	195-618	Energy Federal Grants	$3,397,659	$3,397,659
335	195-610	Oil Overcharge	$3,000,000	$3,000,000
3K8	195-613	Community Development Block Grant	$53,300,000	$53,300,000
3K9	195-611	Home Energy Assistance Block Grant	$90,500,000	$90,500,000
3K9	195-614	HEAP Weatherization	$16,219,478	$16,219,478
3L0	195-612	Community Services Block Grant	$25,235,000	$25,235,000
		Federal Special Revenue Fund Subtotal	**$206,952,386**	**$206,952,386**
State Special Revenue Fund				
444	195-607	Water and Sewer Commission Loans	$523,775	$523,775
4F2	195-639	State Special Projects	$282,183	$282,183
5CG	195-679	Alternative Fuel Transportation	$150,000	$150,000
5M4	195-659	Universal Service	$210,000,000	$210,000,000
5M5	195-660	Energy Efficiency Loan and Grant	$12,000,000	$12,000,000
5X1	195-651	Exempt Facility Inspection	$25,000	$25,000
611	195-631	Water and Sewer Administration	$15,713	$15,713
		State Special Revenue Fund Subtotal	**$222,996,671**	**$222,996,671**
Total Funding: Community Development			**$430,896,641**	**$430,896,641**

This analysis focuses on the following specific programs within the Community Development program series:

- ***Downtown Revitalization***
- ***Services to Alleviate Poverty***
- ***Energy Efficiency***
- ***Public Works/Infrastructure Development***
- ***Local Government Economic Development***

Downtown Revitalization

Program Description: This program administers the Comprehensive Downtown Revitalization Program, which is supported by the Small Cities Community Development Block Grant Program. The objective of the Small Cities Community Development Block Grant Program is to create and retain permanent, private-sector job opportunities, principally for low- and moderate-income persons and to aid in the revitalization of central business districts and in the elimination of slums and blight.

Funding Sources: General Revenue Fund, federal Community Development Block Grant

Implication of the Enacted Budget: The enacted budget funds this program at $2,742,680 in each of FYs 2006 and 2007. Funding will support the stabilization of central business districts with deteriorating infrastructure systems by annually improving 16,400 linear feet of streets, 2,000 linear feet of water or sewer lines, 6,000 linear feet of flood and drainage facilities, and 64,000 square feet of curbs and sidewalks; renovating 360 central business district facades and building interiors, and completing 20 major streetscape projects.

Services to Alleviate Poverty

Program Description: This program administers federal funds provided through the Community Services Block Grant and the Community Food and Nutrition Initiatives Program. The Community Services Block Grant supports activities that address unemployment and underemployment, inadequate education, inefficient and/or ineffective use of income, inadequate housing, inability to meet emergency needs, incomplete use of available programs and services, and starvation and malnutrition. Funds are provided to 52 community action agencies serving all 88 Ohio counties. The Community Food and Nutrition Initiatives Program works to alleviate hunger in the general population and specifically among children through expansion of participation in child nutrition programs. Grants are awarded to the Children's Hunger Alliance and the Ohio Association of Second Harvest Food Banks for activities related to the objectives of the federal funding.

Funding Source: Federal Community Services Block Grant

Implication of the Enacted Budget: The enacted budget funds this program at $25,235,000 in each of FYs 2006 and 2007. Funding will provide continued support for awards and administration of grants for the Community Services Block Grant and Community Food and Nutrition Initiatives programs at levels consistent with FY 2005.

Energy Efficiency

Program Description: *Energy Efficiency Loan and Grant Program:* The Office of Energy Efficiency administers the Energy Efficiency Loan and Grant Program, which supports investments in products, technologies, or services for residential, small business, local government, nonprofit, agricultural, or other entities for improving energy efficiency in a cost-effective manner. Revenues to Fund 5M5, Energy Efficiency Revolving Loan, include a surcharge on retail electric distribution rates, based on an aggregate revenue target for a given year, divided by the number of customers of electric distribution utilities in the state.[6] Additional revenues are generated from loan repayments and revenues remitted by municipal electric companies who choose to participate in the program.

Home Energy Assistance Program (HEAP): This federal program assists eligible households in paying for their primary heating fuel. When federal funds are reduced, moneys are augmented by supplemental oil overcharge funds. Through the regular HEAP program, grants are awarded to nonprofit agencies that administer moneys to households with incomes at or below 150% of U.S. Department of Health and Human Services poverty guidelines. The recipient households are provided 10% to 35% of their primary heating fuel costs for December, January, and February. Emergency HEAP provides eligible families up to $175 to prevent disconnection of heating service, to restore heating services, to perform heating system repairs, or for emergency fuel delivery.

Home Weatherization Assistance Program (HWAP): The purpose of this program is to create more affordable housing by reducing energy costs through energy efficiency measures. Services include attic, wall, and basement insulation; blower door guided air leakage reduction; heating system repairs or replacements; health and safety testing and inspections; and public information.

Universal Service: The Percentage of Income Payment Program (PIPP) is an extended payment arrangement that is based on a percentage of household income. Households with incomes at or below 50% of federal poverty guidelines are allowed to pay a smaller percentage of income, but households with incomes up to 150% of the guidelines are eligible to participate. Moneys from the Universal Service Fund are used to reimburse electric utility companies for amounts unpaid by eligible low-income customers participating in PIPP, currently 155,000 accounts. This fund is also used for education programs related to the PIPP and for administration of the PIPP program.

Funding Sources: General Revenue Fund; federal Low-Income Energy Assistance, Weatherization Assistance for Low-Income Persons, State Energy Conservation, Energy Conservation for Institutional Buildings, and National Industrial Competitiveness grants; oil overcharge settlement payments; vendor fees and other payments from utility companies; revenues from the rider on retail electric service; customer payments under the PIPP; revenues remitted from municipal electric utilities and rural cooperatives; loan repayments; application fees for exempt facility certificates

Implication of the Enacted Budget: The enacted budget funds all aspects of this program at $350,968,569 in each of FYs 2006 and 2007. In addition to supporting the programs described above, funding will provide support to the Governor's Smart Energy and Fuel Cell Initiatives, for the development of methods for the performance of energy audits of buildings, for the preparation or identification of curricula or source materials for training persons conducting energy audits, the continuation of education efforts for energy conservation, and financial assistance for innovative projects and technologies.

Transfers from the Energy Efficiency Revolving Loan Fund: Am. Sub. H.B. 66 provides for the following transfers of cash from the Energy Efficiency Revolving Loan Fund (Fund 5M5):

- $2.5 million each FY to the Industrial Site Improvement Fund (Fund 5AR);

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[6] The revenue target cannot exceed $15 million in any year through 2005 or $5 million thereafter (R.C. § 4928.61). The fund is capped at $100 million, and when reached, no additional funds will be provided by utility customers.

- $150,000 each FY to the Alternative Fuel Transportation Grant Fund (Fund 5CG).

Alternative Fuel Transportation Grant Program: This program is established to provide grants to businesses, nonprofit organizations, public school systems, and local governments for the purchase and installation of alternative fuel refueling facilities and the purchase and use of certain alternative fuels (blended biodiesel and blended gasoline). The Director of Development is required to adopt rules necessary for the administration of the program.

Training Services: $400,000 in each FY is earmarked from appropriation item 195-605, Federal Projects, for grants to the Ohio Weatherization Training Center, administered by the Corporation for Ohio Appalachian Development, for training and technical assistance services. An additional $200,000 per FY is earmarked from appropriation item 195-614, HEAP Weatherization, for the same purpose.

Public Works/Infrastructure Development

Program Description: Community Development Block Grant moneys are also used for infrastructure improvements, including wastewater treatment, flood and drainage, water and sewer, streets and bridges, and sidewalk construction in nonmetropolitan areas. The primary beneficiaries must be low- and moderate-income individuals. Grants for public works projects are awarded based on a formula allocation, requiring collective planning. Program effectiveness is measured by comparisons of projected to actual performance outcomes.

Funding Sources: General Revenue Fund, federal Community Development Block Grant, loan repayments, loan administration fees

Implication of the Enacted Budget: The enacted budget funds this program at $42,805,283 in each of FYs 2006 and 2007. Funding will support the improvement of 710,000 linear feet of streets, 2,600,000 linear feet of water or sewer lines, 75,000 linear feet of flood and drainage facilities, and 200,000 linear feet of curbs and sidewalks, and to construct or rehabilitate 40 water or wastewater treatment facilities.

Local Government Economic Development

Program Description: This program aims to stabilize communities experiencing economic distress by supporting local programs that create and retain jobs, improve infrastructure, and provide training. The assistance is targeted to low- and moderate-income populations and entrepreneurs.

Funding Sources: General Revenue Fund, federal Community Development Block Grant

Implication of the Enacted Budget: The enacted budget funds this program at $9,145,109 in each of FYs 2006 and 2007. Funding will support efforts to stabilize communities by improving 130,000 linear feet of streets, 22,000 linear feet of water or sewer lines, 13,300 linear feet of flood and drainage systems, assisting 65 small businesses, and by training 500 individuals.

Program Series 5 Housing Development

Purpose: To administer a range of services to provide affordable housing for low- and moderate-income homebuyers and renters.

The following table shows the line items that are used to fund the Housing Development program series, as well as the enacted funding levels contained within Am. Sub. H.B. 66.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	195-497	CDBG Operating Match	$187,372	$187,372
		General Revenue Fund Subtotal	**$187,372**	**$187,372**
Federal Special Revenue Fund				
3K8	195-613	Community Development Block Grant	$11,700,000	$11,700,000
3V1	195-601	HOME Program	$40,000,000	$40,000,000
308	195-603	Housing and Urban Development	$5,000,000	$5,000,000
		Federal Special Revenue Fund Subtotal	**$56,700,000**	**$56,700,000**
State Special Revenue Fund				
646	195-638	Low and Moderate Income Housing Trust	$53,000,000	$53,000,000
		State Special Revenue Fund Subtotal	**$53,000,000**	**$53,000,000**
Total Funding: Housing Development			**$109,887,372**	**$109,887,372**

This analysis focuses on the following specific programs within the Housing Development program series:

- ***Local Government Housing Assistance***
- ***For-Profit and Not-for-Profit Housing Development***
- ***Housing Trust Fund***
- ***Homelessness Assistance***

Local Government Housing Assistance

Program Description: This program administers federal grants to eligible units of local government through the Community Housing Improvement Program (CHIP) and the HOME Investment Partnership Program. These programs provide funding to local governments to rehabilitate existing housing, construct new housing, and to make emergency repairs in order to increase the available housing stock for low- and moderate-income Ohioans. Funds are also available for public and supportive service programs such as home maintenance education, lead-hazard screening, and job counseling.

Funding Sources: General Revenue Fund, federal Community Development Block Grant, federal HOME Investment Partnership Program Grant

Implication of the Enacted Budget: The enacted budget funds this program at $41,187,372 in each of FYs 2006 and 2007. Program funds will enable the Department of Development to repair 1,600 housing units, rehabilitate 1,000 housing units, construct 130 housing units, provide down payment assistance to 28 households, and provide homebuyer information/counseling to 400 households.

Membership of Metropolitan Housing Authorities: Metropolitan Housing Authorities are fully funded by the U.S. Department of Housing and Urban Development and receive no operating funds from the state of Ohio. Each MHA is a separate political subdivision not tied to any local government entity. Am. Sub. H.B. 66 requires one resident member be appointed to an MHA when required by federal law. This generally replaces a current requirement for two additional members (at least one of whom is a resident member) when a district has 300 or more assisted housing units and no resident member on the metropolitan housing authority. However, authorities that already appointed two additional members, pursuant to current law, must continue to have those additional members. Members of MHAs serve without compensation, but are reimbursed for necessary expenses.

The act also specifies that if the resident member who is appointed because of a federal law, following his or her appointment, no longer qualifies as a resident, another resident member must be appointed by the "appointing authority who originally appointed the resident member" rather than by the "chief executive officer of the most populous city in the district."

For-Profit and Not-for-Profit Housing Development and the Housing Trust Fund

Program Description: Two of the housing programs administered by the Department of Development are the Housing Development Assistance Program (HDAP) and the Community Housing Development Organization (CHDO) Competitive Operating Grant Program. These programs are designed to develop and provide financing for eligible housing projects to expand the supply of decent, safe, and affordable housing in Ohio. These funds provide not-for-profit organizations, private developers, and lenders in Ohio with matching funds to complete housing projects. The primary goals and objectives of the programs are to conserve and expand the affordable housing stock in order to provide suitable living environments for low- and moderate-income populations and as well provide long-term solutions for affordable housing.

The Low and Moderate Income Housing Trust Fund (Housing Trust Fund, or HTF) subsidizes low- to moderate-income persons by providing low-interest loans and some grants. Housing Trust Fund programs include the Housing Assistance Request for Proposals Program, the Special Project Program, Emergency Shelter Grant Program, the transitional and permanent housing programs, the community development corporation programs, and the Resident Services Coordination Program. Housing Trust Fund programs fund housing construction, improvement, repair, rehabilitation, supportive services, homelessness prevention, business assistance, and training activities. Not-for-profit organizations and certain units of local government are eligible to participate in Housing Trust Fund programs in order to complete housing and community development activities across the state. Most of the programs provide loans for down payment assistance or rental housing development and grants for preservation projects. Eligible recipients for trust fund moneys vary by program, but include low-income homebuyers, developers, resident homeowners, and landlords.

Funding Sources: Federal Home Investment Partnership Program grant, Housing Trust Fund fees, grants, gifts, and private contributions

Implication of the Enacted Budget: The enacted budget funds this program at $63,000,000 in each of FYs 2006 and 2007. Program funding is expected to support the construction of 800 rental units, the rehabilitation of 300 rental units, down payment assistance to 3,000 households, subsidy payments to 22,000 rental units, the development of 3,000 new housing units, supportive services to 6,400 households, the repair or rehabilitation of 2,000 housing units, homelessness prevention assistance to 25,000 households, business assistance to 120 businesses, training and technical assistance to 3,000 persons, and tenant/landlord mediation services to 1,100 households.

Am. Sub. H.B. 66 also provides for a transfer of $1.5 million each FY from the Housing Trust Fund (Fund 646) to the Residential State Supplement Fund (Fund 5CH) in the Department of Mental Health for subsidized support of licensed adult care facilities that serve individuals with mental illnesses.

Homelessness Assistance

Program Description: Two of the housing programs administered by the Department of Development are the Emergency Shelter Grant (ESG) Program and the Housing Opportunities for Persons with AIDS (HOPWA) Program. These programs fund housing, supportive services, and homelessness prevention activities by providing local governments and not-for-profit organizations with matching funds to complete housing projects across the state. The goals of the programs are to provide long-term solutions for affordable housing, address the issue of homelessness, and provide short-term emergency assistance, social, and other public services for low-income Ohioans.

Funding Sources: Federal Community Development Block Grant, federal Housing Opportunities for Persons with AIDS, and Emergency Shelter Grant Program grants

Implication of the Enacted Budget: The enacted budget funds this program at $5,700,000 in each of FYs 2006 and 2007. Funding will provide support for housing projects across the state in partnership with local governments and not-for-profit organizations, resulting in rental assistance to 900 households, mortgage payment assistance to 100 households, supportive services to 900 households, and utility payment assistance to 800 households.

Program Series 6 — International Trade

Purpose: To assist Ohio manufacturers and service providers in locating and capitalizing on export opportunities, market Ohio as a premier business location, attract direct investment by foreign companies, and organize Ohio business missions to international markets.

The following table shows the line item that is are used to fund the International Trade program series, as well as the enacted funding levels contained within Am. Sub. H.B. 66.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	195-432	International Trade	$4,223,787	$4,223,787
		General Revenue Fund Subtotal	**$4,223,787**	**$4,223,787**
Total Funding: International Trade			**$4,223,787**	**$4,223,787**

International Trade

Program Description: The International Trade Division promotes Ohio exports and foreign direct investment into Ohio. The Division operates seven full-service trade offices located in Columbus, Brussels, Hong Kong, Mexico City, Tel Aviv, Tokyo, and Toronto, and jointly administers offices with the Council of Great Lakes Governors in Buenos Aires, Santiago, Johannesburg, and Sao Paulo. Other activities include business and investment missions, trade shows, and export assistance.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The enacted budget funds this program at $4,223,787 in each of FYs 2006 and 2007. Funding will provide continued support in Ohio's efforts to strengthen Ohio's economy through international business and export promotion, foreign direct investment attraction, and international business missions.

Program Series 7 — Travel and Tourism Promotion

Purpose: To develop and implement an integrated marketing campaign including print, television, on-line, and radio advertising, regional and national public relations, the DiscoverOhio.com web site, and the 1-800-BUCKEYE call center.

The following table shows the line items that are used to fund the Travel and Tourism program series, as well as the enacted funding levels contained within Am. Sub. H.B. 66.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	195-407	Travel and Tourism	$6,812,845	$6,712,845
GRF	195-507	Travel and Tourism Grants	$1,287,500	$1,162,500
		General Revenue Fund Subtotal	**$8,100,345**	**$7,875,345**
Total Funding: Travel and Tourism Promotion			**$8,100,345**	**$7,875,345**

Travel and Tourism Promotion

Program Description: The Division of Travel and Tourism is responsible for state tourism activities including advertising, promotional campaigns, and travel information. The Division promotes Ohio as a desirable location for film and video production, and administers grants to local and regional tourism entities. Activities include the state's travel and tourism web site, www.ohiotourism.com, 1-800-BUCKEYE phone line, market research, advertising, the Ohio Film Commission, and statewide publications (Discover Ohio Calendar of Events and Visitor's Guide and Travel Planner). Activities funded through the Division are experiencing a shift from information-based publications that are mailed to customers to web based information that is accessed directly by the consumer. Since FY 1996, grants for local travel and tourism events have been provided through line item 195-507, Travel & Tourism Grants.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The enacted budget funds this program at $8,100,345 in FY 2006 and $7,875,345 in FY 2007. Funding will be directed toward television, print, radio, on-line, and public relations advertising, web site development, the 1-800-BUCKEYE call center, and the following earmarked grants to local organizations (totaling $1,287,500 in FY 2006 and $1,162,500 in FY 2007):

- $25,000 each FY for the Lorain County Visitors Bureau;
- $25,000 each FY for the Ottawa County Convention and Visitors Bureau;

- $25,000 each FY for the Sandusky/Erie County Visitors and Convention Bureau;
- $45,000 each FY for the Warren County Convention and Visitors Bureau;
- $50,000 each FY for the Greene County Convention and Visitors Bureau;
- $12,500 each FY for the Morgan County Community Improvement Corporation;
- $25,000 each FY for the Wood County Economic Development Commission;
- $5,000 each FY for the Canton Football Hall of Fame;
- $40,000 each FY for the Cincinnati Film Commission;
- $40,000 each FY for the Cleveland Film Commission;
- $50,000 each FY for the Wright Dunbar Historical Site;
- $50,000 each FY for the Lake Shore Railway Association, Inc.;
- $50,000 each FY for the Ohio River Trails program;
- $100,000 each FY for the Cleveland Institute of Art;
- $120,000 each FY for the outdoor dramas "Trumpet in the Land," "Blue Jacket," and "Tecumseh!";
- Up to $500,000 each FY for The International Center for the Preservation of Wild Animals;
- $25,000 in FY 2006 for the Ohio Buckeye Junior Hereford Association; and
- $100,000 in FY 2006 for the NCR U.S. Open.

Program Series 8 — Program Management

Purpose: To provide centralized services to the Department of Development.

The following table shows the line items that are used to fund the Program Management program series, as well as the enacted funding levels contained within Am. Sub. H.B. 66.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	195-321	Operating Expenses	$1,259,426	$1,283,905
		General Revenue Fund Subtotal	**$1,259,426**	**$1,283,905**
General Services Fund				
135	195-605	Supportive Services	$7,450,000	$7,539,686
685	195-636	General Reimbursements	$1,000,000	$1,000,000
		General Services Fund Subtotal	**$8,450,000**	**$8,539,686**
State Special Revenue Fund				
5CV	195-682	Lung Cancer & Lung Disease Research	$10,000,000	$0
		State Special Revenue Fund Subtotal	**$10,000,000**	**$0**
Total Funding: Program Management			**$19,709,426**	**$9,823,591**

Program Management

Program Description: Program Management encompasses the activities of the Director's Office, the Legal Office, the Human Resources Office, fiscal and audit activities, Information Technology, Facilities Management, Legislative Affairs, and the Office of Strategic Research. These offices and programs manage and control all divisions of the Department of Development to implement departmental policy and to communicate actions and activities to the Governor, the General Assembly, and to other state and local agencies. Additionally, the Office of Strategic Research provides demographic, economic, industrial, and programmatic information for the Department of Development, other state agencies, local governmental authorities, and designated affiliates of the United States Bureau of the Census.

Funding Sources: General Revenue Fund, interagency payments and indirect cost charges to other Department of Development line items

Implication of the Enacted Budget: The enacted funding levels for this program provide $19,709,426 in FY 2006 and $9,823,591 in FY 2007. Funding will provide continued support for centralized services to ensure efficient operation of the Department of Development.

Miscellaneous provisions contained with Am. Sub. H.B. 66 include:

- $50,000 in FY 2006 and $35,000 in FY 2007 is earmarked from GRF appropriation item 195-321, Operating Expenses, for Crawford County to hire an employee to act as a local economic development coordinator for Crawford, Hancock, Richland, and Marion Counties.

- The composition of the Development Financing Advisory Council is modified so that six members, rather than four, of the total membership of the Council constitutes a quorum, and that an affirmative vote of six members is necessary for any action taken by the Council.
- The Lung Cancer and Lung Disease Research Fund (Fund 5CY) has established and appropriated $10 million in FY 2006 with moneys transferred from the Tobacco Master Settlement Agreement Fund (Fund 087). Newly established appropriation item 195-682, Lung Cancer and Lung Disease Research, is to be used by the Department of Development to promote lung cancer and lung disease research.

- The Board contributed $31,726 more to Fund 4K9 than it expended for FY 2004.
- The Board received no funding in FY 2007 and will be consolidated into the Department of Health that year.

Board of Dietetics

Wendy Risner, Budget Analyst

OVERVIEW

Duties and Responsibilities

The Ohio Board of Dietetics, created in 1987, protects and regulates the practice of dietetics in Ohio. The Board is mandated to establish educational, pre-professional training, and examination standards, and issues licenses and limited permits for dietitians who seek to practice in Ohio. The Board is required to set standards of practice for dietitians, investigate complaints, hold administrative hearings, and determine appropriate disciplinary actions. The Board also monitors continuing education compliance.

Fund 4K9

The Ohio Board of Dietetics is part of the 4K9 Fund group. The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Services Fund that is a repository for license fees and other assessments collected by the state's professional and occupational licensing boards. The 4K9 Fund was established by Am. Sub. H.B. 152 of the 120th General Assembly. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated did not meet their expenditures. The 4K9 Fund eliminated these problems. The philosophy of the fund is that each board must generate enough revenues to cover their expenses. It is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

The Board issues two types of licenses: dietitian and limited permit dietitian. The Board issued approximately 3,400 licenses in FY 2004. Revenue is generated from new and renewal license fees, which are collected annually. Expenditures are for operating expenses associated with the licensure, regulation, and enforcement processes. Revenues and expenditures for FY 2004 totaled $323,512 and $291,786, respectively. The Board contributed $31,726 more to Fund 4K9 than it expended during FY 2004.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
3*	$332,495	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Summary of FY 2006-2007 Budget Issues

Board Consolidation

In the enacted version of Am. Sub. H.B. 66 of the 126th General Assembly, 20 of the independent occupational licensing boards are to be consolidated into the departments of Health, Commerce, and Public Safety in FY 2007. As a result, the affected Boards received no funding in FY 2007. In the case of the Board of Dietetics, the Board and its duties will be consolidated into the Department of Health. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, and the Office of Budget and Management (OBM), as well as three members selected by the affected boards. According to OBM, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentive will be offered to regulatory board staff. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board members will be retained.

Vetoed Provisions

There were no vetoed provisions for the Board of Dietetics.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Board of Dietetics is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

Purpose: To license and regulate the practice of dietetics.

The following table shows the line items that are used to fund the Board of Dietetics, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	860-609	Operating Expenses	$332,495	$0
		General Services Fund Subtotal	**$332,495**	**$0**
Total Funding: Ohio Board of Dietetics			**$332,495**	**$0**

Program Description: In accordance with Chapter 4759. of the Revised Code, the Ohio Board of Dietetics protects the health and safety of Ohio citizens by regulating the practice of dietetics by setting and enforcing the standards of practice through annual licensure requirements, and investigating complaints against unlawful dietetic practices.

Funding Source: Licensing fees and other assessments deposited into GSF Fund 4K9

Implication of the Enacted Budget: The Board received funding of $332,495 in FY 2006 and $0 in FY 2007. The enacted funding for FY 2006 will allow the Board to carry out its mission and allow for the 4% increase in payroll. In FY 2007, the Board will be consolidated into the Department of Health. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, and the Office of Budget and Management, as well as three members selected by the affected boards.

Commission on Dispute Resolution and Conflict Management

Laura A. Potts, Budget Analyst

- Commission's dilemma: How to contain increasing costs of doing business while maintaining service delivery system?

OVERVIEW

Duties and Responsibilities

The Commission on Dispute Resolution and Conflict Management's mission is to provide Ohioans with constructive, nonviolent forums, processes, and techniques for resolving disputes. The Commission focuses on three program areas – schools, community and court connections, and state and local government – providing dispute resolution and conflict management training, facilitation and mediation services, consultation, and technical program assistance.

With a current staffing level of six full-time equivalent (FTE) positions, 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

The following table selectively summarizes Commission appropriations and staffing information.

Commission In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
6	$750,000	$750,000	$470,000	$470,000	Am. Sub. H.B. 66

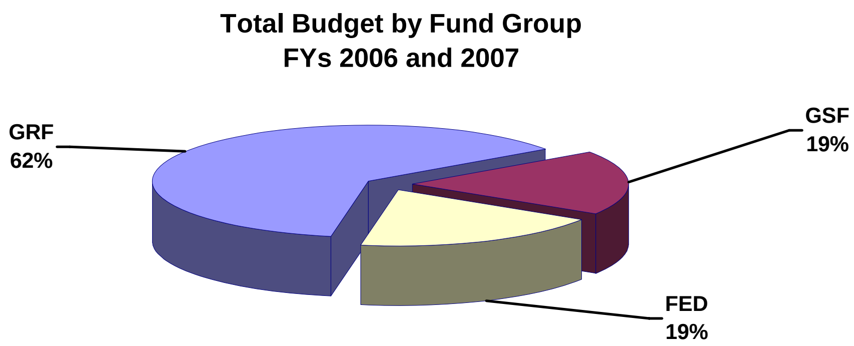
*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

The Commission is not directly affected by any of the items contained in Am. Sub. H.B. 66 that were vetoed by the Governor.

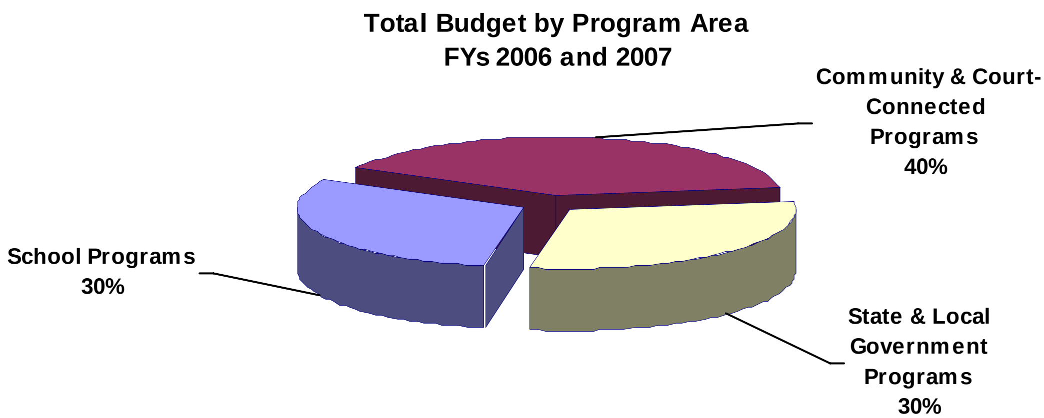
Expense by Fund Group Summary

The pie chart immediately below shows the total appropriations (FYs 2006 and 2007) by fund group. This information is shown for the GRF and for all funds.



Expense by Program Area Summary

The pie chart immediately below shows the total appropriations (FYs 2006 and 2007) by program area. This information is shown for the GRF and for all funds.



Notable Fiscal Matters

From a fiscal perspective, the Commission most notably:

- Eliminated one full-time equivalent (FTE) staff person in FY 2004;
- Experienced, in FY 2005, the loss of the GRF-funded school conflict management grant program, which was jointly administered by the Department of Education and the

Commission, as the funding was eliminated under Am. Sub. H.B. 95, the main operating appropriations act of the 125th General Assembly;

- Decreased its operating expenses by eliminating staff wage increases and out-of-state travel, cutting in-state travel, eliminating staff professional development, and reducing printing and mailing costs by using its web site to distribute information; and

- Expects, based on estimates from the Department of Administrative Services (DAS), a significant future increase in the cost of fiscal and payroll services provided by DAS's Central Services Agency.

ANALYSIS OF THE ENACTED BUDGET

This analysis of the enacted budget focuses on the Commission's services and activities, which are organized into the three program series noted immediately below.

- ***Program Series 1: School Programs***
- ***Program Series 2: Community and Court Programs***
- ***Program Series 3: State and Local Government Programs***

Program Series 1 — School Programs

Purpose: To provide primary and secondary schools and higher education institutions with collaborative, nonviolent conflict management skills.

Program Description: This set of Commission services and activities involves: (1) providing public elementary, middle, and high schools training, resource materials, and technical assistance to implement building and district-wide conflict management programs, and (2) working with Ohio colleges and universities to integrate conflict management into undergraduate and graduate education curricula.

Funding Sources: (1) GRF, (2) nonfederal grants, and (3) reimbursement for the cost of printing publications and resource materials.

Implication of the Enacted Budget: With the amount of funding appropriated in the enacted budget, the Commission anticipates being able to maintain current school program service levels due to its recent success at leveraging GRF dollars with federal and private grants funds and its focus on collaborative programming and service delivery.

Program Series 2 — Community and Court-Connected Programs

Purpose: To promote dispute resolution processes and affect conflict management skills by working with community organizations and courts to provide constructive, nonviolent forums and methods for resolving disputes.

Program Description: Under the Community and Court-Connected Program, the Commission: (1) works to improve elementary, middle, and high school attendance by using mediation to address issues that can cause repeated unexcused absences and lead to juvenile court involvement (Truancy Prevention Through Mediation Program), and (2) provides consultation and technical assistance to initiate and expand community-based dispute resolution programs and services.

Funding Sources: (1) GRF, (2) nonfederal grants, (3) reimbursement for the cost of printing publications and resource materials, and (4) federal juvenile justice and delinquency prevention grant.

Implication of the Enacted Budget: With the amount of funding appropriated in the enacted budget, the Commission anticipates that it will be able to maintain current community and court-connected program service levels due to its recent success at leveraging GRF dollars with federal and private grant funds and its focus on collaborative programming and service delivery.

Program Series 3 — State and Local Government Programs

Purpose: To work with state and local government agencies to increase the use of dispute resolution and conflict management in all aspects of public policy development.

Program Description: This set of programs includes the following services and activities: (1) workplace mediation, a service that provides state employees access to mediation services to informally resolve workplace conflict, (2) conflict resolution services for government officials, a program that provides a referral network of local officials who assist with the assessment and resolution of a variety of government disputes, and (3) public disputes, a program that provides impartial third-party dispute resolution assistance to elected and appointed government officials, community leaders, and the public.

Funding Sources: (1) GRF, (2) nonfederal grants, and (3) reimbursement for the cost of printing publications and resource materials.

Implication of the Enacted Budget: According to the Commission, in the past two fiscal years, it has experienced increased demand for public policy facilitation and in-house training services, attributable in part to the elimination of the Office of Budget and Management's Office of Quality Services. With the amount of funding appropriated in the enacted budget, the Commission anticipates that it will be able to maintain current state and local government program service levels due to its recent success at leveraging GRF dollars with federal and private grant funds and its focus on collaborative programming and service delivery. In addition, GRF funds in this program area are, in part, offset through Ohio's Statewide Indirect Cost Allocation Plan.

Department of Education

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- The base cost formula amount increases by 2.2% in FY 2006 and 2.3% in FY 2007
- Base funding supplements amount to $44.00 per pupil in FY 2006 and $47.99 per pupil in FY 2007
- New poverty-based assistance targets approximately $815.9 million over the biennium to high poverty districts

OVERVIEW

This overview briefly describes the duties and responsibilities of the Ohio Department of Education, the make up of the appropriations provided for the Department in the enacted budget, the provisions of the budget affecting primary and secondary education that were vetoed by the Governor, school funding formula changes, and the phase-out of the general business tangible personal property tax.

Duties and Responsibilities

The Ohio Department of Education oversees a public education system consisting of 613 public school districts, 49 joint vocational school districts, and 267 public community schools. In addition, the Department monitors 60 educational service centers, several preschool programs, and many other school-related entities, including approximately 915 state-chartered nonpublic schools.

The role of the Department is to assist education providers in ensuring that every student in Ohio has the knowledge and skills needed to graduate and be prepared for college and the workforce. The Department is governed by a 19 member State Board of Education. Eleven of those 19 members are elected by the citizens and the other 8 members are appointed by the Governor. The Superintendent of Public Instruction, who is hired by the State Board of Education, is responsible for the Department's day-to-day operation.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
646	$10.19 billion	$10.73 billion	$7.48 billion	$7.59 billion	Am. Sub. H.B. 66

* The employee count was obtained from the Department of Education and represents permanent employees as of August 22, 2005.

The enacted budget provides a total appropriation of $10.19 billion in FY 2006 and $10.73 billion in FY 2007 for the Department of Education. The following table details the Department's appropriations by fund group.

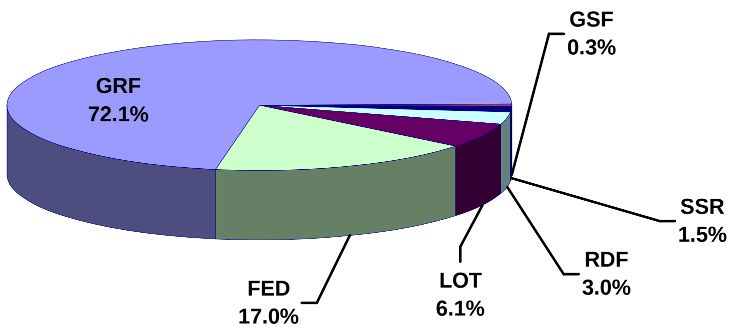
Fund	FY 2005	FY 2006	% Change, FYs 2005-2006	FY 2007	% Change, FYs 2006-2007
GRF	$7,419,369,909	$7,479,870,773	0.8%	$7,590,732,819	1.5%
General Services	$28,997,193	$32,859,010	13.3%	$32,990,184	0.4%
State Special Revenue	$67,722,160	$139,491,774	106.0%	$171,134,658	22.7%
Revenue Distribution	$116,520,891	$165,997,522	42.5%	$470,701,522	183.6%
Lottery	$638,900,000	$637,900,000	-0.2%	$637,900,000	0.0%
Federal Special Revenue	$1,516,138,306	$1,729,323,816	14.1%	$1,829,953,440	5.8%
Grand Totals	***$9,787,648,459***	***$10,185,442,895***	***4.1%***	***$10,733,412,623***	***5.4%***
GRF + Lottery	*$8,058,269,909*	*$8,117,770,773*	*0.7%*	*$8,228,632,819*	*1.4%*

It can be seen from the table that the enacted budget increases GRF appropriations by 0.8% in FY 2006 and 1.5% in FY 2007. The GRF includes funding for the reimbursement of property tax rollbacks and the $10,000 tangible tax exemption. Due to changes made in the act, these items, combined, decrease by $75.0 million in FY 2006 and by $46.5 million in FY 2007. Subtracting these tax reimbursements, GRF appropriations increase by 2.1% in FY 2006 and by 2.4% in FY 2007. The Lottery Profits Education Fund (LPEF) appropriations experience a decrease of 0.2% in FY 2006 and stay flat in FY 2007. Total GRF and Lottery appropriations increase by 0.7% in FY 2006 and 1.4% in FY 2007. Again, subtracting the tax reimbursements, total GRF and Lottery appropriations increase by 1.9% in FY 2006 and 2.2% in FY 2007.

The significant increases in the Revenue Distribution Fund group appropriation of 42.5% in FY 2006 and 183.6% in FY 2007 are due to reimbursements to school districts of tax losses due to the phase-out of the tax on general business tangible personal property. The mechanism for providing the replacement revenue is described below. The enacted budget provides $49.4 million in FY 2006 and $369.1 million in FY 2007 to fund this replacement revenue for school districts and joint vocational school districts. The increase in the State Special Revenue Fund group appropriation is mainly due to increases in the Early Learning Initiative, a new program that replaces state Head Start and Head Start Plus, which had lower than expected expenditures in FY 2004 and FY 2005.

Chart 1 presents the enacted biennial budget for the Department of Education by fund group. It can be seen from the chart that the Department receives most of its funding from the GRF at 72.1%. Federal funds account for another 17.0% and the other fund groups account for a combined total of 10.9%. Federal funds actually account for a higher percentage when federal TANF dollars that are appropriated for the Early Learning Initiative through a State Special Revenue Fund are taken into account. If this appropriation is added to the federal fund group, federal funds actually account for approximately 18.1% of the Department's total budget.

Chart 1: Department of Education FY 2006 - FY 2007 Budget by Fund Group



Vetoed Provisions

(1) The Governor vetoed a provision authorizing school districts to propose to voters a property tax that adjusts to provide local revenue to offset year-to-year decreases in state funding caused by increases in the district's local share of base cost funding, subject to a 4% limit on year-to-year increases in total taxes from current expense levies other than new levies. Under the provision, if a school district had proposed such a levy, the levy had to last a minimum of five years. This provision would have provided one way for districts to attempt to counteract the effect of H.B. 920 tax policy that limits revenue growth from existing real property.

(2) The Governor vetoed a delayed effective date of July 1, 2006 for a provision permitting companies that score state tests to have access to personally identifiable student information. This veto will allow these companies to have access to this data immediately.

(3) The Governor vetoed a specific method of calculating the amount of limited English proficient funding transferred to community schools. This veto will allow the Department to determine the best method of calculating these funds.

(4) The Governor vetoed a purpose statement for the post-secondary enrollment options program.

(5) The Governor vetoed specific reimbursement rates for the Early Learning Initiative. This veto will allow the Department of Job and Family Services to determine the reimbursement rates.

(6) Through a veto the Governor reduced the earmark of federal funds for the Ohio Wyami Teacher Cohorts Program from $1.5 million in each fiscal year to $1.5 million over the biennium.

School Funding Formula Changes

The Governor's Blue Ribbon Task Force on Financing Student Success, which began work in August of 2003 and issued its final report in February of 2005, was charged with recommending a school funding system that promotes higher levels of student achievement and gives every child the opportunity to succeed. The Task Force had 35 members from the business and educational communities as well as from the executive and legislative branches of state government. The Task Force recommended a building-blocks, or inputs-based approach to school funding. This type of approach focuses on the inputs needed for the academic success of students, as well as giving stakeholders the ability to discuss what inputs can be bought with current funding levels. The previous school funding system was largely based on outputs. The School Funding section of the LSC Redbook for the Department of Education[7] gives a detailed description of the school funding formula as it existed prior to the enactment of this budget. The enacted budget replaces this output-based system with an inputs-based model.

Base Cost Funding

Base Cost Formula Amount. Prior to the enacted budget, the base cost formula amount was based on the spending of certain model districts that had obtained an acceptable level of performance. The enacted budget changes the method used to calculate the base cost. Under the enacted budget, the base cost consists of three components:

(1) Base classroom teacher compensation;

(2) Other personnel support;

(3) Nonpersonnel support.

Base classroom teachers are the core of the model. In order to determine the per pupil value of this component, the General Assembly must decide the ratio of students to base classroom teachers and the base classroom teacher compensation that are necessary for a state-defined basic education. The enacted budget contains the General Assembly's determination of these variables for FYs 2006 and 2007. These values are presented in Table 1.

Table 1: Base Classroom Teacher Component, FY 2006 and FY 2007

Fiscal Year	Number of Pupils per Base Classroom Teacher	Base Classroom Teacher Average Compensation	Per Pupil Base Classroom Teacher Compensation
FY 2006	20	$53,680	$2,684
FY 2007	20	$54,941	$2,747

The enacted budget also expresses the General Assembly's policy decision that the value of other personnel support per pupil in FY 2006 is $1,807 and the value of nonpersonnel support per pupil in FY 2006 is $792. This results in a formula amount of $5,283 in FY 2006. The value of each component is summarized in Table 2.

[7] The Redbook can be accessed on the LSC web site at www.lsc.state.oh.us under Budget Documents.

Table 2: Base Cost Formula Amount, FY 2006 and FY 2007			
Component	**FY 2006**	**FY 2007**	**Percentage Increase FY 2006 - FY 2007**
Base Classroom Teacher Compensation per pupil	$2,684	$2,747	2.35%
Other Personnel Support per pupil	$1,807	$1,850	2.35%
Nonpersonnel Support per pupil	$792	$806	1.80%
Formula Amount	$5,283	$5,403	2.27%

The model stipulates that the per pupil value of the other personnel component increases by the same percentage as the base classroom teacher average compensation and the nonpersonnel component increases by the projected gross domestic product deflator (all items). The determination of these components in future years in shown in Table 3.

Table 3: Future Increases in Base Cost Components		
Component	**Determination of Annual Increase**	**Increase for FY 2007**
Base Classroom Teacher Compensation	Two policy decisions as given in Table 1	2.35%
Other Personnel Support	Same as the Increase in Base Classroom Teacher Average Compensation	2.35%
Nonpersonnel Support	Gross Domestic Product Deflator	1.80%

Applying these increases results in a per pupil value of $1,850 for other personnel support and of $806 for nonpersonnel support in FY 2007. The resulting formula amount for FY 2007 is $5,403, an increase of 2.27% over FY 2006. The values of each component are summarized in Table 2.

Base Funding Supplements. The enacted budget also provides a number of supplements to the base cost for certain inputs that the Blue Ribbon Task Force recommended for funding. These supplements include academic intervention services, professional development, data-based decision making, and professional development regarding data-based decision making. The supplement for professional development is phased in at 25% in FY 2006 and 75% in FY 2007, while funding for the other supplements is fully implemented beginning in FY 2006. Table 4 shows the per pupil value of each supplement in FY 2006 and FY 2007.

Table 4: Base Funding Supplements Per Pupil, FY 2006 and FY 2007			
Supplement	**FY 2006**	**FY 2007**	**% Change, FY 2006 - FY 2007**
Academic Intervention Services	$25.00	$25.50	2.00%
Professional Development	$3.50	$10.73	206.57%
Data-Based Decision Making	$5.28	$5.40	2.27%
Professional Development – Data-Based Decision Making	$6.22	$6.36	2.25%
Total	$40.00	$47.99	19.98%

The supplement for academic intervention services provides funding to all districts to provide large group intervention services beyond those funded through the current formula amount. Additional funding for intervention is provided to districts with high concentrations of poor students through poverty-based assistance, which is described below. The supplement for large group academic intervention services provides 25 hours of intervention to each group of 20 students. It is calculated according to the following formula.

Large Group Academic Intervention Services =
25 x Formula ADM/20 x hourly rate
(Hourly rate equals $20.00 in FY 2006 and $20.40 in FY 2007)

The supplement for professional development provides an additional 4.5% of the formula amount for every teacher, assuming an overall student to teacher ratio of 17:1. This supplement is calculated according to the following formula.

Professional Development =
0.045 x Formula Amount x Formula ADM/17 x Phase-in %
(Phase-in % equals 25% in FY 2006 and 75% in FY 2007)

The supplement for data-based decision making provides an additional 0.1% of the formula amount for each student. This supplement is calculated according to the following formula.

Data-Based Decision Making =
0.001 x Formula Amount x Formula ADM

The supplement for professional development regarding data-based decision making provides an additional 8.0% of the formula amount for 20% of teachers assuming a student to teacher ratio of 17:1, and for each principal assuming a student to principal ratio of 340:1. This supplement is calculated according to the following formula.

Professional Development for Data-Based Decision Making =
0.2 x Formula ADM/17 x 0.08 x Formula Amount
+ Formula ADM/340 x 0.08 x Formula Amount

***Phase-out of the Cost of Doing Business Factor*.** The enacted budget phases out the cost of doing business factor (CDBF) adjustment that is currently applied to the formula amount to determine each district's base cost per pupil. The CDBF is calculated for each county and is based on wages in the county and all contiguous counties. In FY 2005, the CDBF increased the formula amount for the highest cost county by 7.5%. The enacted budget reduces this differential to 5.0% in FY 2006 and 2.5% in FY 2007.

***Two formula ADM counts*.** The enacted budget requires two ADM counts, one in the first full week in October and the other in the third full week in February. Funding for the first six months of the fiscal year (July – December) is determined by the October count. Funding for the last six months of the fiscal year (January – June) is determined by the average of the October and February counts. Prior to this budget, the October count was used throughout the year unless a district's ADM increased by more than 3% from October to February, in which case the February count would be used for the second half of the fiscal year.

Base Cost Guarantee. The enacted budget guarantees that each district's state base cost funding (including funding for base funding supplements) is not lower than its state aggregate or per pupil base cost funding in FY 2005, whichever is lower.

Local Share of the Base Cost. The local share of the base cost is calculated by multiplying 23 mills times the district's recognized valuation, a measure of the district's capacity for raising local revenues. Beginning in FY 2007, the enacted budget calls for including certain property that is exempt from taxation in the valuation upon which the local share is calculated. All tax exempt property was previously excluded from the calculation. There is a possibility that this change may have some impact on certain districts in FY 2007.

Base Cost Funding Summary. In summary, the enacted budget provides a base cost formula amount of $5,283 in FY 2006 and $5,403 in FY 2007. This formula amount is multiplied by the October ADM count to determine the base cost for the first half of the fiscal year and by the average of the October and February ADM counts to determine the base cost for the second half of the fiscal year. The base funding supplements, totaling $40.00 per pupil in FY 2006 and $47.99 per pupil in FY 2007, are added to this base cost. From this final base cost amount the district's local share is subtracted to obtain the state's share of the base cost. An additional amount is added, if needed, so that the district's state share is not lower than it's aggregate or per pupil state share in FY 2005, whichever is lower.

Poverty-Based Assistance

The enacted budget replaces disadvantaged pupil impact aid (DPIA) with poverty-based assistance. This assistance is designed to help districts with high concentrations of students living in poverty meet the additional needs of these students. Poverty-based assistance under the enacted budget consists of seven programs. Funding is based on a district's poverty index, which is calculated in the same way that the DPIA index was calculated. As with DPIA, the enacted budget continues to use the count of students whose families participate in Ohio Works First (OWF) as the poverty indicator.

All-Day and Every-Day Kindergarten. The enacted budget continues funding for this program in FY 2006 and FY 2007 as it existed previously. School districts with indices of one or above are eligible for funding for all-day and every-day kindergarten. The base cost provides funding for half-day kindergarten to all school districts.

Class Size Reduction. The enacted budget continues this program, but makes significant changes. The program provides funding to assist districts with high concentrations of poverty to reduce the student to teacher ratio in kindergarten through third grade down toward 15:1. The DPIA program assumed districts currently had a ratio of 23:1 in those grades. The enacted budget assumes a current ratio of 20:1. Under the DPIA program, a district was eligible for this funding if its DPIA index was greater than 0.6, the enacted budget requires an index greater than 1.0 for eligibility. Additionally, the DPIA program provided funding on a sliding scale for districts with indices from 0.6 to 2.5. Districts with indices above 2.5 received full funding to reduce student to teacher ratios from 23:1 all the way to 15:1. The enacted budget provides funding on a sliding scale for districts with indices from 1.0 to 1.5. Districts with indices above 1.5 receive funding to reduce student to teacher ratios from 20:1 all the way to 15:1. Finally, the enacted budget increases the salary allowance funded for each additional teacher from $43,658 in FY 2003 to $53,680 in FY 2006 and $54,941 in FY 2007, the base teacher compensation. The following table summarizes the calculations for the enacted budget's class size reduction program.

K-3 Class Size Reduction Funding
Step 1: Total needed teachers for districts to have pupil/teacher ratios ranging from 15:1 to 20:1
If the district's poverty index is greater than or equal to 1.5:
Total needed teachers = (K-3 regular ADM)/15
If the district's poverty index is at least 1.0 but less than 1.5:
Total needed teachers = (K-3 regular ADM) x (1/20+(((Poverty index – 1.0)/0.5) x (1/15-1/20)))
Step 2: Total assumed current available teachers = (K-3 regular ADM)/20
Step 3: Total needed new teachers = Total needed teachers (Step 1) – Total assumed current available teachers (Step 2)
Step 4: Total K-3 class size reduction funding = Total needed new teachers (Step 3) x Teacher Salary Allowance
(Teacher Salary Allowance = $53,680 in FY 2006 and $54,941 in FY 2007)

Intervention. Funding for this program, previously named safety, security, and remediation (SSR), is completely revamped by the enacted budget. Districts with indices greater than 0.35 were eligible for SSR funding. The enacted budget decreases the eligibility threshold to 0.25. The SSR program provided $230 per poverty student to districts with indices between 0.35 and 1.0, and $230 times the district's index per poverty student to districts with indices greater than 1.0. The enacted budget replaces this calculation with a three-level calculation that is phased in at 60% in FY 2006 and 100% in FY 2007. The three tiers are as follows:

1. Tier 1: Large group intervention for all students:
   a. 20:1 student to teacher ratio;
   b. Districts with indices greater than 0.75 receive 25 hours in each fiscal year;
   c. Districts with indices between 0.25 and 0.75 receive 0 to 25 hours on a sliding scale.
2. Tier 2: Medium group intervention for all students:
   a. 15:1 student to teacher ratio;
   b. Districts with indices greater than 1.5 receive 50 hours in each fiscal year;
   c. Districts with indices between 0.75 and 1.5 receive 25 to 50 hours on a sliding scale.
3. Tier 3: Small group intervention for three times the number of poverty students:
   a. 10:1 student to teacher ratio;
   b. Districts with indices greater than 2.5 receive 160 hours in each fiscal year;
   c. Districts with indices between 1.5 and 2.5 receive 25 to 160 hours on a sliding scale.

The total number of intervention hours funded for each district is equal to the sum of the hours calculated under each tier. Each hour of intervention is funded at $20.00 in FY 2006 and $20.40 in FY 2007. These calculations are summarized below.

Intervention Funding
If the district's poverty index is greater than or equal to 0.75: Tier 1 hours = (formula ADM/20) x 25 If the district's poverty index is at least 0.25 but less than 0.75: Tier 1 hours = (formula ADM/20) x (poverty index – 0.25)/0.5 x 25
If the district's poverty index is greater than or equal to 1.5: Tier 2 hours = (formula ADM/15) x 50 If the district's poverty index is at least 0.75 but less than 1.5: Tier 2 hours = (formula ADM/15) x (25 + (poverty index – 0.75)/0.75 x 25)
If the district's poverty index is greater than or equal to 2.5: Tier 3 hours = ((poverty students x 3)/10) x 160 If the district's poverty index is at least 1.5 but less than 2.5: Tier 3 hours = ((poverty students x 3)/10) x (25 + (poverty index – 1.5) x 135)
Total Hours = (Tier 1 + Tier 2 + Tier 3)
Total Funding = Total Hours x Hourly Rate x Phase-in percentage
Hourly Rate = $20.00 in FY 2006 and $20.40 in FY 2007
(Phase-in percentage = 60% in FY 2006 and 100% in FY 2007)

The enacted budget requires that districts use this funding for academic intervention services. Districts receiving funds under tier 2 or tier 3 must submit a plan to the Department describing how these funds will be used. Districts with poverty indices above 0.25 receive up to $15.00 per student in FY 2006 and up to $25.50 per student in FY 2007 for the first tier. Districts with poverty indices above 0.75 receive from $20.00 to $40.00 per student in FY 2006 and from $43.00 to $68.00 per student in FY 2007 for the second tier. Finally, districts with poverty indices above 1.5 receive from $90.00 to $576.00 per poverty student in FY 2006 and from $153.00 to $979.20 per poverty student in FY 2007 for the third tier. Districts with indices above 2.5 receive the maximum amount of intervention funding, which equals $55.00 per pupil plus $576.00 per poverty pupil in FY 2006 and $93.50 per pupil plus $979.20 per poverty pupil in FY 2007. In addition to this funding provided to districts with poverty indices greater than 0.25, all districts receive 25 hours of large group intervention through the base funding supplement described above ($25.00 per student in FY 2006 and $25.50 per student in FY 2007). This funding is summarized in Tables 5 and 6.

Table 5: Intervention Funding in FY 2006, Based on Poverty Indices

Poverty Index Ranges	Base Funding Supplement	Tier 1 Per Pupil	Tier 2 Per Pupil	Total Per Pupil	Tier 3 Per Poverty Pupil
0 to 0.25	$25.00	---	---	$25.00	---
0.25 to 0.75	$25.00	$0.00 to $15.00	---	$25.00 to $40.00	---
0.75 to 1.5	$25.00	$15.00	$20.00 to $40.00	$60.00 to $80.00	---
1.5 to 2.5	$25.00	$15.00	$40.00	$80.00	$90.00 to $576.00
Above 2.5	$25.00	$15.00	$40.00	$80.00	$576.00

Table 6: Intervention Funding in FY 2007, Based on Poverty Indices					
Poverty Index Ranges	**Base Funding Supplement**	**Tier 1 Per Pupil**	**Tier 2 Per Pupil**	**Total Per Pupil**	**Tier 3 Per Poverty Pupil**
0 to 0.25	$25.50	---	---	$25.50	---
0.25 to 0.75	$25.50	$0.00 to $25.50	---	$25.50 to $51.00	---
0.75 to 1.5	$25.50	$25.50	$34.00 to $68.00	$85.00 to $119.00	---
1.5 to 2.5	$25.50	$25.50	$68.00	$119.00	$153.00 to $979.20
Above 2.5	$25.50	$25.50	$68.00	$119.00	$979.20

***Limited English Proficient Student Intervention*.** This is a new program enacted in the budget. It provides funding to districts with poverty indices greater than or equal to 1.0 and with at least 2% of students who are limited English proficient (LEP). This funding is phased in at 40% in FY 2006 and 70% in FY 2007. For districts with indices greater than or equal to 1.75, funding equal to 25.0% of the formula amount is provided for each limited English proficient student. Funding is provided on a sliding scale from 12.5% to 25.0% for districts with indices between 1.0 and 1.75. The enacted budget uses the percentage of LEP students that was reported on each district's local report card for the 2002-2003 school year as a basis for this funding in FY 2006 and FY 2007. It requires that the Department recommend a method of identifying LEP students for use in making the payments after FY 2007. The calculations for this funding are summarized in the following table.

Limited English Proficient Funding
If the qualifying district's poverty index is greater than or equal to 1.75: Per LEP student funding = formula amount x 0.25 If the qualifying district's poverty index is at least 1.0 but less than 1.75: Per LEP student funding = formula amount x (0.125 + (poverty index – 1.0)/0.75 x 0.125)
Total Funding = Per LEP student funding x LEP student count x phase-in percentage
(Qualifying districts have reported on their report cards for the 2002-2003 school year an LEP student % of at least 2% and have poverty indices at least equal to 1.0) (LEP student count is the number of LEP students used to determine the LEP student % on district report cards for the 2002-2003 school year) (Phase-in percentage = 40% in FY 2006 and 70% in FY 2007)

Districts qualifying for this funding receive from $264 to $528 per LEP student in FY 2006 and from $473 to $946 per LEP student in FY 2007. Districts are required to use this funding for one or more of the following purposes: (1) to hire teachers for LEP students or to hire other personnel to provide intervention for LEP students, (2) to contract for intervention services for LEP students, or (3) to provide other services to LEP students to assist them in passing the third-grade reading achievement test.

***Teacher Professional Development*.** This is a new program in the budget to provide funding for additional teacher professional development to districts with poverty indices greater than or equal to 1.0. The calculation assumes that each district's student to teacher ratio is 17:1. For districts with poverty indices greater than or equal to 1.75, funding of 4.5% of the formula amount is provided per assumed teacher. Funding per teacher is provided to districts with indices between 1.0 and 1.75 on a sliding scale. This funding is phased in at 40% in FY 2006 and 70% in FY 2007. The calculation is given below.

Teacher Professional Development Funding
If the qualifying district's poverty index is greater than or equal to 1.75:
Per teacher funding = 0.045 x formula amount
If the qualifying district's poverty index is at least 1.0 but less than 1.75:
Per teacher funding = (poverty index – 1.0)/.75 x (0.045 x formula amount)
Total Funding = Per teacher funding x Number of teachers x Phase-in percentage
(Number of teachers = formula ADM/17)
(Phase-in percentage = 40% in FY 2006 and 70% in FY 2007)

Districts qualifying for this funding receive up to \$5.59 per student in FY 2006 and up to \$10.01 per student in FY 2007. The budget restricts the use of these funds to the provision of professional development, and stipulates that the professional development be provided in one or more of the following areas: (1) data-based decision making, (2) standards-based curriculum models, or (3) job-embedded activities that are research-based as defined by federal law. Furthermore, unless the district receives a waiver, it must select a professional development program from a list approved by the Department. In addition to this funding provided to districts with poverty indices greater than 1.0, all districts receive an additional 4.5% of the formula amount per teacher through the professional development base funding supplement (\$3.50 per student in FY 2006 and \$10.73 per student in FY 2007), as well as 8.0% of the formula amount for 20% of teachers and for each principal assuming a student to principal ratio of 340:1 through the professional development for data-based decision making base funding supplement (\$6.22 per student in FY 2006 and \$6.36 per student in FY 2007). This funding is summarized in Tables 7 and 8.

Table 7: Professional Development Funding Per Pupil in FY 2006, Based on Poverty Indices

Poverty Index Ranges	Base Funding Supplement – Professional Development	Base Funding Supplement – Professional Development for Data-Based Decision Making	Poverty-Based Assistance	Total
0 to 1.0	\$3.50	\$6.22	---	\$9.72
1.0 to 1.75	\$3.50	\$6.22	\$ 0.00 to \$5.59	\$9.72 to \$15.31
Above 1.75	\$3.50	\$6.22	\$5.59	\$15.31

Table 8: Professional Development Funding Per Pupil in FY 2007, Based on Poverty Indices

Poverty Index Ranges	Base Funding Supplement – Professional Development	Base Funding Supplement – Professional Development for Data-Based Decision Making	Poverty-Based Assistance	Total
0 to 1.0	\$10.73	\$6.36	---	\$17.09
1.0 to 1.75	\$10.73	\$6.36	\$ 0.00 to \$10.01	\$17.09 to \$27.10
Above 1.75	\$10.73	\$6.36	\$10.01	\$27.10

***Dropout Prevention*.** This is a new program in the budget for the Big 8 school districts, which are Akron, Canton, Cincinnati, Columbus, Cleveland, Dayton, Toledo, and Youngstown. This program provides these districts with 0.5% of the formula amount times the district's poverty index per student. The program is phased in at 40% in FY 2006 and 70% in FY 2007. The calculation is given below.

Dropout Prevention Funding =
0.005 x formula amount x poverty index x formula ADM x phase-in percentage
(Funding provided to the Big 8 districts: Akron, Canton, Cincinnati, Columbus, Cleveland, Dayton, Toledo, and Youngstown) (Phase-in percentage = 40% in FY 2006 and 70% in FY 2007)

The Big 8 districts will receive about $10.57 times their poverty indices per student in FY 2006 and about $18.91 times their poverty indices per student in FY 2007. Poverty indices for these districts range from about 2.8 to 4.3. Therefore, per pupil funding levels range from about $29.60 to $45.45 in FY 2006 and from about $52.95 to $81.31 in FY 2007. Districts are required to use this funding either for dropout prevention programs approved by the Department or for safety, security, and remediation measures, including academic intervention services. Unless the district receives a waiver, it must select a dropout prevention program from a list approved by the Department.

Community Outreach. This is a new program in the budget for 21 major urban districts (Urban 21). The Urban 21 districts are: Akron, Canton, Cincinnati, Cleveland Heights-University Heights, Cleveland, Columbus, Dayton, East Cleveland, Elyria, Euclid, Hamilton, Lima, Lorain, Mansfield, Middletown, Parma, South-Western, Springfield, Toledo, Warren, and Youngstown. This program provides these districts with 0.5% of the formula amount times the district's poverty index per student. The program is phased in at 40% in FY 2006 and 70% in FY 2007. The calculation is given below.

Community Outreach Funding =
0.005 x formula amount x poverty index x formula ADM x phase-in percentage
(Funding provided to the Urban 21 districts: Akron, Canton, Cincinnati, Cleveland, Cleveland Heights, Columbus, Dayton, East Cleveland, Elyria, Euclid, Hamilton, Lima, Lorain, Mansfield, Middletown, Parma, South-Western, Springfield, Toledo, Warren, and Youngstown) (Phase-in percentage = 40% in FY 2006 and 70% in FY 2007)

The Urban 21 districts will receive about $10.57 times their poverty indices per student in FY 2006 and about $18.91 times their poverty indices per student in FY 2007. Poverty indices for these districts range from about 0.4 to 4.3. Therefore, per pupil funding levels range from about $4.23 to $45.45 in FY 2006 and from about $7.56 to $81.31 in FY 2007. Districts with poverty indices greater than 1.0 and receiving funding under this program, must use these funds for community liaison officers, attendance or truant officers, safety and security personnel, programs designed to ensure schools are free of drugs and violence and have a disciplined environment, and academic intervention services.

Poverty-Based Assistance Guarantee. The budget replaces the current DPIA guarantee, which ensures every district receives at least as much DPIA as it received in FY 1998, with a new guarantee based on FY 2005. This new guarantee ensures that districts receive at least as much poverty-based assistance funding as the DPIA they received in FY 2005 less any DPIA transferred to e-schools. (The budget disqualifies students attending e-schools from receiving poverty-based assistance.)

Prior law allowed districts with indices less than 1.0 and receiving SSR funds to spend only 70% of their DPIA on safety, security, and remediation measures. The budget requires they spend 100% of their assistance on these measures. The budget also modifies the stipulation for districts with indices above 1.0, namely that the funds they receive are first used according to the guidelines applicable to each program, then to provide all-day kindergarten, and then for certain services listed in the act. The budget also requires that the Department review these spending requirements and recommend modifications by

March 31, 2007. These recommendations must include "decreasing degrees of flexibility of spending for districts not meeting adequate progress standards..."

Other Formula Changes

Transportation. The budget notwithstands the current transportation funding formulas for FY 2006 and FY 2007. Instead, the budget provides increases of 2% per year in transportation funding to school districts receiving transportation funding in FY 2005. The budget also requires that the Department recommend a new formula for allocating state funds for transportation by July 1, 2006.

Special Education Catastrophic Cost. The budget increases the special education catastrophic cost threshold from $25,700 to $26,500 in FY 2006 and FY 2007 for students in categories two through five and from $30,840 to $31,800 in FY 2006 and FY 2007 for students in category six. The state continues to fund from 50% to nearly 100% of the costs school districts incur in educating these students that fall above the threshold.

Special Education Weight Cost. The budget continues to phase in special education weight costs at 90% in FY 2006 and FY 2007. This is the same phase-in percentage applied in FY 2005.

Speech Service Personnel Allowance. The budget maintains the speech service personnel allowance at the FY 2005 level of $30,000 in FY 2006 and FY 2007.

GRADS Personnel Allowance. The budget maintains the GRADS personnel allowance at the FY 2005 level of $47,555 in FY 2006 and FY 2007. This allowance is used to provide funding for the program Graduation, Reality, and Dual-Role Skills for pregnant and parenting students.

Fundamental Aid Guarantee. The budget eliminates the fundamental aid guarantee. This provision guaranteed that school districts receive the same amount of fundamental aid as they received in FY 1998.

Transitional Aid for School Districts. Transitional aid was provided to districts in FY 2004 and FY 2005 to ensure that their SF-3 funding plus gap aid did not drop by more than 5% in either of those years. The budget extends and modifies this transitional aid for FY 2006 and FY 2007. In FY 2006 and FY 2007, transitional aid ensures that each district receives the same amount of SF-3 funding plus gap aid it received in the previous fiscal year.

Joint Vocational School District Guarantee. The budget eliminates the JVSD SF-3 guarantee. This provision guaranteed that JVSDs receive the same amount of SF-3 funding as they received in FY 1999.

Transitional Aid for Joint Vocational School Districts. JVSDs did not receive transitional aid in FY 2004 and FY 2005. The budget, however, provides transitional aid for JVSDs in FY 2006 and FY 2007. For these two fiscal years, transitional aid ensures that each JVSD's SF-3 funding does not fall below the funding it received in the previous fiscal year.

Parity Aid. In FY 2005, parity aid was calculated as the difference between what a district could raise per pupil with 9.5 mills and what the district at the 80th percent highest wealth level could raise per pupil with 9.5 mills. In FY 2005, this funding was phased in at 76%. The budget changes this calculation to be the difference between what these districts can raise per pupil with 7.5 mills. The act states that the reason for this decrease is the phase-out of the cost of doing business factor, which reduces the funding differential between districts. The budget pays this new calculation at 100% beginning in FY 2006.

Equity Aid. The budget repeals the statutes dealing with equity aid. Equity aid has been phased out in favor of parity aid. The last year for equity aid payments was FY 2005, in which 25% of the payment was made.

Charge-off Supplement. The budget establishes a new, three-year payment to phase out the charge-off supplement to school districts that become ineligible for the supplement after passing property tax or income tax levies in tax year (TY) 2005 or thereafter. Such a district would receive 75% of their prior year's payment in the first year, 50% in the second year, and 25% in the third year. The budget also adds to the revenue considered to be received by a school district for purposes of calculating the charge-off supplement revenue received as direct reimbursement for tax revenue lost due to the phase-out of the tangible personal property tax.

Phase-out of the Tangible Personal Property Tax

General business tangible personal property (TPP) includes three main categories: machinery and equipment, inventories, and furniture and fixtures. The statewide TPP value totaled approximately $22.2 billion for school districts in TY 2003, representing approximately 9.8% of the statewide total property assessed value. School districts and joint vocational school districts received approximately $1.2 billion in TPP tax revenue in TY 2003, including approximately $1.1 billion for operating and $0.1 billion for capital.

The enacted budget phases out the TPP tax evenly over four years so that the tax is completely eliminated by TY 2009. New machinery and equipment and furniture and fixtures is exempted from taxation immediately. The tax on inventories was already in the process of being phased out; the enacted budget accelerates this phase-out. While all school districts and joint vocational school districts will lose local tax revenue due to the TPP tax changes, the effect is uneven across school districts. This is due to the fact that the distribution of the TPP tax varies significantly across school districts. Per pupil TPP operating tax revenues range from $7 to over $5,000, with an average of $627 and a median of $374. The percentage of local operating revenue generated through the tax on TPP ranges from 0.1% to 54.8% with an average of 15.1% and a median of 12.1%. While the TPP tax may be relatively minor for many school districts, there are many other districts for which it is important. One hundred forty-two school districts receive more than 20% of their local operating revenues from this tax; 44 of these districts receive more than 30% of their local operating revenues from this tax.

The enacted budget establishes a new "commercial activity tax" (CAT) and deposits part of the revenue generated through this new tax in the School District Property Tax Replacement Fund to reimburse school districts and joint vocational school districts for their losses due to the elimination of the TPP tax. The Department of Taxation will determine the base reimbursement amounts for school districts and joint vocational school districts. The Department of Taxation is required to certify the tax value loss and the tax revenue loss for each school district and joint vocational school district. The tax value loss is basically the value of the property in TY 2004, except for inventories. Since the tax on inventories was already in the process of being phased out without direct reimbursement for the portion of the loss above the compensation received through increased state education aid, the enacted budget only reimburses the difference between the accelerated phase-out schedule and the previous phase-out schedule.

School levies are grouped into two categories for purposes of calculating their tax revenue losses: fixed-rate (inside mills and current expense) levies and fixed-sum (emergency and bond) levies. It should be noted that since fixed-sum levies (emergency and bond levies) are designed to raise a fixed amount of revenue each year, school districts will not lose tax revenue when property value decreases; the rate on the remaining taxable property will be adjusted upward to raise the same amount of revenue if there were no reimbursement mechanism. In order for a school district or a joint vocational school district to be eligible for fixed-sum levy loss reimbursement, the rate increase on the remaining property of the district has to be greater than 0.5 mills. The reimbursement base is the amount above the 0.5 mill threshold.

Through TY 2010, school districts are held "harmless" through a combination of the state education aid offset and direct reimbursement on their fixed-rate levy losses. That is, the combination of the state education aid offset and direct reimbursement will be equal to the base amounts determined by the Department of Taxation for these levies. The state education aid offset is the amount of additional state aid a school district receives due to its decreasing property values. Beginning in TY 2011, direct reimbursement for these levies will be phased out at a rate of 3/17 in the first two years and then at a rate of 2/17 per year until completely eliminated after TY 2018. Emergency levies are fully reimbursed from TY 2006 to TY 2010 and will be reimbursed after TY 2010 only when the levy is renewed. Bond levies are reimbursed for the duration of their lives. The effect of state education aid increases as a result of the TPP tax changes is permanent.

Beginning in TY 2007, the budget requires that the tangible personal property of telephone, telegraph, and interexchange telecommunications companies be classified as general business TPP, instead of public utility TPP. The budget phases out the taxation of this property beginning in TY 2007, evenly over five years, eliminating the tax in TY 2011. School districts will be reimbursed for the tax revenue loss from this property using the same method as that used for the other TPP tax revenue losses.

The phase-out of the TPP tax will begin affecting school districts and joint vocational school districts in TY 2006. Since TY 2006 valuation data will be used for calculating state education aid for FY 2008, the state education aid offset will not have an effect until FY 2008. The enacted budget provides $49,350,000 in FY 2006 and $369,054,000 in FY 2007 for direct reimbursement to school districts for their TPP tax revenue losses.

ANALYSIS OF THE ENACTED BUDGET

Due to the size and complexity of the Department of Education's budget, this analysis only includes major appropriations for each program series. For a description of each line item, please see the Catalogue of Budget Line Items (COBLI), which is available on the LSC web site. A few of the line items included in this analysis are split between program series. The majority, however, are listed with their complete appropriation in only one program series.

Program Series 1 — Academic Standards and Student Assessments

Purpose: To set the standards for what students should know and be able to do and assess students' progress toward meeting those standards.

The following table shows appropriations for the major line items that are used to fund the Academic Standards and Student Assessments program series.

Major Appropriations for Program Series 1: Academic Standards and Student Assessments				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-427	Academic Standards	$11,607,753	$11,679,181
GRF	200-437	Student Assessments	$54,445,234	$60,011,935
Federal Special Revenue Fund				
3Z2	200-690	State Assessments	$12,681,031	$12,883,799

Academic Standards. This appropriation item funds the development and dissemination of academic content standards and model curricula. Academic content standards describe what the state of Ohio expects all of its students to know and be able to do each year as they progress through preschool, elementary school, middle school, and high school. The Department has developed academic content standards in seven areas: English language arts, mathematics, science, social studies, arts, foreign language, and technology. Now that these standards have been developed, the Department is concentrating on disseminating the standards and on training educators in the use of the standards. The Department defines model curricula as model lesson plans created at the state level for use by school districts to develop local courses of study that are aligned to the academic content standards. Am. Sub. S.B. 1 of the 124th General Assembly mandated the completion of model curricula in the seven subject areas for which academic content standards have been developed. The Department is disseminating these curricula through a web-based application called the Instructional Management System (IMS). In FY 2006, the Department plans to complete the development of the initial model curricula for foreign language, arts, and technology. Throughout the biennium, the Department will work to increase the number of lesson plans in the four core subject areas for which the initial model curricula have already been developed.

Student Assessments. This appropriation item provides funding for the development, printing, distribution, collection, scoring, and reporting of proficiency, achievement, and diagnostic tests, as well as the Kindergarten Readiness Assessment and the Ohio Graduation Tests (OGT). Approximately 93% of the funding for this program is expended on contracts with test development and scoring companies. Once the tests are developed, scoring of the tests represents the largest on-going cost to the student assessment program. Am. Sub. S.B. 1 of the 124th General Assembly started the phase-out of the proficiency tests in favor of the achievement tests and the OGT. Am. Sub. H.B. 3 of the 125th General Assembly further modified the assessment system to conform it to the requirements of the federal No Child Left Behind Act (NCLB), and mandated the development of the Kindergarten Readiness Assessment.

The enacted budget makes some changes to the state assessment program. The budget specifies that the elementary achievement tests generally cannot be administered earlier than Monday of the week of May 1 beginning in the 2006-2007 school year and requires the Department to return these test results to school districts by June 15. This provision shortens the amount of time the scoring companies have to score the tests and may result in increased costs depending on the new contracts negotiated by the Department. The budget also eliminates the requirement of S.B. 1 for the State Board of Education to adopt diagnostic assessments for third grade science and social studies and for any subject in grades four through eight. In addition, it makes only a portion of the assessment questions public record, so that the Department can use questions more than once. These two last changes significantly reduce the cost of the assessment program for this biennium. The enacted budget authorizes the Director of Budget and Management to transfer unspent and unencumbered funds within ODE, as necessary, to GRF appropriation item 200-437, Student Assessment, to fully fund the student assessment requirements of state law. The enacted budget also permits the Superintendent to request the Controlling Board to transfer up to $5 million cash from the Lottery Profits Education Reserve Fund (Fund 018) in FY 2007 into this item, if the unspent and unencumbered funds are not sufficient.

State Assessments. Federal funds are used to support the state assessments that are required by the federal government in the NCLB. These include mathematics and reading achievement tests in grades three through eight and the mathematics and reading portion of the OGT.

Program Series 2 — Educator Standards and Preparation

Purpose: To prepare educators to work in Ohio's schools.

The following table shows appropriations for the major line items that are used to fund the Educator Standards and Preparation program series.

Major Appropriations for Program Series 2: Educator Standards and Preparation				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-448	Educator Preparation	$1,651,000	$1,651,000

Educator Preparation. This item mainly funds the Educator Standards Board, which was established by Am. Sub. S.B. 2 of the 125th General Assembly. In FY 2006 and FY 2007, this Board will develop and recommend to the State Board of Education standards for educator training and standards for entering and continuing in teacher and school leadership positions.

Program Series 3 — Recruitment and Retention

Purpose: To attract and retain highly qualified teachers in Ohio schools.

The following table shows appropriations for the major line items that are used to fund the Recruitment and Retention program series.

Major Appropriations for Program Series 3: Recruitment and Retention				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-410	Educator Training	$9,123,240	$9,623,240

***Educator Training*.** This appropriation item is split over this program series and program series 4, Educator Training. The largest retention program funded through this item is the National Board Certification program. The enacted budget earmarks $7,850,000 in FY 2006 and $8,250,000 in FY 2007 for this program. The National Board is a nonprofit organization that has developed standards for what teachers should know and be able to do. The Board has a certification process by which a teacher with at least a baccalaureate degree participates in a series of assessments in which his or her teaching practice is measured against the standards. The enacted budget provides $2,000 of the $2,300 application fee for up to 400 applicants in FY 2006 and FY 2007, which is the same number that was funded in FY 2005. In addition, those Ohio teachers obtaining certification are entitled to an annual stipend for the life of the certification, which is ten years, as long as they continue to teach in Ohio. The enacted budget limits eligibility for this stipend to this first certification period, so that if a teacher were to be recertified for another ten years that teacher would not be eligible for the stipend. The amount of the stipend is $2,500 per year for those obtaining certification before December 31, 2004 and $1,000 per year for those obtaining certification after December 31, 2004. At the end of FY 2004, Ohio had a total of 2,371 National Board certified teachers and ranked fifth in the nation.

Program Series 4 — Educator Training

Purpose: To help educators increase student achievement through providing quality educator training.

The following table shows appropriations for the major line items that are used to fund the Educator Training program series.

Major Appropriations for Program Series 4: Educator Training				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-410	Educator Training	$10,178,817	$10,178,817
GRF	200-433	Reading/Writing Improvement – Prof. Dev.	$16,165,000	$16,165,000
Federal Special Revenue Fund				
3Y6	200-635	Improving Teacher Quality	$107,000,000	$107,000,000

In addition to the appropriations listed here, the funding formula provides $9.72 per student in FY 2006 and $17.09 per student in FY 2007 for professional development through the base funding supplements, which are described in the Overview section. Also, for districts with poverty indices above 1.0, the funding formula provides up to $5.59 per student in FY 2006 and up to $10.01 per student in FY 2007 for professional development through poverty-based assistance. These funds are paid from GRF appropriation item 200-550, Foundation Funding, which is listed under program series 8, Basic Aid Support.

Educator Training. The major educator training program funded through this appropriation is the entry year program for teachers and principals. The enacted budget earmarks $9,515,817 in each fiscal year for this program. All school districts in Ohio are required to provide an entry-year program for all teachers in their districts who are in their first full-time position teaching under a specific provisional license. An entry-year program is a formal structured program of support, including mentoring, that is designed to prepare a teacher for the Praxis III assessment. All teachers with provisional licenses must successfully complete an entry-year program and the Praxis III assessment in order to obtain a professional license. Principals also must complete an entry-year assessment before obtaining full licensure. These funds provide stipends of approximately $1,100 for each entry-year participant.

Reading/Writing Improvement – Professional Development. The major activity funded through this item is the State Institutes for Reading Instruction (SIRI). The enacted budget earmarks $9,790,000 in each fiscal year for this program. This program provides intensive, year-round training opportunities for teachers statewide. Training focuses on research-based strategies in literacy instruction that are aligned with the academic content standards in English language arts. The enacted budget also earmarks $5,000,000 in each fiscal year for professional development partnerships**.** This funding supports four activities: (1) 11 university and college faculty who train 90 literacy specialists in more than 150 schools, and support intervention specialists and language arts curriculum coaches, (2) regional literacy teams that discuss, critique, study, and strengthen literacy teaching and learning in their regions, (3) the Ohio Principals' Literacy Network, which provides elementary principals with tools to assist them in implementing effective literacy programs in their schools, and (4) development and distribution of materials designed to help teachers understand literacy development and learning in adolescents.

Improving Teacher Quality. These federal grants can be used for professional development and class size reduction. Ninety-five percent of the funding is allocated to school districts based on a federal formula that considers enrollment and poverty in each district. One percent is used by the Department for administration and the remaining 4% is used by the Department for creating partnerships between districts and institutes of higher education in order to develop training activities around the academic content standards. The enacted budget earmarks $1,500,000 of these funds for the Ohio Wyami Appalachian Cohorts Program administered by the Columbiana County Educational Service Center.

Program Series 5 — Professional Licensure and Conduct

Purpose: To ensure that Ohio students are instructed by properly qualified and highly ethical educators.

The following table shows appropriations for the major line items that are used to fund the Professional Licensure and Conduct program series.

Major Appropriations for Program Series 5: Professional Licensure and Conduct				
Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4L2	200-681	Teacher Certification and Licensure	$5,497,158	$5,628,332

***Teacher Certification and Licensure*.** This item is funded through licensing fees. This program includes the processing of licensure applications and technical assistance to applicants regarding the licensure process. The Department is in the process of creating the Connected Ohio Records for Educators system, which will include an on-line application process. These funds also support the administration of the teacher disciplinary process.

Program Series 6 — School Improvement

Purpose: To assist districts, buildings, and students most in need of academic improvement.

The following table shows appropriations for the major line items that are used to fund the School Improvement program series.

Major Appropriations for Program Series 6: School Improvement				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-431	School Improvement Initiatives	$21,813,649	$23,842,828
GRF	200-578	Safe and Supportive Schools	$1,218,555	$1,218,555
Federal Special Revenue Fund				
309	200-601	Educationally Disadvantaged	$11,056,562	$11,056,562
3D1	200-664	Drug Free Schools	$13,347,966	$13,347,966

***School Improvement Initiatives*.** The enacted budget earmarks $13,972,949 in FY 2006 and $13,672,678 in FY 2007 of this line item for distribution to regional service providers to provide technical assistance and support to low-performing districts as required by state and federal law. The enacted budget expands this law by requiring the Department to establish an academic distress commission for an academic emergency school district that has failed to meet federal adequate yearly progress (AYP) in four consecutive years. The commission will have authority over certain personnel, management, and budgetary decisions. The enacted budget combines funding for regional professional development that is provided in the FY 2004-2005 biennium through appropriation item 200-410, Professional Development, into this earmark. This will allow the regional service providers to align and integrate technical assistance and professional development services and to target these services to low-performing districts. This item also includes earmarks of $2,935,000 in FY 2006 and $4,935,000 in FY 2007 for transforming large urban high schools into small learning communities and of $1,574,535 in FY 2006 and $2,753,985 in FY 2007 to support early college high schools.

***Safe and Supportive Schools*.** This appropriation is used by districts to fund school resource officers, safe and drug-free school coordinators, evaluation, needs assessment, staff in-service, character education, and school conflict management programs.

***Educationally Disadvantaged*.** The appropriation for this item is split between this program series and program series 18, Students at Risk. The federal grant included here is for **c**omprehensive school reform. These funds are used to provide three-year competitive grants of up to $150,000 annually to approximately 100 Title I schools. With these grants, school districts adopt research-based comprehensive school reform programs.

***Drug Free Schools*.** This federal grant provides funds to all districts in Ohio, with 60% going to Title I eligible students. The grants are to be used to prevent violence in and around schools; strengthen programs that prevent the illegal use of alcohol, tobacco, and drugs; involve parents in schools; and foster collaboration among various efforts and resources.

Program Series 7 School Choice

Purpose: To meet the diverse educational needs of Ohio students by promoting and supporting educational options and choices.

The following table shows appropriations for the major line items that are used to fund the School Choice program series.

Major Appropriations for Program Series 7: School Choice				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-455	Community Schools	$2,942,094	$2,942,094
Federal Special Revenue Fund				
3T4	200-613	Public Charter Schools	$22,000,000	$22,000,000

Community Schools

Community schools, also referred to as charter 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. Community schools can be sponsored in any of the Big 8 school districts, schools districts under academic watch or academic emergency, and Lucas County. Community schools are primarily funded by the state through foundation payment transfers. Appropriations for this purpose come from GRF appropriation item 200-550, Foundation Funding, which is included in program series 8, Basic Aid Support. Community school students are included in their resident districts' ADM to qualify for state foundation payments, which are then deducted from students' resident districts and transferred to community schools where students are enrolled. In FY 2005, approximately $424.3 million of state foundation payments were transferred to community schools.

The enacted budget makes several changes to the community school law, including caps on the number of community schools, restrictions and requirements for sponsors, and a new accountability system with new sanctions for community schools that do not perform as expected. In addition, the enacted budget includes some provisions specific to e-schools. For a detailed description of these changes, see the LSC Final Analysis. In general, to the extent that these changes result in fewer students attending community schools, school districts may retain more students and more state funding.

Two provisions in the enacted budget have direct fiscal impact. The enacted budget disqualifies e-schools from receiving state parity aid, career-technical education weighted funding, DPIA, or poverty-based assistance payments, including payments for all-day kindergarten. Students enrolled in e-schools are included in the formula ADM of school districts only for the calculation of base cost and special education weighted funding, so that the state retains these funds. The enacted budget also requires e-schools, beginning in FY 2007, to spend at least the per pupil amount designated for base classroom teachers ($2,747 in FY 2007) on instruction, including: (1) teachers, (2) curriculum, (3) academic materials other than computers, and (4) other instructional purposes designated by the Superintendent of Public Instruction. The budget requires an e-school not in compliance with the spending requirement to pay a fine equal to the greater of 5% of the school's state funding or the amount the school underspent on instruction, but permits ODE to waive the fine for satisfactory implementation of a compliance plan.

As of March 2005, 267 community schools were in operation; 44 of these were e-schools. Approximately 63,000 students were enrolled in these schools, representing approximately 3.4% of total public K-12 student enrollment in the state. About 13,000 of these students were enrolled in the 44 e-schools.

Community Schools/Public Charter Schools. The appropriation items listed in this program series are used primarily to fund start-up grants to new community schools. Over the last few years, a new community school generally has been eligible for $450,000 in start-up grants over a three-year period. GRF appropriation item 200-455, Community Schools, also includes funding for the Department's management of the community schools program, for technical assistance, and for training of new sponsors.

Cleveland Scholarship and Tutoring

The Cleveland Scholarship and Tutoring Program (CSTP) provides scholarships for students residing in the Cleveland Municipal School District to attend private schools or public schools in adjacent school districts. CSTP has served students in kindergarten through eighth grade with ninth and tenth grades added in the FY 2004-2005 biennium for students who previously participated in the program. Under the enacted budget the program is expanded to include eleventh and twelfth grades. In addition to scholarships, the program also allows students to remain in the Cleveland Municipal School District and receive tutoring services. Both the scholarship and tutoring components of the program give priority to students from low-income families. In FY 2005, 5,710 students received scholarships and 2,982 students received tutoring grants through the program. The enacted budget earmarks $10,401,887 in FY 2006 and $11,901,887 in FY 2007 from funds allocated to the Cleveland Municipal School District under poverty-based assistance for CSTP. In addition, $8,800,000 in FY 2006 and $8,600,000 in FY 2007 are set aside from GRF appropriation item 200-550, Foundation Funding, for this program, which is listed under program series 8, Basic Aid Support.

Scholarship awards are based on a school's tuition cost, but are limited by state law. Beginning in FY 2007, the enacted budget increases the base scholarship amount to $3,450 for kindergarten through twelfth grade (from $3,000 for kindergarten through eighth grade and $2,700 for ninth through twelfth grade). The state contributes 90% or 75% of the lesser of the actual tuition or the base scholarship amount, depending on the recipient's income. The amount available per student for tutoring services is limited by law to 20% of the average scholarship amount, which is slightly less than $400 per student in FY 2006. The enacted budget establishes the maximum tutorial assistance grant at $400 per student, beginning in FY 2007. In FY 2005, the average scholarship was $2,325 and the average tutoring grant was $298.

Educational Choice Scholarship Pilot Program

The enacted budget establishes the new Educational Choice Scholarship Pilot Program, slated to begin in FY 2007. The program will provide scholarships to students who attend a school that has been in academic emergency for three or more consecutive years, including community school students who otherwise would attend school in those buildings. Students in grades K-8 who were enrolled in an eligible school the previous year may apply for an initial scholarship to attend a chartered nonpublic school. The amount awarded under the program will be the lesser of the actual tuition charges of the school or the maximum scholarship award. The enacted budget sets the maximum scholarship award at $4,250 for grades K-8 and at $5,000 for grades 9-12 in FY 2007. In subsequent years, these amounts are to increase by the same percentage as the increase in the base cost formula amount for school districts. The program prohibits a chartered nonpublic school from charging more than the scholarship amount to a student whose family income is at or below 200% of the federal poverty guidelines.

A student who receives a scholarship is eligible to continue receiving scholarships for subsequent school years through grade 12, as long as the student takes each achievement test administered to the student's grade level, misses no more than 20 days of school per school year (not including absences for illness or injury documented by a physician), and remains a resident of the school district in which the student was entitled to attend school when the student's scholarship was first awarded.

Up to 14,000 scholarships may be awarded in FY 2007. Scholarship students are counted in the resident district's ADM in order to calculate base cost funding, so that the districts will be credited with $5,403 per student in FY 2007. An amount equal to $5,200 will be deducted from the resident districts' state aid for each scholarship student. These funds primarily will be used to fund the Educational Choice Scholarship Pilot Program. A portion of the funds will be used to fund the Cleveland Scholarship and Tutoring Program. The enacted budget also earmarks $675,000 in FY 2006 and $500,000 in FY 2007 of GRF appropriation item 200-421, Alternative Education Programs, for administration of the Educational Choice Scholarship Pilot Program.

Program Series 8 Basic Aid Support

Purpose: To provide the majority of state aid for the general operations of school districts. Funding is also provided for nonpublic schools and property tax supplements.

The following table shows appropriations for the major line items that are used to fund the Basic Aid Support program series.

Major Appropriations for Program Series 8: Basic Aid Support				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-511	Auxiliary Services	$127,903,356	$127,903,356
GRF	200-532	Nonpublic Admin Cost Reimbursement	$56,762,916	$58,068,463
GRF	200-550	Foundation Funding	$5,579,031,663	$5,709,057,366
GRF	200-901	Property Tax Allocation – Education	$764,626,987	$728,793,318
GRF	200-906	Tangible Tax Exemption	$42,830,487	$32,122,865
State Special Revenue Fund				
5BJ	200-626	Half-Mill Maintenance Equalization	$0	$10,700,000
Lottery Profits Education Fund				
017	200-612	Foundation Funding	$606,208,300	$606,296,800
Revenue Distribution Fund				
047	200-909	School Dist Prop Tax Replace - Business	$49,350,000	$369,054,000
053	200-900	School Dist Prop Tax Replace - Utility	$116,647,522	$101,647,522

Formula Aid

***Foundation Funding*.** The enacted budget combines four previous GRF appropriation items into one: GRF item, 200-550, Foundation Funding. The four previous items are: 200-501, Base Cost Funding; 200-520, Disadvantaged Pupil Impact Aid; 200-525, Parity Aid; and 200-546, Charge-Off Supplement. Item 200-550 together with appropriation item 200-612, Foundation Funding, from the Lottery Profits Education Fund 017, provide the main source of state foundation formula payments to school districts and joint vocational school districts. As described in detail in the Overview section, the enacted budget provides a base cost formula amount of $5,283 in FY 2006 and $5,403 in FY 2007 and a number of new base funding supplements. This appropriation item also includes funding for special education, career-technical education, and school choice programs as well as earmarked funds for various other programs.

The enacted budget modifies the postsecondary enrollment options (PSEO) program, which is supported through this appropriation item. A portion of state base cost funding is deducted from the student's resident district's state aid and transferred to the institution of higher education when the student is enrolled in the PSEO program. The enacted budget requires that a parent of a participating student reimburse the state for the cost of the program if the student does not attain a passing final grade in the course. The enacted budget also increases the maximum scholarship amount for the Pilot Project Special Education Scholarship Program for autistic children, also funded through this item, from $15,000 per year to $20,000 per year.

***Half-Mill Maintenance Equalization*.** School districts participating in the Ohio School Facilities Commission's school building assistance program are required to levy one-half mill to help pay for the maintenance costs of their new or renovated buildings. The enacted budget provides payments, beginning in FY 2007, to districts whose per pupil valuations are less than the state average. These funds will pay the difference between what a district could raise with 0.5 mills per pupil and what the district with the state average valuation could raise with 0.5 mills per pupil at the time the district enters into the project agreement. Districts already having project agreements will also receive the payments retroactively. The enacted budget transfers excess funds from the School District Property Tax Replacement Fund (Fund 053), that are not needed to make reimbursement payments to school districts as described below, into Fund 5BJ to support this equalization program. If the funds are not needed for the half-mill equalization they are to be used for the school building assistance program. Prior law would have distributed these excess funds to all school districts on a per pupil basis.

Nonpublic School Payments

***Auxiliary Services*.** This funding, which is distributed on a per pupil basis, supports secular services provided to chartered nonpublic schools. Services include health, counseling, special education, standardized testing, and test scoring. Funds may also be used to purchase secular textbooks, materials, and equipment. The enacted budget earmarks $2,000,000 in each fiscal year of this appropriation item to fund the postsecondary enrollment options program for nonpublic school students who are residents of Ohio.

***Nonpublic Administrative Cost Reimbursement*.** Chartered nonpublic schools are required by the state to perform some administrative and clerical activities. These funds reimburse the schools for the costs of these mandated activities. The reimbursement is based on the actual costs from the prior year with a maximum reimbursement rate that is increased in the enacted budget from $250 to $275 per pupil.

Local Tax Supplement

***Property Tax Allocation – Education*.** For several years, the state has paid 10% of locally levied property taxes for all real property owners and an additional 2.5% for homeowners, thus decreasing property taxes paid by individual property tax payers in Ohio. This provision is often referred to as property tax "rollbacks." This item funds the rollback reimbursements for school districts and joint vocational school districts. In addition, this item funds the portion of the Homestead Exemption Program for the elderly and disabled payable to school districts. The enacted budget eliminates the 10% rollback on commercial and industrial real property. This provision does not affect the amount of tax revenues received by school districts, as businesses are now required to pay 100% of their tax liabilities.

***Tangible Tax Exemption – Education*.** The state exempts the first $10,000 of tangible personal property from taxation. This item reimburses school districts for this exemption. The reimbursement is being phased out; the enacted budget accelerates this phase-out so that the reimbursement will be completely phased out by FY 2009 instead of by FY 2012.

***School District Property Tax Replacement – Business*.** These funds reimburse school districts for losses they incur due to the phase out of the tangible personal property tax, enacted in this budget. This reimbursement mechanism is described in the Overview section.

***School District Property Tax Replacement – Utility*.** Am. Sub. S.B. 3 and Am. Sub. S.B. 287 of the 123rd General Assembly deregulated electric and natural gas utilities in Ohio, reduced the property tax assessment rates on utility property, and created new taxes on utility output. Districts are partially compensated for the resulting property tax loss through an increase in state aid (the state education offset). The value of the loss above the increase in state aid is paid to districts through this program. The enacted budget changes the use of the excess funds in Fund 053. Under prior law, the excess funds were to be distributed to school districts on a per pupil basis for capital maintenance and improvements. Under the enacted budget, the excess funds are first to be used to fund the newly established half-mill maintenance equalization program and then for the school building assistance program of the School Facilities Commission.

Program Series 9 — Pupil Transportation

Purpose: To partially reimburse districts for the operating and capital costs of transporting public and nonpublic school students to and from school.

The following table shows appropriations for the major line items that are used to fund the Pupil Transportation program series.

Major Appropriations for Program Series 9: Pupil Transportation				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-502	Pupil Transportation	$412,330,728	$420,577,343
GRF	200-503	Bus Purchase Allowance	$8,600,000	$14,000,000

***<u>Pupil Transportation</u>*.** The bulk of the funding (86% of the total biennial amount) in item 200-502, Pupil Transportation, is used to reimburse school districts for the operating costs of transporting public and nonpublic students to and from school. The operating cost reimbursement has been distributed based on a statistical regression model that estimates the cost of transportation based on a district's average daily miles transported per ADM, and the percentage of pupils transported. The state reimbursement is based on the model cost instead of each district's actual transportation expenditures to promote efficiency on the part of districts. Districts are reimbursed the greater of 60% or the district's state share percentage of the modeled cost plus an additional rough road supplement provided to school districts with a low pupil density and a high rough road percentage. The enacted budget notwithstands the formula and provides all districts receiving transportation funding in FY 2005 a 2% increase in funding in FY 2006 and an additional 2% increase in FY 2007. Districts that did not receive transportation funding in FY 2005 will not receive any transportation funding in FY 2006 or FY 2007. The enacted budget requires the Department, by July 1, 2006, to recommend a new transportation funding formula.

The enacted budget also earmarks $58,115,428 in FY 2006 and $59,277,737 in FY 2007 for special education transportation. School districts are required to transport students with disabilities when the disability would prevent their participation in public education without transportation support. The state also supports the transportation of students with disabilities by providing funding assistance to county boards of mental retardation and developmental disabilities (MR/DD).

***<u>Bus Purchase Allowance</u>*.** These funds are used to assist school districts, educational service centers, and county MR/DD boards with bus purchase or bus service contracts. The enacted budget earmarks 28% of the appropriation ($2,408,000 in FY 2006 and $3,920,000 in FY 2007) to be used to reimburse school districts and educational service centers for the purchase of buses used to transport handicapped and nonpublic school students and to reimburse MR/DD boards, the Ohio School for the Deaf, and the Ohio School for the Blind for purchases of buses to transport handicapped students. The enacted budget removes the requirement that 100% of the cost of these buses must be reimbursed, and instead requires that the reimbursement be limited to a per pupil allocation. This will likely result in the appropriation being more widely distributed. The remaining 72% of the appropriation ($6,192,000 in FY 2006 and $10,080,000 in FY 2007) is distributed to school districts for "regular" bus purchases or bus service contracts based on a complex formula that includes a per pupil or per mile base reimbursement, a rough road factor, and an equalization component.

Program Series 10 — Finance and Management Services

Purpose: To assist school districts with the restoration and maintenance of fiscal solvency and the implementation of sound management practices.

The following table shows appropriations for the major line items that are used to fund the Finance and Management Services program series.

Major Appropriations for Program Series 10: Finance and Management Services				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-422	School Management Assistance	$2,683,208	$2,710,572
General Services Fund				
5H3	200-687	School District Solvency Assistance	$18,000,000	$18,000,000
Lottery Profits Education Fund				
017	200-682	Lease Rental Payments Reimbursement	$31,691,700	$31,603,200

School Management Assistance. This appropriation is used for fiscal technical assistance and inservice education for school district personnel, especially in districts in fiscal watch and fiscal emergency. The enacted budget earmarks $1,315,000 in each fiscal year to be used by the Auditor of State for audits of these districts.

School District Solvency Assistance. This General Services Fund group item (Fund 5H3) is used to fund two accounts: the shared resource account, which is used to make advances to districts to enable them to remain solvent and to pay unforeseen expenses of a temporary or emergency nature; and the catastrophic expenditures account, which is used to make grants to districts for unforeseen catastrophic events. Advances made to districts from the shared resource account must be repaid no later than the end of the second year following the fiscal year in which the advance was made. Grants from the catastrophic expenditures account do not need to be repaid. The program was first appropriated $30 million in FY 1998 by Am. Sub. H.B. 650 of the 122nd General Assembly. It is now funded through repayments of advances from the shared resource account.

Lease Rental Payments Reimbursement. These funds are transferred to GRF appropriation item 230-428, Lease Rental Payments, in the Ohio School Facilities Commission to help pay debt service from bonds issued for the classroom facilities assistance program.

Program Series 11 Ohio Education Computer Network

Purpose: To facilitate the use of computers and information in both administrative and instructional settings for member school districts.

The following table shows appropriations for the major line items that are used to fund the Ohio Education Computer Network program series.

Major Appropriations for Program Series 11: Ohio Education Computer Network				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-426	Ohio Education Computer Network	$30,446,197	$30,446,197

***Ohio Education Computer Network*.** The enacted budget earmarks $18,136,691 in each fiscal year to connect school buildings to the state education network, to each other, and to the Internet. These funds are provided to support ONEnet Ohio that connects the 23 data acquisition sites (commonly known as "DA sites"), school districts, community schools, and some nonpublic charter schools. Funds are allocated through a formula developed by ODE. The estimated per building funding for FY 2006 and FY 2007 is $3,000. In addition, an earmark of $8,338,468 in each fiscal year will be used to support the DA sites. These sites provide computer support, software products, and information services to their member districts. In addition, they collect, process, store, and transfer data to and from member districts for EMIS data reporting. Funds are distributed to DA sites using a per pupil formula, based on the enrollments of member districts and software usage.

Program Series 12 School Food Services

Purpose: To provide federal and state funds and commodity foods for a nutritious lunch, breakfast, and after-school snack for school-age children and some adults.

The following table shows appropriations for the major line items that are used to fund the School Food Services program series.

Major Appropriations for Program Series 12: School Food Services				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-505	School Lunch Match	$8,998,025	$8,998,025
State Special Revenue Fund				
455	200-608	Commodity Foods	$24,000,000	$24,000,000
Federal Special Revenue Fund				
367	200-607	School Food Services	$11,383,637	$11,666,732
3L6	200-617	Federal School Lunch	$220,256,132	$227,583,653
3L7	200-618	Federal School Breakfast	$56,382,851	$58,405,608
3L8	200-619	Child/Adult Food Programs	$66,590,622	$67,915,843

School Lunch

The school lunch program provides subsidized meals to over 600,000 low-income students at 4,166 public and nonprofit private schools, camps, and institutions. Federal reimbursements for the program are deposited in federal line item 200-617, Federal School Lunch (Fund 3L6). In addition to federal funding, state matching is required and funded through GRF line item 200-505, School Lunch Match.

School Breakfast

The school breakfast program provides federally assisted meals to more than 220,000 low-income students at 2,340 public and nonprofit private schools, camps, and institutions. Federal reimbursements for the program are deposited in federal line item 200-618, Federal School Breakfast (Fund 3L7). In addition, the enacted budget earmarks $3,700,000 of GRF appropriation item 200-550, Foundation Funding, for school breakfast programs. This appropriation item is listed under program series 8, Basic Aid Support.

Other Food Programs

Commodity Foods. This appropriation item is used to support the U.S. Department of Agriculture's Schools/Child Nutrition Commodity Programs. Under this program food is donated to schools. The Ohio Department of Education charges schools for the processing and handling of the donated food. These funds are deposited into this State Special Revenue Fund (Fund 5H3).

School Food Services. This appropriation item provides meals to children during extended school vacations and summer school, as well as providing administrative support for federal school food programs.

Child/Adult Food Programs. This program provides reimbursement for nutritious snacks as well as breakfast, lunch, and dinner meals to children or adults enrolled at participating day care centers, after-school programs, or adult day care centers.

Program Series 13 Special Education

Purpose: To provide a free and appropriate education for all students with disabilities as required by the federal Individuals with Disabilities Education Act (IDEA).

The following table shows appropriations for the major line items that are used to fund the Special Education program series.

Major Appropriations for Program Series 13: Special Education				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-540	Special Education Enhancements	$54,975,546	$55,444,124
Federal Special Revenue Fund				
3M2	200-680	Individuals with Disabilities Education Act	$513,058,569	$605,581,547

The bulk of state funding for special education is paid through GRF appropriation item 200-550, Foundation Funding, which is listed under program series 8, Basic Aid Support. Special education students receive additional formula funding to cover the additional costs of providing them with the state-defined basic education. This funding is calculated by applying a weight to the formula amount for each special education student. The state pays the district's state share percentage multiplied times the weighted formula amount. There are six weights based on different categories of disability. These weights are given in the table below. The enacted budget continues phasing in these weights at 90% in FY 2006 and FY 2007, the same phase-in percentage used in FY 2005.

Special Education Formula Weights		
Category	**Disabling Conditions**	**Weight**
1	Speech-only	0.2892
2	Specific learning disabled, developmentally handicapped, other health – minor	0.3691
3	Hearing impaired, vision impaired, severe behavior handicapped	1.7695
4	Orthopedically handicapped, other health – major	2.3646
5	Multihandicapped	3.1129
6	Autism, traumatic brain injury, both visually and hearing disabled	4.7342

In addition to these weights, the enacted budget earmarks $18,000,000 in FY 2006 and $19,000,000 in FY 2007 of GRF appropriation item 200-550, Foundation Funding, for the catastrophic cost supplement. These funds provide additional funding for high-cost special education students. The state reimburses 50% to almost 100% of the cost of providing services to students above certain thresholds. The enacted budget raises these thresholds from $25,700 to $26,500 for students in categories two through five and from $30,840 to $31,800 for students in category six. Category one students are not eligible for this reimbursement.

***Special Education Enhancements*.** This appropriation item is split between this program series and program series 15, Early Childhood Education. The majority of the appropriation in this program series is used for special education weighted funding at institutions operated by the county boards of mental retardation and developmental disabilities (MR/DD), the Department of Health, the Department of Rehabilitation and Correction, and the Department of Youth Services. MR/DD boards have been receiving special education weighted funding since FY 1999. Previously, the other institutions were funded through unit funding. The enacted budget starts to fund them with weighted funding in FY 2006. These weights are the same that apply to special education students in school districts and are listed above. The enacted budget guarantees that each institution receives at least the amount it received for unit funding in FY 2005.

***Individuals with Disabilities Education Act*.** The federal Individuals with Disabilities Education Act (IDEA) requires that school districts provide a free and appropriate education to all children with disabilities from the age of 3 to the age of 21. These funds are provided to school districts, county MR/DD boards, the Ohio State School for the Blind, the Ohio State School for the Deaf, the Department of Youth Services, community schools, and chartered nonpublic schools to assist in the provision of this mandated education. The Ohio Department of Education has been distributing these funds on a delayed basis, so that the funds that are allocated for FY 2004 would not be distributed until FY 2005. The U.S. Department of Education allows up to 27 months to use the funds from any year. The Ohio Department of Education has decided to bring distribution of funds into a current year basis. In order to do this they are distributing an extra 25% starting in FY 2005 and ending in FY 2008. In FY 2009, therefore, only funds for FY 2009 will be distributed. As a result, for the FY 2006-2007 biennium districts and other educational entities will receive an extra 25% per year in federal funds for special education.

The enacted budget eliminates the Community Alternative Funding System (CAFS) through which many school districts were able to receive reimbursements through Medicaid for some federally mandated services provided to Medicaid-eligible students with mental retardation or developmental disabilities. In FY 2003, school districts received approximately $52 million in Medicaid reimbursement through CAFS. Several school districts sued the state over the elimination of the program and reached a settlement that will provide the districts with Medicaid reimbursement for the services, but at lower reimbursement rates.

Program Series 14 — Student Intervention

Purpose: To provide intervention services to students with special academic needs.

The following table shows appropriations for the major line items that are used to fund the Student Intervention program series.

Major Appropriations for Program Series 14: Student Intervention				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-421	Alternative Education Programs	$13,907,665	$13,732,665
GRF	200-566	Reading/Writing Improve. – Class. Grants	$12,062,336	12,062,336
Federal Special Revenue Fund				
3Y4	200-632	Reading First	$50,775,637	$31,215,798
3Y2	200-688	21st Century Community Learning Centers	$30,681,554	$30,681,554
3Y7	200-689	English Language Acquisition	$8,500,000	$9,000,000

General Intervention

The funding formula provides $25.00 per student in FY 2006 and $25.50 per student in FY 2007 for student intervention to all school districts through the base funding supplements. In addition, through poverty-based assistance the funding formula provides three tiers of intervention funding as described in the Overview section. Districts with poverty indices above 0.25 receive up to $15.00 per student in FY 2006 and up to $25.50 per student in FY 2007 for the first tier. In addition, districts with poverty indices above 0.75 receive up to $40.00 per student in FY 2006 and up to $68.00 per student in FY 2007 for the second tier. Finally, districts with poverty indices above 1.5 receive up to an additional $576.00 per poverty student in FY 2006 and up to $979.20 per poverty student in FY 2007. These funds are paid through GRF appropriation item 200-550, Foundation Funding, which is listed under program series 8, Basic Aid Support.

Literacy Intervention

Reading/Writing Improvement – Grants. The enacted budget changes the name of the OhioReads Program to the Classroom Reading Improvement Grants Program and specifies that it is administered by the Department of Education. The two grant programs are similar except that whereas OhioReads served students in kindergarten through fourth grade, the Classroom Reading Improvement grants will be provided to serve students in kindergarten through twelfth grade. The grants will be provided to school districts, community schools, and educational service centers to help students improve their reading skills, improve reading outcomes in low-performing schools, and help close achievement gaps.

Reading First. This federal program targets the lowest performing and highest poverty schools. It funds research-based reading instruction plans, staff development, student assessments, technology, and materials. The funds are awarded through a competitive grant process to eligible districts. Participants in this program are required to administer federal diagnostic tests. The enacted budget permits the administration of these federal diagnostic tests to meet the requirement in state law that districts administer state diagnostic assessments.

English Language Readiness

State funding for intervention for limited English proficient (LEP) students is provided through poverty-based assistance. The funding formula provides up to $528.30 per LEP student in FY 2006 and up to $945.53 per LEP student in FY 2007 to districts with poverty indices above 1.0. These funds are paid through GRF appropriation item 200-550, Foundation Funding, which is listed under program series 8, Basic Aid Support.

English Language Acquisition. This federal grant provides assistance to school districts in meeting the language needs of LEP students.

Intervention Grant Programs

Alternative Education Programs. These funds mainly provide grants to 21 urban school districts and approximately 100 rural and suburban school districts. The grants are used to develop and implement strategies for at-risk children and youth who have been suspended or expelled, have dropped out of school or are at risk of dropping out, are habitually or chronically truant, are disruptive in class, are on probation from the juvenile court, or are on parole from a Department of Youth Services facility.

21st Century Community Learning Centers. These federal funds are distributed to competitively selected grantees for a five-year period. The grants are used to establish or expand community learning centers that provide academic enrichment opportunities for students in low-performing schools.

Program Series 15 — Early Childhood Education

Purpose: To provide developmental and educational services for low-income preschool children.

The following table shows appropriations for the major line items that are used to fund the Early Childhood Education program series.

Major Appropriations for Program Series 15: Early Childhood Education				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-408	Early Childhood Education	$19,002,195	$19,002,195
GRF	200-540	Special Education Enhancements	$79,194,060	$79,986,001
State Special Revenue Fund				
5W2	200-663	Early Learning Initiative	$106,580,000	$127,456,000
Federal Special Revenue Fund				
3C5	200-661	Early Childhood Education	$23,874,338	$23,874,338

Early Childhood Education (GRF). The enacted budget replaces the public preschool program with the Early Childhood Education Program to serve three and four-year-old children from families with incomes at or below 200% of the federal poverty level. Early childhood education programs are administered by school districts or educational service centers. Each program must align its curriculum to early learning program guidelines for school readiness developed by the Department, administer diagnostic assessments adopted by the State Board of Education, require all teachers annually to attend at least 20 hours of professional development, and document and report child progress in meeting guidelines for school readiness.

Special Education Enhancements. This appropriation item is split between this program series and program series 13, Special Education. The enacted budget earmarks $79,194,060 in FY 2006 and $79,986,001 in FY 2007 for special education programs that serve children with disabilities, ages three through five. Districts are mandated under federal law to provide a free and appropriate public education to these students. Funding for preschool special education and related services provided by school districts, educational service centers, and county MR/DD boards is distributed on a unit basis. Funding under the enacted budget funds approximately 2,042 units. Generally, a unit represents a class with one teacher or a group of students with one related services personnel, and is funded on average over the biennium at about $39,000 per year.

Early Learning Initiative. The enacted budget eliminates state-operated Head Start and Head Start Plus (funded in FY 2004 and FY 2005 with federal Temporary Assistance to Needy Families (TANF) moneys allocated to the state) and replaces these programs with the TANF-funded Early Learning Initiative. Head Start programs funded by direct federal aid, serving approximately 38,500 children, are not affected by this provision. The Early Learning Initiative will provide early learning services for up to 10,000 TANF-eligible children in FY 2006 and 12,000 TANF-eligible children in FY 2007.

The Department of Education (ODE) and the Department of Job and Family Services (ODJFS) will jointly administer the Initiative in accordance with an interagency agreement and rules adopted jointly by the two agencies. An earmark of $2,200,000 in each fiscal year is provided to ODE for the administrative costs of the Early Learning Initiative. Actual subsidies for early learning providers will be disbursed by ODJFS. Temporary law associated with the program allows the Director of Budget and Management to transfer the appropriations for ODE to ODJFS as needed, for reimbursing early learning providers.

Early Childhood Education (Federal). These federal grants help to support federally mandated preschool special education services. Approximately 75% of these funds are distributed to school districts through a formula that depends on the number of preschool students with disabilities, the total preschool population in the district, and the level of poverty in the district. Twenty percent of the funds are used by the Department to provide local assessments, professional development, and parent education. The remaining 5% is used for the Department's administration of the program.

Program Series 16 Career-Technical Education

Purpose: To support the provision of the academic and technical knowledge and skills needed to prepare students for further education and careers in current or emerging employment sectors.

The following table shows appropriations for the major line items that are used to fund the Career-Technical Education program series.

Major Appropriations for Program Series 16: Career-Technical Education				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-545	Career-Technical Education Enhancements	$10,169,442	$9,225,569
Federal Special Revenue Fund				
369	200-616	Career-Tech. Educ. Federal Enhancement	$6,500,000	$6,500,000
3L9	200-621	Career-Technical Education Basic Grants	$48,029,701	$48,029,701

The bulk of state funding for career-technical education is paid through GRF appropriation item 200-550, Foundation Funding, which is listed under program series 8, Basic Aid Support. Career-technical education students receive additional weighted funding, in addition to base cost funding, to account for the higher costs of providing career-technical education services. The additional weight is 0.57 for a full-time equivalent (FTE) student enrolled in a workforce development program, and 0.28 for an FTE student enrolled in any other career-technical program. The state share of career-technical education weighted funding is equalized based on each district's state share percentage of base cost funding. The funding formula also provides funding for the Graduation, Reality, and Dual-Role Skills (GRADS) program. GRADS is an in-school instructional and intervention program for pregnant and parenting students. The funding formula provides equalized state grants for up to 225 FTE GRADS teachers approved by the Department. The grant funds the state share of the personnel allowance of $47,555 per GRADS teacher in FY 2006 and FY 2007, which is the same level as in FY 2005.

Base cost funding is the main source of state funding for the 49 joint vocational school districts (JVSDs) in the state. The base cost formula amount for JVSD students is the same as that for students in the 613 school districts – $5,283 in FY 2006 and $5,403 in FY 2007. Base cost funding for JVSDs is also a partnership between the state and JVSDs. The base cost local share for JVSDs is 0.5 mills. The enacted budget starts to phase out the cost of doing business factor (CDBF) adjustment in the base cost funding formula for both school districts and JVSDs. This change alone decreases state base cost funding for school districts and JVSDs. To partially offset this effect, the enacted budget guarantees that each JVSD's state base cost funding is not lower than its state aggregate or per pupil base cost funding in FY 2005, whichever is lower. The local share is subtracted from the total base cost to derive a JVSD's state base cost funding. Special and career-technical education students attending JVSDs receive the same weighted funding as those students attending the 613 school districts. The enacted budget also eliminates the JVSD FY 1999 SF-3 funding guarantee and replaces it with a new JVSD transitional aid, which will prevent a JVSD's SF-3 funding from decreasing in FY 2006 and FY 2007. This funding is provided through GRF appropriation item 200-550, Foundation Funding, which is listed under program series 8, Basic Aid Support.

***Career-Technical Education Enhancements*.** This appropriation item funds a variety of career-technical programs. The enacted budget earmarks $3,401,000 in each fiscal year for the High Schools That Work (HSTW) school improvement initiative of the Southern Regional Education Board (SREB). HSTW is designed to accelerate learning and raise standards through rigorous course work, counseling, parental and community involvement, and teacher collaboration. The enacted budget also earmarks $2,436,070 in each fiscal year to provide instructional programming at institutions. Incarcerated students are provided instructional programming in work and family literacy, career-based intervention, and workforce development. Funding is distributed in the form of units.

***Career-Technical Education Federal Enhancement*.** These federal funds are used primarily to support Tech Prep programs that link secondary and postsecondary career-technical programs and assist students to transition from high school to college and careers.

***Career-Technical Education Basic Grants*.** These federal grants support a number of different programs including career-based intervention, work and family studies , and workforce development.

Program Series 17 Gifted Education

Purpose: To identify and serve students who perform, or show potential for performing, at remarkably high levels of accomplishment.

The following table shows appropriations for the major line items that are used to fund the Gifted Education program series.

Major Appropriations for Program Series 17: Gifted Education				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-521	Gifted Pupil Program	$46,910,068	$47,157,293

***Gifted Pupil Program*.** The majority of this appropriation funds 1,110 gifted units through the funding formula. In FY 2005, the average funding per unit was $37,400. Units are awarded to districts and educational service centers that provide gifted services. One gifted coordinator unit is provided per

5,000 students and one teacher unit is provided per 2,000 students. The enacted budget also earmarks $4,700,000 in each fiscal year to assist districts in the purchase of test materials and equipment, in-service and staff training, and employment of additional personnel that are needed to perform state-mandated gifted identification. The enacted budget requires the Department and school districts to adopt grade acceleration policies by the 2006-2007 school year.

Program Series 18 Students at Risk

Purpose: To help schools improve the teaching and learning of students who are failing or who are most at risk of failing to meet the state academic standards.

The following table shows appropriations for the major line items that are used to fund the Students at Risk program series.

Major Appropriations for Program Series 18: Students at Risk				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
Federal Special Revenue Fund				
309	200-601	Educationally Disadvantaged	$19,658,846	$19,658,846
3M0	200-623	ESEA Title 1A	$440,260,178	$461,026,070
3S2	200-641	Education Technology	$20,800,000	$20,800,000
3M1	200-678	Innovative Education	$11,800,000	$11,800,000
3Z3	200-645	Consolidated USDE Administration	$9,200,000	$9,200,000

As explained in the Overview section, the enacted budget replaces disadvantaged pupil impact aid (DPIA) with the poverty-based assistance program. This program provides funds to school districts that incur higher educational costs because of a high concentration of economically disadvantaged students. Funding is provided for seven programs: all-day kindergarten, kindergarten through grade three class-size reduction, intervention, limited English proficient student intervention, teacher professional development, dropout prevention, and community outreach. Eligibility and funding for each program is determined by a district's poverty index, which measures the concentration of disadvantaged students in a district relative to the concentration of disadvantaged students in the state as a whole. Funding for dropout prevention is only provided to eight major urban districts (Big Eight) and funding for community outreach is only provided to 21 urban districts (Urban 21). The Overview section describes this new funding in detail.

***Educationally Disadvantaged*.** This federally funded program includes grants to assist the state in ensuring that all homeless children have access to a free and appropriate education; to support programs for migrant children to help reduce the educational disruptions and other problems that result from frequent moves; and to provide financial assistance to state or local institutions that serve neglected and delinquent children to help meet their educational needs.

***Elementary and Secondary Education Act Title I A*.** This federal funding is distributed based on a federal formula to school districts in Ohio. Nearly all Ohio districts receive basic grants, which are based on the state's per pupil education expenditure and the number of school-age children from low income families. Four other types of grants are targeted to districts with high concentrations of poor students. One percent of the grant award is used by the Department to administer the program. Schools use the money they receive to provide educational services to disadvantaged students. Districts who have not made the federal designation of "adequate yearly progress" (AYP) for two years in a row are required to use up to 20% of their allocation to provide transportation to students from failing schools that choose to attend a school in the district that is not failing. After three years of failing to make AYP, districts are required to use up to 20% of their allocation to provide transportation as before and to provide supplemental services to children in failing schools.

***Educational Technology*.** This federal program funds entitlement and competitive grants that are used for hardware, software, professional development, curriculum management tools, and other resources that assist districts in integrating technology into their language arts and mathematics curricula in kindergarten through eighth grade. Competitive grants are administered jointly by the Department and eTech Ohio.

***Innovative Education*.** These federal grants are provided to approximately 800 school districts, community schools, joint vocational school districts, and nonpublic schools in Ohio. The grants are designed to help schools implement promising educational reform programs to meet the special needs of at-risk and high-cost students. The funds are also used for professional development in the use of technology related to implementation of the reform programs.

***Consolidated U.S. Department of Education Administration*.** The federal No Child Left Behind Act (NCLB) allowed for the consolidation of administrative funds from various NCLB grants. These administrative funds support the technical assistance, coordination, and administrative activities of the state related to these federal grants. These funds are also used for state-level program activities and the dissemination of information about model programs and practices. The majority of these funds are used for programs for at-risk students.

Program Series 19 Adult Education

Purpose: To provide education and training for adults through full-time and part-time adult career-technical training programs.

The following table shows appropriations for the major line items that are used to fund the Adult Education program series.

Major Appropriations for Program Series 19: Adult Education

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	200-509	Adult Literacy Education	$8,669,738	$8,6699,738
GRF	200-514	Postsecondary Adult Career-Tech. Educ.	$19,481,875	$19,481,875
Federal Special Revenue Fund				
366	200-604	Adult Basic Education	$18,500,000	$18,500,000

***Adult Literacy Education/Adult Basic Education*.** This program provides free instruction to eligible people who have less than a 12th grade education, but are not subject to the state compulsory school attendance law. Instruction includes basic literacy, workplace literacy, family literacy, English for speakers of other languages, and preparation for the General Education Development (GED) test. The GRF funds provide a required match for the federal funds that support the program.

***Postsecondary Adult Career-Technical Education*.** This appropriation supports local career-technical education programs. Forty adult centers provide approximately 75% of the education and training programs within the state, serving more than 130,000 adults.

Program Series 20 School Accountability

Purpose: To support an effective accountability system that assigns responsibility, reports results, and rewards successes.

The following table shows appropriations for the major line items that are used to fund the School Accountability program series.

Major Appropriations for Program Series 20: School Accountability				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-439	Accountability/Report Cards	$3,878,850	$7,457,290
GRF	200-446	Education Management Information System	$15,674,805	$15,674,805

***Accountability/Report Cards*.** These funds are used to produce local report cards for every school district and public school building in the state. These report cards present data on the state's performance indicators as well as descriptive and financial data. They indicate the extent to which the performance indicators established by the State Board of Education are met and the resulting designation of the district or building as "excellent," "effective," "in need of continuous improvement," "in academic watch," or "in academic emergency." The state report card contains the state's results and specific education improvement priorities. The Department also publishes a report called "The Condition of Education in Ohio" that synthesizes information about Ohio's educational system. The enacted budget earmarks $200,100 in FY 2006 and $3,778,540 in FY 2007 to incorporate a statewide pilot value-added progress dimension into performance ratings for school districts and to train regional specialists.

***Education Management Information System*.** This appropriation supports the Education Management Information System (EMIS), which is the Department's primary system for collecting student, staff, course, program, and financial data from Ohio's public schools. The data collected via EMIS are used to determine both state and federal performance accountability designations, produce the local report cards, calculate and administer state funding to school districts, determine federal funding allocations, and meet federal reporting requirements.

Program Series 21 — Program Management

Purpose: To support agency operations and administration.

The following table shows appropriations for the major line items that are used to fund the Program Management program series.

Major Appropriations for Program Series 21: Program Management				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	200-100	Personal Services	$9,880,406	$10,880,655
GRF	200-320	Maintenance and Equipment	$4,344,235	$4,344,235
GRF	200-420	Computer/Application/Network Devel.	$5,361,525	5,361,525
State Special Revenue Fund				
4R7	200-695	Indirect Operational Support	$5,382,864	$5,449,748
General Services Fund				
138	200-606	Computer Services Operational Support	$7,600,091	$7,600,091

Personal Services/Maintenance and Equipment. These appropriation items support the administrative functions of the Department that are not directly related to a single program, such as human resources, accounting, board relations, and communications. Support is provided for ODE's five administrative centers: Curriculum and Assessment; School Reform; Teaching Profession; Students, Families and Communities; and School Finance.

Computer/Application/Network Development. This appropriation item supports the development and implementation of new information technologies to meet the strategic needs of the Department's business centers, making the Department's information accessible and enhancing its Internet and intranet services.

Indirect Operational Support. This State Special Revenue Fund group item (Fund 4R7) consolidates indirect costs associated with certain departmental functions that incur administrative costs in managing federal grants and contracts, such as human resources and accounts.

Computer Services Operational Support. This appropriation item provides information technology services and support to the Department's programs. This includes development and maintenance of the network infrastructure and software, purchase of all computer hardware and software, project management, and programming services. Programs are charged fees for these services, which are deposited into General Services Fund 138.

Ohio Elections Commission

Terry Steele, Budget Analyst

- Total biennium budget of $1,273,246
- Increased campaign finance filing requirements may result in increased complaints to ELC

OVERVIEW

Duties and Responsibilities

The Ohio Elections Commission (ELC) oversees political party spending, campaign finance, and corporate political contributions to ensure 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 and customer service center for the policing of campaign activities.

The Commission is comprised of seven members including three Republicans, three Democrats, and one Independent. The Commission employs a staff of three people, including an executive director and two administrative assistants.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
3	$636,623	$636,623	$411,623	$411,623	Am. Sub. HB 66

Vetoed Provisions

There were no provisions affecting this agency that were vetoed by the Governor.

Some Agency Costs Difficult to Anticipate

There are several issues that will affect the ELC's budget in the upcoming biennium. The ELC has been experiencing increased costs in areas outside of agency control. Commission member appointments come from areas further away from Columbus than their predecessors. As a result, there have been increased costs in travel reimbursements. Members are also traveling to commission meetings the night before due to distance, which has increased expenses for the Commission as well. The ELC indicated that during the FY 2004-2005 biennium, various expenses such as travel and lodging increased by approximately $1,500 per month.

Campaign Finance Legislation

H.B. 1 of the 125th General Assembly, Special Session, made several changes and additional requirements to the filing of campaign finance statements. One of the primary charges of the ELC is to act on campaign finance-related complaints filed by individuals, local boards of election, or the Secretary of State. The additional filing requirements of H.B. 1 have the potential to lead to an increased number of complaints due to late filing or failure to file proper campaign finance reports. Increased complaints would drive up the costs for the ELC, especially if the Commission would be required to meet more frequently to make determinations on an increased caseload. The ELC feels workload increases may only be short-term as individuals become accustomed to the various changes set forth by H.B. 1.

Conversely, the provisions of H.B. 1 may generate additional revenue for the ELC. The ELC is permitted to levy fines for violations of election law. Usually, a first offense results in a warning from the ELC. A second offense generates a $100 fine. A third offense levies a $200 fine. Any subsequent offense results in the doubling of fines for each offense thereafter. It is difficult to determine how many offenses stemming from complaints filed as a result of the requirements in H.B. 1 will lead to fines. Historically, the ELC receives approximately $70,000 of fine revenue per biennium.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Ohio Elections Commission is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Regulation

Purpose: To ensure and enforce compliance with Ohio's elections law by candidates for public office.

The following table shows the line items that are used to fund the Regulation program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	051-321	Operating Expenses	$411,623	$411,623
		General Revenue Fund Subtotal	**$411,623**	**$411,623**
General Services Fund				
4P2	051-601	Ohio Elections Commission	$225,000	$225,000
		General Services Fund Subtotal	**$225,000**	**$225,000**
Total Funding: Regulation			**$636,623**	**$636,623**

Compliance, Investigation, and Enforcement

Program Description: The Commission issues advisory opinions on campaign finance and related subjects and hears complaints of wrongdoing filed. The majority of complaints deal with candidates, campaign committees, political action committees, or corporations that are either late in filing or fail to file the required campaign finance reports. Other cases heard and considered by the Commission concern the inclusion or exclusion of disclaimers on political literature, corporate activities in the political arena, or the inclusion of allegedly false statements in campaign materials.

Funding Sources: GRF, election-filing fees

Implication of the Enacted Budget: The funding levels provided in the enacted budget allow the ELC to meet its statutory obligations. In previous fiscal years, the ELC relied more upon revenues generated in the Election Commission Fund (Fund 4P2) to carry out its duties. The ELC derived 51% of its budget in FYs 2004-2005 from Fund 4P2. In this upcoming biennium, under the Governor's proposal, only 35% of the ELC's budget would come from Fund 4P2. Relying on GRF funds will allow the ELC to easily absorb uncontrolled cost increases that have occurred over the past biennium, and any further cost increases that may result from the requirements of H.B. 1, campaign finance legislation enacted in December 2004.

Temporary and Permanent Law Provisions: None

Board of Embalmers and Funeral Directors

Jason Phillips, Budget Analyst

- Enacted budget of $598,933 for FY 2006
- Licensed over 7,000 embalmers, funeral directors, facilities, and crematories in FY 2004
- Planned consolidation in the Department of Commerce in FY 2007

OVERVIEW

Duties and Responsibilities

The State Board of Embalmers and Funeral Directors protects consumers and regulates the profession through the licensure of embalmers, funeral directors, funeral homes, and crematory facilities. The Board regulates the funeral profession through registration of embalmers and funeral directors, one and two-year apprenticeships, examinations, licensure, inspections and investigation of complaints. Embalmers have been licensed in the state 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 umbrella of licensees and facilities regulated by the Board of Embalmers and Funeral Directors.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
12	$598,933	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

4K9 Fund

The Board of Embalmers and Funeral Directors is funded by the Occupational Licensing and Regulatory Fund (Fund 4K9), which serves as a repository for license fees and other assessments collected by the state's occupational licensing and regulatory boards. A pooled funding source provides agencies the ability to maintain operations during years where licenses are not renewed and revenue is much lower. Yet, it is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships. Overall, the philosophy of the fund is that each board must generate enough revenue to cover its expenses.

Licensure

The Board of Embalmers and Funeral Directors handles the administrative work for roughly 7,000 funeral directors, embalmers, funeral, homes and crematories. The Board renews its licenses biennially, with $1,061,975 in revenue versus $1,004,469 in expenditures over the two-year renewal cycle from FY 2003 to FY 2004. This has resulted in a net gain of $57,506 to the 4K9 Fund in that span. The State Board of Embalmers and Funeral Directors' enacted budget appropriates a total of $598,933 in FY

2006, but does not make an appropriation in FY 2007, as the Board is slated for consolidation within the Department of Commerce.

Board Consolidation

The enacted budget recommended that 20 independent occupational licensing boards be absorbed into the departments of Health, Commerce, and Public Safety. As such, the enacted budget does not appropriate funding in FY 2007 for the boards and commissions included in the consolidation proposal. The specifics of the consolidation plan will be addressed during FY 2006 by a task force consisting of the agencies acquiring the boards, the Department of Administrative Services, the Office of Budget and Management (OBM), the Governor's Office, and three individuals selected by the boards included in the consolidation proposal. According to the plan, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentives will be offered to regulatory board staff. These incentives should result in staff reductions. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board and commission members for each agency will be retained and continue to serve in the manner in which they were appointed.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Board of Embalmers and Funeral Directors is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

Purpose: To license and regulate the professions of embalmer and funeral director and facilities including funeral homes and crematories.

The following table shows the line items that are used to fund the Board of Embalmers and Funeral Directors as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	881-609	Operating Expenses	$598,933	$0
Total Funding: State Board of Embalmers and Funeral Directors			**$598,933**	**$0**

Program Description: In accordance with Chapter 4717. of the Revised Code, the Board of Embalmers and Funeral Directors licenses and regulates embalmers, funeral directors, funeral homes, and crematories and resolves complaints against any of those who are regulated.

Funding Sources: GSF (Fund 4K9); license and renewal fees

Implication of the Enacted Budget: The Board of Embalmers and Funeral Directors received $598,933 for FY 2006, but did not receive an appropriation for FY 2007 as the Board is slated for consolidation within the Department of Commerce. The enacted budget allows the Board to maintain FY 2005 service levels.

State Board of Registration for Professional Engineers and Surveyors

Jason Phillips, Budget Analyst

- Licensed 34,654 individuals and 1,558 firms in FY 2004
- Executive recommendation of $1,058,881 for FY 2006
- Planned consolidation in the Department of Commerce in FY 2007

OVERVIEW

Duties and Responsibilities

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.

To become a licensed engineer or surveyor, an individual must possess at least a bachelor's degree in engineering or surveying, have four years of practical experience, and pass two national examinations. The first examination tests an individual's fundamental knowledge of the subject area. The second examination, taken after the individual has completed four years of experience, tests the individual's knowledge of the principles and practices of engineering or surveying.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
8	$1.06 million	$1.06 million	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

4K9 Fund

The State Board of Registration for Professional Engineers and Surveyors is funded by Fund 4K9, which is a fund in the General Services Fund group that serves as a repository for license fees and other assessments collected by the state's occupational licensing and regulatory boards. The 4K9 Fund allows the agencies that it funds the ability to maintain operations during years where licenses are not renewed and revenue is much lower. However, the philosophy of the 4K9 fund is that each board must generate enough revenue to cover their expenses. Yet, it is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

The State Board of Registration for Professional Engineers and Surveyors handles the administrative work for roughly 36,000 registrants. The Board renews its registrations annually with $1,024,443 in revenue versus $868,048 in expenditures in FY 2005. This has resulted in a net gain of $156,395 to the 4K9 Fund for that licensing period. The Board's enacted budget appropriates a total of $1.06 million in FY 2006 and FY 2007, representing flat funding for the biennium.

Board Consolidation

The executive budget recommended that 27 occupational licensing and regulatory boards be consolidated into the departments of Health, Commerce, and Public Safety. The enacted budget excluded the State Board of Registration for Professional Engineers and Surveyors (and six other boards) from the recommendation and thus exempts the Board from the consolidation's provisions. It is uncertain what the impact of the board consolidation will be on costs for the boards that were exempted. However, it is likely that the boards will be able to absorb any potential increase within existing resources.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 **Operating Expenses**

Purpose: To license and regulate professional engineers and surveyors and enforce laws relating to these professions.

The following table shows the line items that are used to fund the Ohio State Board of Engineers and Surveyors as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	892-609	Operating Expenses	$1,058,881	$0
Total Funding: State Board of Engineers and Surveyors			**$1,058,881**	**$0**

Program Description: The State Board of Engineers and Surveyors protects the health, safety, and welfare of the public by ensuring that only properly qualified individuals and businesses become registered and enforces Chapter 4733. of the Revised Code to ensure that unregistered individuals are not providing services inconsistent with established standards and codes of ethics.

Funding Source: GSF Fund 4K9

Implication of the Enacted Budget: The State Board of Registration for Professional Engineers and Surveyors received funding of $1.06 million in FY 2006 and $1.06 million in FY 2007. The enacted budget will allow the Board to maintain FY 2005 service levels.

Environmental Protection Agency

Ann Braam, Budget Analyst

- Phase-out of GRF funding in this biennium
- New solid waste disposal fee replaces foregone GRF
- Additional funding in the divisions of Air Pollution Control and Surface Water to address new requirements
- A continuation of FY 2005 service levels in other areas

OVERVIEW

Duties and Responsibilities

The mission of the Ohio Environmental Protection Agency (Ohio EPA) is to protect human health and the environment by establishing and enforcing standards for air quality, water, wastewater treatment, and solid and hazardous waste disposal and by providing comprehensive environmental education. This mission is carried out by means of the following activities: inspections and sampling; permitting; environmental education and technical assistance provided to industry, community, and the general public; assistance in compliance and pollution prevention; and enforcement actions against violators. Loan assistance is also provided for environmental infrastructure, such as sewage treatment plants.

Ohio EPA is a regulatory agency of approximately 1,364 funded positions. The Director is appointed by the Governor and sits on the Governor's cabinet. Ohio EPA is organized into several program series designed to develop and implement distinct environmental programs. The overriding goal of Ohio EPA is to protect the environment and public health by ensuring compliance with environmental laws and demonstrating leadership in environmental stewardship. Specific goals include:

- Ensuring clean air, water, and land resources;
- Attaining and maintaining National Ambient Air Quality Standards;
- Reducing the emission of air toxins;
- Characterizing and protecting ground water, and evaluating potential threats to source waters for all of Ohio's public water systems;
- Protecting, enhancing, and restoring surface waters of the state;
- Increasing the number of streams achieving swimmable and fishable standards;
- Preventing, responding to, removing, and cleaning up hazardous waste releases, hazardous substances, and pollutants;
- Investigating and providing remediation to federal cleanup sites;
- Ensuring that major facilities have developed and implemented pollution prevention plans and that enforcement settlements contain pollution prevention supplemental environmental projects;
- Encouraging waste reduction and recycling statewide;
- Ensuring permitted and licensed facilities are in substantial compliance;

- Providing access to technical and financial assistance for implementable solutions to environmental needs; and
- Providing sound science, effective management, and comprehensive environmental education and working to enhance public awareness and understanding of issues affecting environmental quality.

With the exception of the divisions of Air Pollution Control and Surface Water, the enacted budget is essentially a continuation budget.

Included in the enacted budget are: (1) a new Environmental Protection Fee on solid waste disposed in Ohio's landfills, which would replace all GRF that currently funds seven diverse environmental programs by FY 2007, (2) a new Surface Water Protection Fee that will allow the Section 401 Certification/Wetlands Permitting program to become more self-sufficient, and (3) a requirement that Ohio EPA continue to implement an enhanced motor vehicle inspection and maintenance (E-check) program in counties in which such a program is federally mandated.

Much of the new Environmental Protection Fee revenue will be used to continue environmental programs at current service levels. Some of the revenue will provide additional funding for initiatives within the Division of Air Pollution Control to comply with new federal Clean Air Act requirements. The following table shows funding by program series and fiscal year.

Enacted FYs 2006-2007 Budget by Program Series

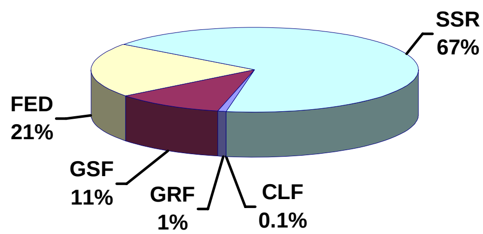
Program Series	FY 2006	% of Total Budget	FY 2007	% of Total Budget	Biennium Total
Air Pollution Control	$38,207,106	20.94%	$38,544,541	20.72%	$76,751,647
Emergency and Remedial Response	$22,951,679	12.58%	$23,017,114	12.37%	$45,968,793
Hazardous Waste Management	$15,724,697	8.62%	$16,165,939	8.69%	$31,890,636
Solid and Infectious Waste Management	$20,199,930	11.07%	$20,623,144	11.08%	$40,823,074
Drinking and Ground Waters	$20,161,799	11.05%	$20,628,971	11.09%	$40,790,770
Surface Water	$37,635,686	20.62%	$38,757,913	20.83%	$76,393,599
Environmental Education	$1,500,000	0.82%	$1,500,000	0.81%	$3,000,000
Pollution Prevention and Compliance Assistance	$1,367,575	0.75%	$1,371,582	0.74%	$2,739,157
Environmental and Financial Assistance	$5,116,646	2.80%	$5,257,754	2.83%	$10,374,400
Program Management	$19,632,759	10.76%	$20,194,651	10.85%	$39,827,410
TOTAL	**$182,497,877**	**100%**	**$186,061,609**	**100%**	**$368,559,486**

In the enacted budget, State Special Revenue (SSR) funding continues to make up the largest portion of the budget, at a total of $248.8 million over the biennium. With the GRF reduction in FY 2006 and total phase-out by FY 2007, GRF funding accounts for just less than 1% ($2.5 million) of the total FYs 2006-2007 budget. The accompanying chart depicts the total enacted budget by funding source.

FYs 2006-2007 Budget Focus

The Environmental Protection Fund (Fund 5BC)

Total FYs 2006-2007 Enacted Budget by Fund Group



Probably the biggest change for the agency is the elimination of GRF funding in FY 2007. This will be accomplished by a new $1.50 fee, referred to as the Environmental Protection Fee, on the disposal of solid waste to replace GRF. The fee is in addition to the current $2.00 per ton fee that is deposited into Ohio EPA's Solid Waste Fund (Fund 4K3), Hazardous Waste Facility Management Fund (Fund 503), and Hazardous Waste Cleanup Fund (Fund 505). This fee will be deposited into the newly created Environmental Protection Fund (Fund 5BC) and used to fund Ohio EPA operations, replacing all GRF by FY 2007 and providing additional funding for the Division of Air Pollution Control's initiatives aimed at meeting new federal Clean Air Act requirements.

The new fee is expected to generate $22.1 million per year for Ohio EPA programs and is expected to cover about $20 million in costs currently covered by the GRF. Ohio EPA estimates that the proposed fee will be needed to support 181 positions, including 33% of the Surface Water staff, 19% of the Air Pollution Control staff, and 18% of the Drinking and Ground Waters staff.

The Surface Water Protection Fee

The enacted budget includes an increased fee on 401 water quality certifications for any dredging or filling of waters in this state. In previous years, approximately 87% of 401 water quality certification program costs was covered by the GRF ($900,000). Application fees paid by project applicants generated $5,600 in FY 2004, less than 1% of the total program costs. Prior to the current change in fee structure, applicants for a 401 water quality certification did not pay review fees. The enacted fees would generate approximately $766,000 per year, or about 76% of the program costs. Moneys will be deposited in the Surface Water Protection Fund (Fund 4K4). The following table compares pre-FYs 2006-2007 fees to the fees enacted in the budget.

Fee Type	Pre-FYs 2006-2007	Newly Enacted
Application Fee	$15 to $200, depending on the size of the project	$200
Wetland Review Fee	None	$500 per acre of wetland to be impacted
Stream Review Fee	None	$5 - $15 per linear foot of stream to be impacted, depending on the type of stream
Lake Review Fee	None	$3 per cubic yard of dredged or fill material to be moved

The fee will be waived for state agencies; capped at $5,000 for townships, cities, and counties; and capped at $25,000 for other applicants. The fees will not apply to projects authorized by general or nationwide permits issued by the U.S. Army Corps of Engineers. The enacted budget also requires one-half of review fees to be paid upon final disposition of a certification application rather than upon issuance of the certification, eliminates a requirement that review fees be refunded if an application is withdrawn, and specifies that coal mining and reclamation projects are exempt from Section 401 water quality certification application and review fees for one year.

E-check/Mobile Sources Control

The current E-check contract expires December 31, 2005. Am. Sub. H.B. 66 requires Ohio EPA to continue to implement an enhanced motor vehicle inspection and maintenance program after that date in any county of the state that is still designated as nonattainment or designated by the General Assembly to continue such tests under mandate of the federal Clean Air Act. The bill creates the Auto Emissions Test Fund (Fund 5BY). When renewing a contract to continue the E-check program after December 31, 2005, Ohio EPA will use Fund 5BY to pay for the contracted amount per test for the operation, and Ohio EPA's costs for oversight, of the auto emissions testing programs in counties required to continue the tests. This fund will consist of transfers in an amount determined by the Director of Environmental Protection in conjunction with the Office of Budget and Management (OBM) from the Tobacco Master Settlement Agreement Fund (Fund 087). The program will expire on December 31, 2007, and the bill prohibits the continuation of the program beyond that date unless otherwise federally mandated.

In addition, the bill creates the Clean Diesel School Bus Fund (Fund 5CD), consisting of money from gifts, grants, and contributions, including contributions made pursuant to the settlement of an administrative or civil action brought at the request of Ohio EPA, for the purpose of adding pollution control equipment to diesel school buses. Moneys in the fund will be used to make grants to certain Ohio school districts for the purpose of adding pollution control equipment to diesel buses, maintaining pollution control equipment on school buses, and offsetting the additional costs of using ultra-low sulfur diesel fuel. The money will also be used to pay Ohio EPA's related administrative costs.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
1,338	$182,497,877	$186,061,609	$2,500,002	$0	Am. Sub. H.B. 66

* Employee count obtained from Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

The Governor vetoed two provisions in R.C. section 3734.01. The Governor vetoed a provision that would have extended the definition of "Solid Wastes" to include nontoxic, nonhazardous, unwanted fired and unfired, glazed and unglazed, structural shale and clay products. The Governor also vetoed a provision that would have excluded the following from the definition of "Solid Wastes": spent petroleum refinery hydrotreating, hydrorefining, and hydrocracking catalysts that are used to produce ferrovandium, iron nickel molybdenum, and calcium aluminate alloys for the steel, iron, and nickel industries unless the catalysts are disposed of at a licensed solid waste facility or are accumulated speculatively.

The Governor also vetoed a provision that would have allowed certain wetlands that are damaged or destroyed in the course of a development project to be replaced anywhere in Ohio within the same Army Corps of Engineers district.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 — Air Pollution Control

Purpose: To attain and maintain the air quality at a level that will protect the environment for the benefit of all.

The following table shows the line items that are used to fund this program series, as well as FYs 2006-2007 appropriations.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	715-501	Local Air Pollution Control	$128,297	$0
GRF	719-321	Air Pollution Control	$311,494	$0
		General Revenue Fund Subtotal	**$439,791**	**$0**
State Special Revenue Fund				
5CD	715-682	Clean Diesel School Buses	$650,000	$850,000
678	715-635	Air Toxic Release	$210,621	$210,622
602	715-626	Motor Vehicle Inspection & Maintenance	$1,190,944	$250,000
4T3	715-659	Clean Air – Title V Permit Program	$16,640,344*	$16,851,706*
5BC	715-622	Local Air Pollution Control	$898,072	$1,026,369
5BC	715-672	Air Pollution Control	$4,234,681	$5,199,290
542	715-671	Risk Management Reporting	$146,188	$146,188
4K2	715-648	Clean Air – Non-Title V	$3,234,278	$3,178,062
592	715-627	Anti Tampering Settlement	$17,203	$9,707
696	715-643	Air Pollution Control Administration	$750,000	$750,000
679	715-636	Emergency Planning	$2,828,647	$2,828,647
		State Special Revenue Fund Subtotal	**$30,800,978**	**$31,300,591**
Federal Special Revenue Fund				
357	715-619	Air Pollution Control – Federal	$6,966,337	$7,243,950
		Federal Special Revenue Fund Subtotal	**$6,966,337**	**$7,243,950**
Total Funding: Air Pollution Control			**$38,207,106**	**$38,544,541**

*Amount does not reflect total funding because the line item is used to fund programs in other program series. Amount reflected is the budget amount provided in the executive budget.

Enacted funding levels for the DAPC will support 210.8 FTEs in FY 2006 and 207 FTEs in FY 2007, a slight increase over FY 2005 (202.5 FTEs). Funding for DAPC supports the following programs:

- ***Program 1.01: National Ambient Air Quality Standards***
- ***Program 1.02: Air Emission Authorization and Evaluation***
- ***Program 1.03: Right-to-Know***
- ***Program 1.04: Air Toxics***
- ***Program 1.05: Mobile Sources Control***

Program 1.01 - National Ambient Air Quality Standards

Program Description: The primary mission of the DAPC is to attain and maintain the National Ambient Air Quality Standards (NAAQS), as required by the 1990 Amendments to the Federal Clean Air Act. Within this program, DAPC creates plans to implement the requirements of the Clean Air Act and other programs adopted by the U.S. EPA, and operates an air quality monitoring network that provides DAPC with the information to determine whether the NAAQS are being achieved. This helps DAPC identify where additional control programs are necessary to achieve the NAAQS. The network is operated and maintained by staff from Ohio EPA's central office, district offices, and Local Air Agencies (LAA).

The U.S. EPA has designated 34 Ohio counties, including every major urban area in the state, as nonattainment for the new eight-hour ozone standard, for fine particulates (PM 2.5), or both. Ohio EPA is required to develop, adopt, and implement the needed emissions reduction regulations to improve air quality and meet the standards. Specifically, Ohio EPA faces a federal requirement to adopt plans to address this by June 2007. This represents a significant workload due to the number of counties in Ohio that do not currently meet the standards. Staff within this program will need to inventory all sources of air pollution in the state to devise a plan to come into compliance with federal requirement. Ohio EPA has created a new unit within DAPC to address this, but the division is currently operating with 33 fewer employees than it had four years ago. In order to successfully complete this work within the required time period, Ohio EPA will need to add staff to this area.

Separate issues that affect Ohio EPA's ability to attain and maintain air quality standards involve U.S. EPA regulations that require the examination of air quality on a statewide or regional basis. These include a U.S. EPA mandate to reduce nitrogen oxide (NOx) emissions from utilities and large industrial boilers, referred to as the NOxSIP Call, and regional haze requirements intended to address visibility impairments, particularly in national parks and wilderness areas.

Funding Sources: GRF in FY 2006, federal grant money (Fund 357), non-Title V fees (Fund 4K2), Title V fees (Fund 4T3), solid waste tipping fees (Fund 5BC), settlement payments (Fund 592), and penalty moneys (Fund 696)

Implication of the Enacted Budget: Enacted funding levels will provide roughly $8.8 million in FY 2006 and $9.5 million in FY 2007 for this program. Funding levels will allow DAPC to add 20 positions in this program series to address federal Clean Air Act requirements. This represents a net increase of 12 funded staff in DAPC, as the Mobile Sources Control (E-check) program will shrink from 18 FTEs to 10 by FY 2007.

The additional positions are necessary to meet planning requirements for bringing Ohio regions into compliance with the federal Clean Air Act. These positions primarily will be located in the NAAQS program, but Ohio EPA indicates that some of the new positions may be housed in the Air Toxics and Air

Emission Authorization and Evaluation programs. In addition to addressing new requirements, the following activities can be continued at the enacted funding levels: maintaining improvements in ambient air quality levels, updating the transportation conformity rules which spell out how highway construction will avoid impacts on air quality, funding local air agencies, administering the air monitoring program, conducting quality assurance audits of the monitors, and coordinating monitoring activities with the U.S. EPA.

Permanent Law Provisions: ***Environmental Protection Fund (R.C. sections 3734.57 and 3745.015 and Section 206.27).*** The enacted budget creates the Environmental Protection Fund (Fund 5BC) to be used by Ohio EPA to administer and enforce programs under its jurisdiction and to pay other costs incurred by it.[8] Fund 5BC will be funded by an additional fee of $1.50 per ton on the disposal of solid waste. ***See Program 4.01 for more information on the Solid Waste Management fee.***

Temporary Law Provisions: ***Cash Transfer for Environmental Protection Fund (Section 206.27).***[9] The enacted budget permits the transfer of $11 million in cash from the following funds to the Environmental Protection Fund on July 1, 2005, to use as start-up money until revenue can be generated by the new Environmental Protection Fee: Central Support Indirect Fund (Fund 219), Hazardous Waste Facility Management Fund (Fund 503), Solid Waste Fund (Fund 4K3), and Hazardous Waste Cleanup Fund (Fund 505).

Program 1.02 - Air Emission Authorization and Evaluation

Program Description: The 1990 Clean Air Act Amendments established permitting and reporting requirements for air polluting facilities. DAPC regulates more than 73,000 individual sources of air pollution at 13,000 facilities. These facilities represent a broad spectrum of Ohio industrial and commercial entities, from dry cleaners to large refineries, chemical plants, and utility plants. DAPC's goal is to provide for the processing of all permit actions on a timely basis. DAPC also monitors facilities to determine if they are operating in compliance with their permits and operates an enforcement program to resolve violations when they are identified.

Funding Sources: GRF in FY 2006, federal grant money (Fund 357), non-Title V fees (Fund 4K2), Title V fees (Fund 4T3), solid waste tipping fees (Fund 5BC), and penalty moneys (Fund 696)

Implication of the Enacted Budget: Funding at the enacted level will allow DAPC to continue the existing level of services currently provided in the areas of permitting, including continuing to streamline the permitting process, and funding local air agencies. Funding will also be used to implement new programs adopted by the U.S. EPA. According to Ohio EPA some additional staff may be added to this area.

Footnotes Concerning New Fund 5BC Funding

[8] While the new fund is intended to fund various programs to offset the elimination of the GRF within Ohio EPA, the Division of Air Pollution Control will receive supplementary funding from it. Therefore, it seemed most appropriate to include the permanent law provisions with this program area.

[9] Please note that this temporary law provision relates to various programs and program series. It is included in this section because the Environmental Protection Fund is intended to provide supplementary funding for the Division of Air Pollution Control.

Permanent Law Provisions: ***Extension of Various Fee Sunsets (R.C. sections 3745.11 and 6109.21).*** The enacted budget extends the sunset on various Ohio EPA fees including annual emissions fees for synthetic minor facilities, various water pollution control and safe drinking water fees, fees for certification of operators of water supply systems or wastewater systems, and application fees for permits under the Water Pollution Control Law and Safe Drinking Water Law. Some of the water pollution control and safe drinking water fees are on a tiered structure. The fee extension continues the first tier fee, which is higher. At the end of the extension the fee reverts to a lower fee.

Automobile Emissions Tests (R.C. sections 3704.035, 3704.14, 3704.142 (repealed), 3704.143, 3704.17 (repealed), 3704.99, 4503.103, and 5552.01). The enacted budget creates the Auto Emissions Test Fund (Fund 5BY) and specifies that the fund shall be used to pay for Ohio EPA's oversight costs as well as the operation costs associated with the automobile emissions testing program beginning January 1, 2006. Also, the enacted budget states that Ohio EPA, in consultation with the Office of Budget and Management (OBM), shall determine an amount to withhold and later transfer from the Tobacco Master Settlement Agreement Fund (Fund 087) to the Auto Emissions Test Fund, and specifies that any money withheld but not transferred to the Auto Emissions Test Fund shall be transferred to the Tobacco Use Prevention and Cessation Trust Fund.

Program 1.03 - Right-to-Know

Program Description: The Right-to-Know program works to ensure the improvement of statewide preparedness and response to chemical emergencies and to increase the general public's awareness of potential chemical hazards. This program was established in 1987 under Chapter 3750. of the Revised Code to serve as the administrative support staff to the State Emergency Response Commission (SERC). As a means for SERC to meet its mission statement, it designated each county in Ohio as a local emergency planning district. These districts, through the county commissioners, created county level Local Emergency Planning Committees (LEPCs) with responsibilities to ensure regulatory compliance as directed under section 3750.03 of the Revised Code. In addition to the administrative support provided to SERC, this program provides state support and oversight to the 87 LEPCs in Ohio, which have the responsibility of developing and exercising Chemical Emergency Response Plans to chemical releases that may occur within or adjacent to their counties. The Right-to-Know program is responsible for the information management of more than 7,000 chemical inventory reports submitted annually from the designated regulatory industry. These reports are used for emergency planning activities, which Ohio EPA coordinates with the Ohio Emergency Management Agency (OEMA), SERC, and the 87 LEPCs. Approximately $2.5 million is collected annually in fees submitted by the regulated industry, and the majority of this money (about 90%) is passed through to the OEMA and the 87 LEPCs. The LEPCs use the funds for emergency planning and exercise activities, while OEMA receives funds to coordinate planning and exercises with the LEPCs.

Funding Sources: GRF in FY 2006, solid waste tipping fees (Fund 5BC), and a portion of SERC annual filing fees for reporting inventories of hazardous substances (Fund 696)

Implication of the Enacted Budget: The enacted budget will continue current service levels and support five FTES. The Right-to-Know program will be able to continue providing technical assistance to the LEPCs, participating in training activities directed to both the LEPCs and the regulated industry, and participating in compliance inspections of nonreporting facilities. Ohio EPA and the LEPCs will promote electronic reporting in FYs 2006-2007 to reduce costs by receiving electronic reports in lieu of paper submissions.

Program 1.04 - Air Toxics

Program Description: Air toxics compounds are emissions that cause a public health concern because these chemicals have the potential to cause cancer or other detrimental health impacts. The 1990 Amendments to the Federal Clean Air Act established programs to identify and reduce air toxics. The DAPC has implemented these programs as required, and has coordinated efforts with Local Air Agencies (LAA) to ensure the consistent application of these regulations throughout the state. The Air Toxics program is comprised of four key components: the identification and characterization of air toxics through monitoring and inventory activities, the implementation of source-specific and sector-based standards adopted by the U.S. EPA, planning activities that focus on risk management plans, and education and outreach. In addition to toxics monitoring, the DAPC also participates in the U.S. EPA's homeland security initiative to monitor for the use of biological weapons throughout Ohio.

RAPIDS. The DAPC continues to participate in the Regional Air Pollutant Inventory Development System (RAPIDS) program and prepare a comprehensive toxics emission inventory, which is based on the criteria pollutant inventory, submitted annually by facilities subject to Title V permitting. The RAPIDS inventory is supplemented with the Toxic Release Inventory (TRI). The DAPC strives to provide timely TRI data, and the annual data is available on the Internet, and through the publication of the annual TRI report.

112(r) Risk Management Planning. To support risk-planning activities, the DAPC continues to implement the 112(r) risk management planning program of the Clean Air Act of 1990, which requires facilities storing large quantities of hazardous chemicals to prepare risk management plans. The risk management plans were filed for the first time in June 1999 by approximately 500 facilities. Fees paid by the facilities support the administration of the 112(r) program. The Division conducts extensive outreach through mailings and seminars, and also conducts compliance inspections of facilities that have not submitted risk management plans. The DAPC continues to conduct extensive outreach through mass mailings to facilities affected by U.S. EPA toxic regulations.

Funding Sources: GRF in FY 2006, federal grant money (Fund 357), non-Title V fees (Fund 4K2), Title V fees (Fund 4T3), solid waste tipping fees (Fund 5BC), risk management plan (112(r) program) fees (Fund 542), Toxic Release Inventory filing fees (Fund 678), and penalty moneys (Fund 696)

Implication of the Enacted Budget: The enacted budget will result in 20 positions being added to DAPC's staff. Ohio EPA indicates some of that staffing may be allocated to the Air Toxics program, allowing Ohio EPA to address additional federal air toxics requirements. In addition, funding will allow the program to continue to support air monitoring activities and associated follow-up activities to convey the results of studies to communities.

Permanent Law Provisions: ***Clean Diesel School Bus Fund (R.C. section 3704.144).*** The enacted budget creates the Clean Diesel School Bus Fund (Fund 5CD) consisting of money from gifts, grants, and contributions for the purpose of adding pollution control equipment to diesel school buses, including contributions made pursuant to the settlement of an administrative or civil action brought at the request of Ohio EPA; requires Ohio EPA to use money in the Fund to make grants to Ohio school districts for the purpose of adding pollution control equipment to diesel buses and to pay Ohio EPA's related administrative costs; requires Ohio EPA to give priority to school districts meeting certain criteria; allows Ohio EPA to make grants to school districts to maintain pollution control equipment on school buses and to offset the additional costs of using ultra-low sulfur diesel fuel. The enacted budget appropriates $650,000 in FY 2006 and $850,000 in FY 2007 from appropriation item 715-682, Clean Diesel School Buses.

Program 1.05 - Mobile Sources Control

Program Description: The DAPC oversees the contractor-operated emissions inspection program, known as E-check, for vehicles in the Cleveland/Akron, Dayton, and Cincinnati areas. The goal of the program is to encourage motorists to routinely maintain the emission control equipment on their vehicles, thereby reducing the release of pollutants that lead to the formation of ozone.

The DAPC oversees the contractor's operation of the test stations and routinely certifies the equipment used by the contractor. In addition, the DAPC provides assistance to the public by responding to requests for information and complaints regarding the program, issues exemptions and extensions, and coordinates the activities of the program with the Bureau of Motor Vehicles. The contract for the E-check program expires December 31, 2005.

Funding Source: Emissions testing fees (Fund 602)

Implication of the Enacted Budget: The enacted budget will support 14 FTEs in FY 2006 and 10 FTEs in FY 2007. The E-check contract expires in the middle of FY 2006. After expiration of the contract, the remaining staff is budgeted to allow for continued services in a similar or different form. Ohio EPA indicates that it is studying alternatives to E-check and is close to finalizing recommendations on how to comply with federal air quality standards. Continuation of the E-check program would need legislative approval.

Program Series 2 Emergency and Remedial Response

Purpose: To prevent, identify, investigate, and remediate releases of hazardous waste, hazardous substances, and pollutants through compliance monitoring, enforcement, and voluntary actions.

The following table shows the line items that are used to fund this program series, as well as FYs 2006-2007 appropriations.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	726-321	Corrective Actions	$147,473	$0
GRF	715-403	Clean Ohio	$92,707	$0
		General Revenue Fund Subtotal	**$240,180**	**$0**
State Special Revenue Fund				
4R9	715-658	Voluntary Action Program	$1,008,765	$1,032,098
5BC	715-617	Clean Ohio	$648,939	$741,646
5BC	715-678	Corrective Action	$1,032,302	$1,179,775
500	715-608	Immediate Removal Special Account	$482,000	$482,000
505	715-623	Hazardous Waste Cleanup	$11,482,988	$11,482,988
505	715-674	Clean Ohio Environmental Review	$104,500	$109,725
541	715-670	Site Specific Cleanup	$33,000	$34,650
644	715-631	ER Radiological Safety	$286,114	$286,114
		State Special Revenue Fund Subtotal	**$15,078,608**	**$15,348,996**
Federal Special Revenue Fund				
3F3	715-632	Federally Supported Cleanup & Response	$2,792,648	$2,777,648
3K4	715-634	DOD Monitoring and Oversight	$1,450,333	$1,450,333
3N4	715-657	DOE Monitoring and Oversight	$3,181,736	$3,231,963
		Federal Special Revenue Fund Subtotal	**$7,424,717**	**$7,459,944**
Clean Ohio Fund				
5S1	715-607	Clean Ohio Operating	$208,174	$208,174
		Clean Ohio Fund Subtotal	**$208,174**	**$208,174**
Total Funding: Emergency and Remedial Response			**$22,951,679**	**$23,017,114**

Enacted funding for DERR will support a total of 191.1 FTEs in both fiscal years, allowing for the continuation of FY 2005 service levels (191.1 FTEs). Funding for Emergency and Remedial Response supports the following programs:

- ***Program 2.01: Emergency Response***
- ***Program 2.02: Voluntary Action***
- ***Program 2.03: Clean Ohio***
- ***Program 2.04: Remedial Response***
- ***Program 2.05: Office of Federal Facilities Oversight***
- ***Program 2.06: Office of Special Investigations***

Program 2.01: Emergency Response

Program Description: The Emergency Response (ER) program provides 24-hour emergency response to sudden releases of hazardous material, petroleum, and radioactive material. Members of the ER program are prepared to assist in the response to biological, chemical, and radiological-based terrorist attacks. ER personnel staff the Emergency Operations Center (EOC) when it is activated. The ER program coordinates with local and state emergency management officials to share information in an effort to minimize and prevent harmful releases to the environment. Based upon the location and type of release, the response unit often works in conjunction with the departments of Transportation, Health, Natural Resources, and Agriculture, as well as the Public Utilities Commission, the Emergency Management Agency, and the Petroleum Underground Storage Tank Release Compensation Board. The ER program receives approximately 5,500 spill reports per year, of which approximately 1,500 result in an emergency response. ER responded to 236 reports of mercury spillage or potential exposure in FY 2004 and recovered more than 750 pounds of elemental mercury.

In recognition of the ER program's response role in a chemical, biological, radiological, nuclear, or explosive release in Ohio, the Department of Homeland Security's grant program administered by the Office of Domestic Preparedness has awarded several grants to Ohio EPA. To date, Ohio EPA has received over $550,000 for equipment purchases for detection, personal protection, interoperable communications, decontamination, and logistical support.

Funding Sources: GRF in FY 2006, solid waste tipping fees (Fund 5BC), cost recovery from spill responses (Fund 500), and the Hazardous Waste Cleanup Fund (Fund 505)

Implication of the Enacted Budget: Enacted funding levels will allow for the continuation of Emergency Response activities at current service levels.

Program 2.02: Voluntary Action

Program Description: The Voluntary Action Program (VAP) was created in 1994 (and fully implemented in 1997) to oversee voluntary cleanup efforts of contaminated sites in order to return the sites to productive use. This program allows companies to investigate possible environmental contamination, clean it up if necessary, and receive a promise from the state of Ohio that no more cleanup is needed. The majority of brownfields and Clean Ohio cleanups are completed using the VAP. The program requires the use of certified professionals, who verify that environmental cleanup standards, which are based upon a site's proposed future industrial, commercial, or residential use, have been met. In addition to certifying these individuals, the VAP certifies laboratories that analyze environmental media samples from the sites and reviews and approves the voluntary cleanups, audits 25% of the cleanups, and provides technical assistance to volunteers and the public to assist with interpreting and applying cleanup standards. Under the program, VAP technical staff reviews and approves No Further Action (NFA) letters submitted to the agency in order to determine that standards have been met and that a site is protective of public health, safety, and the environment. When cleanup requirements have been met, the Director of Ohio EPA issues a covenant not to sue, which protects property owners from being legally responsible to the state for further investigation or cleanup. In recent years, the program has approved approximately 20-25 cleanups per year.

The VAP, along with the rest of DERR, is converting to an Access database system that will maintain all data concerning the program, as well as incorporate a time-management system that will allow management to monitor all of the VAP reviews and ensure that timelines are being met.

Funding Sources: GRF in FY 2006, federal grant moneys (Fund 3F3), VAP fees (Fund 4R9), and solid waste tipping fees (Fund 5BC)

Implication of the Enacted Budget: Funding at the enacted level will allow for the continuation of FY 2005 service levels. In addition, the recommended funding will allow the VAP program to become more self-sufficient and less reliant on other funds for support. The enacted budget will also save the EPA roughly $180,000 by requiring the issuance, denial, renewal, suspension, and revocation of certifications of professionals under the VAP law be published on the EPA web site rather than in newspapers of general circulation.

Program 2.03: Clean Ohio

Program Description: The Clean Ohio Program was established under Am. Sub. H.B. 3 of the 124th General Assembly. The program is funded through a $400 million bond initiative, administered by the Department of Development, and used to provide grants and loans to local groups and communities for the redevelopment of urban brownfields, the preservation of open spaces and farmland, and the protection of state waterways.

Ohio EPA staff review applications for investigation and cleanup and oversee the implementation of Clean Ohio projects. Staff within this program review the cleanups and report problems to the Clean Ohio Council, the body that is responsible for reviewing and approving grant and loan applications for brownfields remediation, and provide community outreach and assistance to local governments seeking financial and technical assistance to clean up brownfields. The Director of Ohio EPA sits on the Clean Ohio Council.

Funding Sources: GRF in FY 2006, solid waste tipping fees (Fund 5BC), start-up funding from the Hazardous Waste Cleanup Fund (Fund 505), and investment earnings from the Clean Ohio Revitalization Fund (Fund 5S1)

Implication of the Enacted Budget: Funding at the enacted level will allow for the continuation of FY 2005 service levels.

Program 2.04: Remedial Response

Program Description: The Remedial Response (RR) program was established in 1982 to investigate hazardous waste sites statewide, including federal Superfund sites, to assist and oversee in their cleanup, and to determine whether or not potentially contaminated sites are safe for their intended use. The goals of this program are to evaluate potentially contaminated sites, compel potentially responsible parties to implement cleanups where necessary, and meet pre-determined milestones at each of the ongoing cleanups.

Ohio EPA's five district offices and central office participate in cleanup oversight activities. Program operations include investigations, feasibility studies, remedial (cleanup) design, remedial action, enforcement, and, if necessary, actual operation and maintenance of hazardous waste sites. At state-designated sites, Ohio EPA provides direct oversight over responsible parties and their technical consultants. At federal Superfund sites, the U.S. EPA generally takes the lead role. Comprehensive cleanup has been completed at 17 state sites and 38 federal sites. Interim actions to address immediate threats are complete at 29 additional sites. In FY 2004, 77 investigations or cleanup projects were underway at another 40 sites.

The RR program also includes the Orphan Drum recovery program and Radiation Safety. The Orphan Drum recovery program evaluates, collects, and effectuates proper disposal of abandoned drums containing unknown and potentially hazardous materials. This program addresses more than 100 abandoned/unknown small-scale incidents per year. Radiation Safety is a grant-funded program that prepares for potential emergencies related to nuclear power plants.

Funding Sources: Federal grant money (Fund 3F3), the Hazardous Waste Cleanup Fund (Fund 505), enforcement orders (Fund 541), and nuclear utility assessment (Fund 644)

Implication of the Enacted Budget: Funding at enacted levels will allow for the continuation of services at FY 2005 levels.

Program 2.05: Office of Federal Facilities Oversight

Program Description: The Office of Federal Facilities Oversight (OFFO) provides oversight to the investigation, cleanup, and reuse of U.S. Department of Energy (DOE) and Department of Defense (DOD) sites in Ohio. Components of this program include technical oversight; maintaining working relationships with the DOE, DOD, and other regulators and stakeholders; active environmental monitoring; accelerating the cleanup process; public involvement; and cleanup levels based on future land uses. Through this program federal cleanup sites receive proper oversight and monitoring to ensure that they are safe for specific future use.

All funding for the OFFO is received from federal grants that are a result of consent decrees and numerous legal agreements. Federal cost recovery grants exist for each of the following DOE sites in Ohio: Fernald, Mound, and Portsmouth. Additional funding for 34 current and former DOD sites is received through the Defense/State Memorandum of Agreement. These sites include active installations, Base Closure and Realignment installations, and several Formerly Used Defense sites. A Cooperative Agreement has been established with the U.S. Army Corps of Engineers for the Formerly Utilized Sites Remedial Action Program (FUSRAP) to clean up privately owned sites that were once used by the government as part of the Manhattan Project in the 1940s and for early weapons production and research in the 1950s. Currently, Ohio has two active FUSRAP investigations/cleanups underway at Luckey Beryllium and Diamond Magnesium.

Funding Sources: Federal grant moneys (Fund3K4 and Fund 3N4)

Implication of the Enacted Budget: Funding at the enacted levels will allow for the continuation of FY 2005 service levels, enabling this program to continue to ensure that federal cleanup sites receive proper oversight and monitoring.

Projects undertaken by the Office of Federal Facilities Oversight represent major ongoing cleanups. Some of these cleanups are projected by Ohio EPA to be completed within the next two years. If this happens, total staff in this program area will decrease. There will not, however, be a complete phase out of staff. Federal funding is provided by site; therefore, as site cleanups are completed, federal funding for that site will be phased out. It is difficult to predict exactly how much funding and how many staff will be phased out; however, funding and work remaining will remain in proportion to each other. Thus, funding will allow for sufficient staff to carry out the remainder of the cleanups.

Program 2.06: Office of Special Investigations

Program Description: The Office of Special Investigations (OSI) conducts investigations into alleged environmental violations that potentially involve criminal activities. These include activities such as the burial of solid or hazardous waste, unpermitted discharges of industrial waste, illegal bypassing of wastewater treatment systems, falsification of wastewater and drinking water documents, illegal hazardous waste abandonment, and emissions of air pollutants from open burns. OSI is unique in that it is the only group within Ohio EPA expressly formed to handle complex environmental criminal investigations. These investigations often result in criminal sanctions against responsible individuals or companies.

Evidence Response Team (ERT). OSI personnel comprise Ohio EPA's newly formed Weapons of Mass Destruction (WMD) Evidence Response Team (ERT). The ERT has the ability to respond to potential WMD events anywhere in the state. The primary role of the ERT will be to assist lead response agencies, including the Federal Bureau of Investigations, local first responders, and U.S. EPA, in the entry and processing of a WMD crime scene to secure evidence and assess environmental impacts as a result of the incident. The ERT members are trained to respond to chemical, biological, and nuclear events.

Since its inception in 1984, OSI has developed hundreds of cases resulting in over 225 convictions involving intentional or reckless violations of Ohio's laws and regulations. Typically, OSI has an open caseload of approximately 100 criminal investigations. In addition, OSI has 35 completed investigations referred to prosecutors awaiting resolution. OSI is primarily a reactive program responding to division referrals and a wide variety of complaints from many sources. As each new case is received it is evaluated in coordination with the Bureau of Criminal Investigation, the Office of the Attorney General, and the U.S. EPA to determine if the allegations are criminal in nature. Investigations are conducted utilizing a team approach, bringing in expertise from state, local, and federal resources.

Funding Sources: Unlike most Ohio EPA divisions, the OSI is not bound to any particular program area. As such, the OSI receives funding from six divisions within Ohio EPA that have regulatory authority under which OSI conducts investigations. Each division's contribution to OSI is determined by analyzing cost breakdowns based on OSI casework and administrative expenses and deposited into the Hazardous Waste Facility Cleanup Fund (Fund 505). The Office also receives federal grant moneys (Fund 3F3).

Implication of the Enacted Budget: The enacted budget will allow for the continuation of FY 2005 service levels.

Program Series 3 — Hazardous Waste Management

Purpose: To improve the environment and therefore the health of Ohio's citizens by promoting pollution prevention and the proper management and cleanup of hazardous wastes.

The following table shows the line items that are used to fund the Hazardous Waste Management program, as well as FYs 2006-2007 appropriations.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	723-321	Hazardous Waste	$12,606	$0
		General Revenue Fund Subtotal	**$12,606**	**$0**
State Special Revenue Fund				
4P5	715-654	Cozart Landfill	$149,728	$149,728
5BC	715-675	Hazardous Waste	$88,241	$100,847
503	715-621	Hazardous Waste Facility Management	$11,270,231	$11,711,473
		State Special Revenue Fund Subtotal	**$11,508,200**	**$11,962,048**
Federal Special Revenue Fund				
354	715-614	Hazardous Waste Management - Federal	$4,203,891	$4,203,891
		Federal Special Revenue Fund Subtotal	**$4,203,891**	**$4,203,891**
Total Funding: Hazardous Waste Management			**$15,724,697**	**$16,165,939**

Funding at the enacted levels will support a total of 158.8 FTEs in the Division in both fiscal years, allowing for the continuation of FY 2005 service levels (158.8 FTEs). Funding for Hazardous Waste Management supports the following programs:

- ***Program 3.01: Hazardous Waste Management***
- ***Program 3.02: Cessation of Regulated Operations***

Program 3.01: Hazardous Waste Management

Program Description: The Hazardous Waste Management program implements Ohio's delegated hazardous waste management regulatory program under authority of Subtitle C of the federal Resource Conservation and Recovery Act of 1976 (RCRA) and its 1984 amendments; Chapter 3734. of the Revised Code; and Chapters 3745-50 through 59 and 65 through 69, 218, 248, 270, and 279 of the Ohio Administrative Code. The program, which was established in 1981, regulates facilities that generate, transport, treat, store, or dispose of hazardous waste. Hazardous waste is defined as waste that is toxic, ignitable, corrosive or reactive, or waste listed by name in state and federal law. The specific regulatory responsibilities of this program include: conducting compliance inspections, pursuing appropriate enforcement actions for noncompliance, responding to complaints, reviewing and approving closure/post-closure plans and corrective action plans and reports, and reviewing and issuing final action on renewal and modification permit applications. This program also oversees post-closure activities at Cozart Landfill near Athens, Ohio. This is done under an agreement reached as a result of an enforcement action brought by the state against responsible parties, which established a trust fund for the closure and long-term post-closure care of the facility.

The Division of Hazardous Waste Management's universe of regulated facilities includes 44 permitted treatment, storage, and disposal facilities; 1,300 large quantity hazardous waste generators; 11,000 small quantity generators; and 25,000 conditionally exempt small quantity generators. There are over 450 facilities that are subject to RCRA corrective action requirements, 85 of which are high environmental priorities. The Division shares the corrective action universe workload with the U.S. EPA.

In the current biennium, the Division adopted a new approach to the processing of renewal permit applications to help the Division achieve its goal of issuing an action on the renewal permit application by the time the permit has expired. In addition, during FY 2005 the Division eliminated much of its rule-making backlog.

Funding Sources: Federal grant moneys (Fund 354), settlement moneys for the Cozart Landfill (Fund 4P5), and hazardous waste and solid waste fees (Fund 503)

Implication of the Enacted Budget: Funding at the enacted levels will support 157.8 FTEs in both fiscal years, allowing for the continuation of FY 2005 service levels (157.8 FTEs).

Program 3.02: Cessation of Regulated Operations

Program Description: Chapter 3752. of the Revised Code established the Cessation of Regulated Operations (CRO) program in 1996. The Division of Hazardous Waste Management began implementing the program in July 1999. Facilities that have threshold quantities of hazardous chemicals must ensure that they are properly sold, transferred, or disposed of when those facilities close. By properly managing these substances at the time of business closure, future potential cleanups can be avoided in the event of a release of hazardous substances to the environment. The CRO regulatory program serves to protect public health and the environment from businesses who close or abandon their properties by ensuring that their hazardous substances are properly removed from the site and managed in a safe manner, thus avoiding spills, releases, or exposures. To this end, the CRO program provides a variety of compliance assistance, oversight, inspection (approximately 55 per year), and enforcement activities.

The universe of facilities subject to CRO requirements fluctuates in accordance with business decisions that are made on a daily basis. Typically, CRO conducts inspections at facilities that provide notification that they are ceasing their regulatory operations. Facilities receive letters of compliance when they have met CRO requirements, which help owners sell the properties being vacated, and ensure that the public is protected from abandoned hazardous chemicals.

Funding Sources: GRF in FY 2006 and solid waste tipping fees (Fund 5BC)

Implication of the Enacted Budget: Funding at the enacted level will support one FTE in both fiscal years, allowing for the same service levels as FY 2005 (one FTE). The allocation of staffing resources to administer this program is spread across numerous permanent staff in carrying out the program and is not dedicated to one staff person. The current economic climate in Ohio has contributed to an increase in business consolidations and closures, which has resulted in an increased workload in this program. With this level of funding, delays in responding to CRO-related situations are sometimes experienced. Further, lower priority activities may not be carried out in favor of more environmentally critical situations.

Program Series 4 — Solid and Infectious Waste Management

Purpose: To protect human health and the environment through responsible regulation of solid and infectious waste supported by sound science and effective management.

The following table shows the line items that are used to fund Solid and Infectious Waste Management, as well as FYs 2006-2007 appropriations.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
4K3	715-649	Solid Waste	$13,453,133*	$13,940,839*
660	715-629	Infectious Waste Management	$160,000	$100,000
4U7	715-660	Construction & Demolition Debris	$586,797	$582,305
4R5	715-656	Scrap Tire Management	$6,000,000	$6,000,000
		State Special Revenue Fund Subtotal	**$20,199,930**	**$20,623,144**
Total Funding: Solid & Infectious Waste Management			**$20,199,930**	**$20,623,144**

*Amount does not reflect total funding because the line item is used to fund programs in other program series. Amount reflected is the budgeted amount provided in the executive budget.

Funding at the enacted levels will support a total of 121.5 FTEs in the Division in both fiscal years, allowing for the continuation of FY 2005 service levels (121.5 FTEs). Funding for Solid and Infectious Waste Management supports the following programs:

- ***Program 4.01: Solid Waste Management***
- ***Program 4.02: Infectious Waste Management***
- ***Program 4.03: Construction & Demolition Debris***
- ***Program 4.04: Scrap Tire Management***

Program 4.01: Solid Waste Management

Program Description: Approximately 14.5 million tons of solid waste are disposed of annually in Ohio. The Solid Waste Management program was developed to ensure proper management of this waste and involves the oversight of 54 operating landfills, 57 transfer facilities, and 593 composting facilities. The program involves complex interactions and shared responsibilities among state and local governments, as well as private, residential, commercial, industrial, and institutional generators of solid waste.

Activities funded by the program include: solid waste planning; statutorily required review of permits, registrations, and licenses; inspections of different types of solid waste facilities; landfill siting and design plan approvals; statutorily required updates to the State Solid Waste Plan; review of local solid waste management district plans; review and oversight of the implementation of approved local plans; environmental monitoring; and enforcement of landfill operation, closure, and post-closure requirements. In addition, the Solid Waste Management program conducts inspection and enforcement activities to deter illegal dumping of solid waste and address the nuisances and fire and environmental hazards associated with improper disposal. Approved local health districts assist Ohio EPA in the administration of the Solid Waste Management program. In addition, single and joint-county solid waste management districts (SWMD) ensure that adequate solid waste management and disposal capacity is available within designated counties.

Funding Source: Solid waste tipping fees (Fund 4K3)

Implication of the Enacted Budget: Enacted funding levels will allow for the continuation of services at FY 2005 levels. The Division anticipates it will begin developing its Operator Certification Program by the end of FY 2005, which will include drafting Ohio Administrative Code (OAC) rules, and will begin implementation during the coming biennium. In FYs 2004-2005, a solid waste fee increase was approved. Because of this increase, there is adequate cash available to fund this program at existing service levels. No further fee increases for this program are planned in the coming biennium.[10] The additional fee of $1.50 per ton on the disposal of solid wastes will generate approximately $22.1 million annually for Ohio EPA and fully replace GRF funding by FY 2007.

Permanent Law Provisions: ***Solid Waste Management (R.C. sections 3734.57, 3734.01, 3745.015, and 3734.573).*** Currently, there are two state fees levied on the disposal of solid wastes. The first is a $1 per ton fee, of which one-half of the proceeds must be deposited in the state treasury to the credit of the Hazardous Waste Facility Management Fund (Fund 503) and one-half of the proceeds must be deposited in the state treasury to the credit of the Hazardous Waste Clean-up Fund (Fund 505). The second fee is another $1 per ton fee that is used to fund the EPA's solid and infectious waste and construction and demolition debris management programs, and is deposited into the Solid Waste Fund (Fund 4K3).

The $1 per ton fee that is deposited in the Fund 4K3 is scheduled to sunset on June 30, 2006. However, the enacted budget extends the collection of the fee to June 30, 2008. The enacted budget also expands the fund's purpose to provide compliance assistance to small businesses.

In addition to the $1 discussed above, the enacted budget establishes an additional fee of $1.50 per ton on the disposal of solid wastes, the proceeds of which must be deposited into the Environmental Protection Fund (Fund 5BC). The new fee is projected to generate approximately $22.1 million annually for Ohio EPA and fully replace GRF funding by FY 2007. Collection of the additional fee will begin July 1, 2005, and end June 30, 2008. This additional fee increases the total fee on the disposal of solid wastes to $3.50. The enacted budget also specifies that all solid waste disposal fees will only be collected at transfer facilities located in Ohio, rather than a solid waste transfer facility and solid waste disposal facility, as was previously required.

The budget also makes changes to monthly filings made by owners and operators of solid waste facilities by requiring indication of the total tonnage of solid waste received for disposal during that month and the total amount of fees required to be collected during that month. In addition, the budget specifies that the amount of fees required to be collected must equal the total tonnage of solid waste received for disposal at the gate of a facility multiplied by the fees.

Furthermore, the enacted budget establishes procedures by which an owner or operator of a solid waste facility may receive a refund or credit from the EPA for state solid waste disposal fees that remain unpaid to the owner or operator, and specifies that solid waste disposal fees are required to be paid by a customer to a facility owner regardless of whether a contract that the customer has with the owner does not require or allow such payment.

[10] While the new Environmental Protection Fee is a fee on solid waste disposal, its revenue will not be used to fund Fund 4K3 or this program.

The budget establishes a discount for the timely submission of a return of fees. The owner or operator of a facility may retain a discount of three-fourths of 1% of the total amount of fees that are required to be paid as indicated on the return. Also, the budget states that late submission of the return and fees results in a loss of the three-fourths of 1% timely payment discount and a charge of 10%, rather than 50%, of the amount of the fees for each month the fees are late.

Program 4.02: Infectious Waste Management

Program Description: The Infectious Waste Management program, which is governed by Chapter 3734. of the Revised Code, regulates the generation, treatment, packaging, storage, transportation, and disposal of infectious waste in the state. Its regulated community includes 2,934 infectious waste generators, 70 transporters, and 80 treatment facilities. The primary objective of the program is implementation of the statutory requirements for infectious waste generators' identification, segregation and labeling of infectious wastes, containment suitable to minimize potential human exposure, and the transportation and treatment of wastes to render them noninfectious prior to disposal with solid wastes. Specific activities include processing of registrations, reviewing requests for approval of infectious waste alternative treatment technologies, and providing technical assistance to regulated entities. Ohio EPA shares compliance, monitoring, and enforcement authority, and a portion of license and registration fees, with local health districts. Ohio EPA also provides technical assistance to approved health districts and performs annual surveys to ensure programs are in compliance.

Funding Source: Solid waste tipping fees (Fund 4K3) and infectious waste registration fees (Fund 660)

Implication of the Enacted Budget: Enacted funding will allow for the continuation of FY 2005 service levels.

Program 4.03: Construction and Demolition Debris

Program Description: The Construction and Demolition Debris (C&DD) program, which is governed by Chapter 3714. of the Revised Code, regulates the disposal of debris from construction and demolition activities into licensed C&DD landfills. Approved local boards of health perform the licensing, inspection, and enforcement of C&DD facilities. These boards receive a portion of C&DD disposal fees to fund their activities. Ohio EPA provides ongoing technical assistance to approved local health districts and performs annual surveys to ensure programs are in compliance. In cases where no approved local board of health has jurisdiction, Ohio EPA performs all licensing, inspection, and enforcement activities associated with the C&DD program. There are currently 72 licensed C&DD facilities in Ohio, where approximately 14 million cubic yards of debris are disposed annually.

Funding Source: Solid waste tipping fees (Fund 4K3) and C&DD disposal fees (Fund 4U7)

Implication of Executive Recommendation: Funding at the enacted funding levels will allow for the continuation of current service levels, decrease the program's reliance on Fund 4K3, and provide adequate funding for local boards of health that are approved to carry out C&DD program activities. In previous years, the C&DD program has relied heavily upon Fund 4K3 to support its activities. However, with the passage of Am. Sub. H.B. 432 by the 125th General Assembly, effective April 15, 2005, and its associated fee changes, the Construction & Demolition Debris Fund (Fund 4U7) will now provide 77% of the funding for this program. This change in funding will provide more revenue for Ohio EPA and local health districts to carry out their responsibilities associated with the C&DD program. While fewer local health districts may opt to "give back" their regulation authority as a result of increased local funding, Ohio EPA does not project a reduction in the state costs of the C&DD program. As a result of Am. Sub. H.B. 432, Ohio EPA will incur increased costs in administration and compliance and enforcement activities that would offset any decrease generated by health districts keeping their regulatory authority.

Construction and Demolition Debris Disposal Fees (R.C. sections 1502.02, 3714.07, and 3714.073). The enacted budget specifies that the fee levied on the disposal of construction and demolition debris (C&DD) at a solid waste facility under the Construction and Demolition Debris Law does not apply if there is no licensed C&DD facility within 35 miles of the solid waste facility as determined by a facility's property boundaries rather than within 40 miles as in current law. Furthermore, the enacted budget exempts from C&DD fees at a C&DD facility source, separated materials exclusively composed of reinforced or nonreinforced concrete, asphalt, clay tile, building or paving brick, or building or paving stone when these materials are used as a fire prevention measure at a C&DD facility or as fill material for construction purposes at a C&DD facility or to bring the facility up to grade.

The enacted budget specifies that the new C&DD fees imposed for the purposes of funding the Department of Natural Resources' Soil and Water Conservation District Assistance Fund and Recycling and Litter Prevention Fund do not apply to the disposal of C&DD at a solid waste facility if the owner or operator of that facility chooses to collect fees on the C&DD that are identical to the fees that are collected on the disposal of solid wastes at that facility.

Finally, the budget establishes a six-month moratorium on the licensing of new C&DD facilities, but authorizes boards of county commissioners to request that pending applications for licenses be processed; specifies that the moratorium does not apply to new facilities that are contiguous or adjacent to existing facilities or to expansions of or modifications to existing facilities; creates the Construction and Demolition Debris Facility Study Committee to study certain topics related to C&DD facilities and make recommendations to the General Assembly by September 30, 2005 for changes regarding the laws governing those facilities; and requires the General Assembly to enact legislation based on the Committee's recommendations as soon as is practicable.

Program 4.04: Scrap Tire Management

Program Description: The Scrap Tire Management program, which is governed by Chapter 3734. of the Revised Code, regulates scrap tire transportation, collection, storage, processing, and disposal. Local boards of health perform the licensing, inspection, and enforcement of scrap tire facilities and transporters. In cases where no approved local board of health has jurisdiction, Ohio EPA administers the Scrap Tire Management program. There are currently 32 scrap tire facilities, 7 mobile recovery facilities, and 71 scrap tire transporters in the state.

Scrap Tire Abatement and Removal. The DSIWM also manages contracts to abate scrap tire piles under the Scrap Tire Abatement and Removal program. The majority of funding for this program supports tire abatement projects. The Scrap Tire Abatement and Removal program uses criteria in the law to prioritize scrap tire sites based on threats to public health, safety, and the environment. Under the program, scrap tires are properly disposed of, recycled, or converted into energy. The program provides a supplement to ongoing efforts by Ohio EPA, local health departments, and local law enforcement officials to have scrap tire facility operators and those responsible for illegal tire stockpiling and tire disposal to clean up the problem sites that they have created. From FY 1998 through FY 2003 more than 22.8 million passenger tire equivalents (PTEs) were processed at a cost of $19 million. Since FY 2000, more than 12 million PTEs have been processed from the Kirby Scrap Tire Facility in Wyandot County, which was one of the largest tire accumulations in the United States. This site had an accumulation of approximately 10 million to 20 million before commencement of abatement efforts.

In recent years, Ohio EPA has incurred costs for spraying mosquito-infested abandoned tire sites. Where possible, the Division of Solid and Infectious Waste Management is working with local counties and health districts to get sites sprayed. Spending for mosquito abatement at abandoned scrap tire sites is dependent on enforcement activities resulting in access to sites, mosquito type and population at the site, owner inability to pay for mosquito spraying, and length of abatement on the site. Since many cases which are projected to be abated in FYs 2006-2007 are still in enforcement, it is difficult to predict exactly how much Ohio EPA may spend on this activity in the coming biennium. The cost ranged from approximately $31,000 in FY 2003 to $48,000 in FY 2004. As of January 2005, $28,500 has been spent on mosquito abatement in FY 2005.

Ohio EPA also supports the Market Development Grant program administered by the Ohio Department of Natural Resources with a yearly allocation of $1 million.

Funding Sources: $1 fee on the sale of new tires and a portion of license and registration fees (Fund 4R5)

Implication of the Enacted Budget: Enacted funding will allow for the continuation of FY 2005 service levels.

Permanent Law Provisions: ***Scrap Tire Management Program Funding (R.C. sections 3734.901 and 3734.85).*** The enacted budget extends the sunset of the fee on the sale of new tires from June 30, 2006, to June 30, 2011. This has the effect of authorizing Ohio EPA to continue collecting current fees; therefore, there is no new fiscal effect.

The budget also reduces the amount of money that the Department of Taxation receives to pay the Department's costs in administering the fee on new tires that is used to fund the Scrap Tire Management program from 4% to 2%. As a result, Ohio EPA will receive 98% rather than 96% of the fee on new tire sales, resulting in slightly increased revenue in the Scrap Tire Management Fund (Fund 4R5).

Program Series 5 — Drinking and Ground Waters

Purpose: To protect human health and the environment by characterizing and protecting ground water quality and ensuring Ohio's public water systems provide adequate supplies of safe drinking water.

The following table shows the line items that are used to fund the Division of Drinking and Ground Waters, as well as FYs 2006-2007 appropriations.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	718-321	Groundwater	$136,719	$0
GRF	721-321	Drinking Water	$318,783	$0
		General Revenue Fund Subtotal	**$455,502**	**$0**
State Special Revenue Fund				
3T3	715-669	Drinking Water SRF	$2,411,614	$2,482,910
4J0	715-638	Underground Injection Control	$438,285	$458,418
4K5	715-651	Drinking Water Protection	$7,202,901	$7,492,035
5BC	715-673	Drinking Water	$2,231,467	$2,550,250
5BC	715-667	Groundwater	$957,022	$1,093,741
5H4	715-664	Groundwater Support	$2,325,922	$2,408,871
		State Special Revenue Fund Subtotal	**$15,567,211**	**$16,486,225**
Federal Special Revenue Fund				
3K2	715-628	Clean Water Act 106	$642,253*	$642,253*
353	715-612	Public Water Supply	$3,384,959	$3,388,619
362	715-605	Underground Injection Control - Federal	$111,874	$111,874
		Federal Special Revenue Fund Subtotal	**$4,139,086**	**$4,142,746**
Total Funding: Drinking and Ground Waters			**$20,161,799**	**$20,628,971**

*Amount does not reflect total funding because line item is used to fund programs in Program Series 6. Amount reflected is the budgeted amount provided in the executive budget.

Funding at the enacted levels will support a total of 182 FTEs in the Division in both fiscal years, allowing for the continuation of FY 2005 service levels (182 FTEs). Funding for Drinking and Ground Waters supports the following programs:

- ***Program 5.01: Public Drinking Water Supply Supervision***
- ***Program 5.02: Public Drinking Water System Plan Review***
- ***Program 5.03: Drinking and Wastewater Operator Certification***
- ***Program 5.04: Public Drinking Water Laboratory Certification***
- ***Program 5.05: Ground Water Characterization and Protection***
- ***Program 5.06: Underground Injection Control***
- ***Program 5.07: Drinking Water Source Protection***
- ***Program 5.08: Drinking Water Assistance Fund***

Program 5.01: Public Drinking Water Supply Supervision

Program Description: Ohio EPA has primary enforcement authority for implementing the federal Safe Drinking Water Act. The Division of Drinking and Ground Waters is responsible for oversight of Ohio's public water systems to ensure they comply with the federal and state drinking water laws and provide adequate supplies of safe drinking water. There are approximately 5,800 public water systems in Ohio. Approximately 90% of Ohioans receive the water they use for drinking, bathing, and cooking from a public water system. Each year, DDAGW staff review more than 100,000 water quality monitoring reports and inspect approximately 1,700 public water systems. Program responsibilities are increasing due to new requirements in the 1996 Amendments to the federal Safe Water Drinking Act and increased concerns about security.

Activities completed as a part of this program include: ensuring compliance with drinking water quality standards, performing sanitary surveys/site inspections, providing operational technical assistance, and responding to emergency conditions. Division staff conducted a total of 2,206 sanitary surveys in FY 2003. This is one of the most resource intensive activities of this program; however, these inspections are also one of the most beneficial activities performed by Division staff, particularly for medium and small public water systems, because of information collected and distributed during these visits. In addition, Division staff are responsible for establishing, distributing, and tracking monitoring schedules; verifying samples are taken during the proper time period and are analyzed for the proper contaminants; and evaluating results to determine whether concentrations exceed the maximum allowable level. Staff review and process nearly 25,000 sample submission reports for chemical contaminants annually. They also review approximately 50,600 sample submissions for bacterial analysis and 25,000 monthly monitoring reports for bacteriological, plant distribution, fluoride, and turbidity analyses per year. Ohio EPA must track and report all monitoring and compliance information to the U.S. EPA quarterly. Compliance information is also reported back to the public water system, laboratories, the media, and the public.

Funding Sources: GRF in FY 2006, federal grant moneys (Fund 353), public water system fees (Fund 4K5), and solid waste tipping fees (Fund 5BC)

Implication of the Enacted Budget: Enacted funding levels will support 88.9 FTEs, allowing for the continuation of FY 2005 staffing levels (88.9 FTEs). The portion of new Fund 5BC funding ($1.67 million in FY 2006 and $2.22 million in FY 2007) is necessary to maintain current staffing levels.

Maintaining adequate staffing in the coming biennium will be critical. Ohio EPA predicts approximately 300 public water systems will not meet new regulatory requirements to meet standards for arsenic, surface water treatment, and disinfection byproducts that go into effect in 2006. Many of these public water systems serve populations of less than 250 people. This represents a challenge for Ohio EPA to work with these systems to take necessary actions to return them to compliance or take enforcement action. Funding at recommended levels will allow the Division to address these challenges and to make needed upgrades to the drinking water information management system.

Program 5.02: Public Drinking Water System Plan Review

Program Description: To maintain primary enforcement authority for the federal Safe Drinking Water Act (SWDA), Ohio must maintain a program to assure the design and construction of new or substantially modified public water systems facilities that are capable of compliance with state drinking water regulations. The Division of Drinking and Ground Waters engineering staff is responsible for reviewing and approving engineering plans for new and upgraded public water systems to ensure systems are designed and constructed to provide adequate quantities of safe drinking water. All 5,800 of Ohio's public water systems are required to meet plan approval requirements. Projects covered by these plans include construction of new treatment plants, modernization or improvements to existing treatment plants, water storage and distribution systems, surface water intake structures, and water supply wells. Division staff currently review approximately 1,600 sets of engineering plans annually. This number is expected to increase as public water systems have to make improvements to meet new treatment and water quality requirements resulting from the 1996 Amendments to the SDWA and subsequent state rules.

The Division of Drinking and Ground Waters staff also approves existing technologies for higher production rates and evaluates new and innovative treatment technologies that have not been previously approved in Ohio. Staff reviewed approximately 20 pilot and demonstration studies per year during FYs 2003 and 2004 to evaluate new technologies. The Division anticipates a significant increase in the need to evaluate new technologies over the next several years as new processes are proposed to meet new regulatory requirements resulting from the 1996 Amendments to the SDWA. In addition, many public water systems will be looking for new technologies to address the threat of biological or chemical terrorist attacks.

Funding Sources: GRF in FY 2006, public water system fees (Fund 4K5), and solid waste tipping fees (Fund 5BC)

Implication of the Enacted Budget: Enacted funding will allow for the continuation of FY 2005 service levels, and support the services of a contractor to help develop the revised standards for the approval of engineering plans for public drinking water systems. These revisions will enhance the quality of engineering plans and allow for shorter review times.

Program 5.03: Drinking and Wastewater Operator Certification

Program Description: The Division of Drinking and Ground Waters is responsible for administering Ohio's program for the certification and recertification of operators of water and wastewater facilities specified by the U.S. EPA under the Safe Drinking Water Act (SWDA). States that implement these guidelines receive more federal funding for their drinking water revolving loan programs. Ohio's current rules require that all community and nontransient, noncommunity public water systems, and any transient noncommunity water system or a wastewater system serving 250 people or more be under the responsible charge of a certified operator of the appropriate class. Certified operators have to meet continuing education requirements to renew their certification. Approximately 1,500 current or prospective operators take an examination for certification each year. There are approximately 10,000 certified operators in Ohio with 4,842 operators certified in drinking water and 5,240 operators certified in wastewater.

Activities carried out under this program include: developing and providing training to current and prospective water and wastewater operators, preparing and conducting operator exams, reviewing exam applications, issuing and tracking operator certificates, recommending training courses for contact hour approval, evaluating and tracking operator compliance with continuing education requirements, and administering Ohio EPA's Advisory Board of Examiners. The Board is primarily responsible for preparing and administering certification examinations.

Funding Sources: GRF in FY 2006, federal grant moneys (Fund 353), public water system fees (Fund 4K5), and solid waste tipping fees (Fund 5BC)

Implication of the Enacted Budget: Enacted funding levels will allow for the continuation of FY 2005 service levels. In addition, the recommended funding will enable Ohio EPA to spend a one-time federal grant to provide training and certify operators for Ohio's smallest public water systems.

In the FY 2004-2005 biennial budget, an increase in operator certification fees was approved. This increase allowed the program to become less reliant on GRF. No additional fee increases in this program area are proposed for the coming biennium.

Program 5.04: Public Drinking Water Laboratory Certification

Program Description: State and federal regulations require that all testing for compliance with public drinking water standards be performed by laboratories certified by the state or by the U.S. EPA. To maintain primary enforcement authority for the federal Safe Drinking Water Act (SDWA), Ohio must have a program for certifying laboratories performing analyses of drinking water. The Laboratory Certification program is carried out through a Memorandum of Agreement (MOA) with the Ohio EPA Division of Environmental Services (DES).

The DES is Ohio's Primary Drinking Water Laboratory and is certified by the U.S. EPA to conduct drinking water analyses. Specific activities conducted by DES for the Laboratory Certification program include: reviewing laboratory floor plans and survey applications, evaluating and certifying chemical and bacterial laboratories for the analysis of samples from public water systems, tracking public drinking water data, communicating with laboratory operators regarding new policies and procedures pertaining to drinking water analysis, preparing and submitting Quality Assurance Program Plans and Quality Management Plans to the U.S. EPA, and developing and administering a microbiological and chemical Performance Evaluation program. Staff in the Division of Drinking and Ground Waters adopt rules, maintain lists of certified laboratories and provide those lists to public water systems, provide data management and enforcement support, and monitor reporting compliance. The overall goal of this program is to improve the performance and data quality of laboratories providing services to public water systems through improved compliance reviews and inspections, reviewing quality assurance plans, education, and enforcement.

Funding Sources: GRF in FY 2006, public water system fees (Fund 4K5), and solid waste tipping fees (Fund 5BC)

Implication of the Enacted Budget: Funding at the enacted levels will support 0.3 FTE in both fiscal years in the Division of Drinking and Ground Waters and 5.5 FTEs in both fiscal years in the Division of Environmental Services, allowing for a continuation of FY 2005 service levels.

Program 5.05: Ground Water Characterization and Protection

Program Description: The Division of Drinking and Ground Waters (DDAGW) is responsible for characterizing ground water quality conditions, providing technical support to other divisions in Ohio EPA, and coordinating ground water monitoring and protection efforts with other state programs. Under this program, Ohio EPA carries out the following activities: collecting, studying, and interpreting all available information, statistics, and data pertaining to ground water and surface water in coordination with other agencies of the state; collecting ground water quality samples; conducting studies to characterize ground water quality; identifying areas of known ground water contamination; and disseminating water resource information to the public. Additional effort is made to evaluate public water supply water quality data, identify impacted and threatened public water systems, and assess impacts of proposed drinking water regulations. A water quality data management system and other available technologies, including Geographic Information System technology, are used to collect, analyze, and summarize information characterizing ground water on statewide, regional, and site-specific bases. The Division also maintains the Ground Water Quality Monitoring Network to help characterize ground water quality for each major aquifer in Ohio. The Network currently includes approximately 212 wells at approximately 206 locations and performs approximately 340 inorganic and 175 volatile organic samples every year from the Network.

Through this program, DDAGW provides technical support on geologic and ground water-related issues to the Ohio EPA Divisions of Emergency and Remedial Response, Hazardous Waste Management, Solid and Infectious Waste Management, Surface Water, Environmental and Financial Assistance, and the Office of Federal Facilities Oversight. By conducting all technical geologic and ground water-related work for Ohio EPA, DDAGW ensures that efforts to protect, monitor, and remediate ground water at waste management sites are technically sound, consistent between divisions, and coordinated as appropriate with other state agencies. Consolidation of these activities avoids duplication of efforts and requires less overall staff than if each division hired its own staff to perform these functions.

Funding Sources: GRF in FY 2006, federal grant moneys (Fund 3K2), solid waste tipping fees (Fund 5BC), and payments from other Ohio EPA divisions (Fund 5H4)

Implication of the Enacted Budget: The enacted appropriations will allow for the continuation of FY 2005 service levels.

Program 5.06: Underground Injection Control

Program Description: The Division of Drinking and Ground Waters (DDAGW) regulates, in accordance with Chapter 6111. of the Revised Code, the injection of sewage, industrial waste, hazardous waste, and other wastes into wells. Ohio EPA has been delegated primary enforcement authority for the regulation of Class I, Class IV, and Class V Underground Injection Control (UIC) wells under the federal Safe Drinking Water Act (SWDA).

A Class I UIC well is a well used for injection of fluids, either hazardous or nonhazardous, into geologic formations far below any underground source of drinking water. There are 12 Class I wells in Ohio. These wells are strictly regulated to prevent migration of injected fluids into an underground source of drinking water. Class V wells are a significant source of ground water contamination. They are typically shallow disposal systems used to place a variety of nonhazardous fluids below the ground surface into or above an underground source of drinking water. Examples of Class V wells include dry wells that collect surface water runoff; large capacity cesspools or septic systems; and industrial, commercial, and utility disposal wells. Over 15,000 Class V wells have been inventoried in Ohio. Ohio EPA estimates that there are 20,000-30,000 Class V underground injection wells in Ohio not included within the inventory. All Class IV wells are prohibited, as they inject hazardous materials into or above an underground source of drinking water. The DDAGW staff takes action to close these wells if they are discovered.

Funding Sources: GRF in FY 2006, federal grant moneys (Fund 362), various fees for Class I UIC wells (Fund 4J0), and solid waste tipping fees (Fund 5BC)

Implication of the Enacted Budget: Funding at the enacted levels will allow for the continuation of FY 2005 service levels. Reductions in this program would result in reduced inspections of permitted Class I injection wells to just once per year instead of twice and limited regulation of Class V wells to those with active permits. This would result in increased probability of contamination of Ohio's ground water resources.

Program 5.07: Drinking Water Source Protection

Program Description: To help ensure the long-term availability of adequate supplies of safe drinking water, Ohio EPA is completing source water assessments of all 5,800 of Ohio's public water systems. The 1996 Amendments to the Safe Drinking Water Act (SWDA) require all states to adopt a Source Water Assessment and Protection (SWAP) program. Ohio's program was approved by the U.S. EPA in October 1999. Under this program, staff must complete source water assessments of all public water systems that provide drinking water to homes, businesses, schools, and industry using both surface water and ground water sources. Within Ohio EPA, the Division of Drinking and Ground Waters (DDAGW) has lead responsibility and works in close cooperation with the Division of Surface Water to complete source water assessments. Results of the assessments are used to direct both local and state protection efforts. Ohio EPA provides direct assistance to public water systems in taking steps to prevent contamination and protect source waters and works with other regulatory programs to promote preferential recognition of source water protection areas.

This program also is responsible for implementation of the Wellhead Protection Program (WHP), which is also required under the federal SWDA. Ohio's WHP program was approved by the U.S. EPA in May 1992. Wellhead Protection is a term that has been used in the past to describe source water protection for public water supply systems that use ground water. The WHP is designed to safeguard public drinking water supplies by preventing, detecting, and remediating ground water contamination in a zone around public water supply wells or wellfields. Wellhead Protection plans are developed and implemented by local owners/operators of large community public water systems utilizing ground water.

Funding Sources: Set-asides from the Drinking Water Assistance Fund Capitalization grants from the U.S. EPA (Fund 3T3) and public water system fees (Fund 4K5)

Implication of the Enacted Budget: Funding at the enacted levels will allow for the continuation of FY 2005 service levels. This program also funds two FTEs in the Division of Surface Water to assist public water systems using surface water sources in the development and implementation of drinking water source protection plans and integration with watershed action plans.

In FYs 2006-2007, DDAGW will begin to shift the program's primary focus from completing source water assessment reports to promoting and supporting development of protection initiatives. Enacted funding will go toward current service levels in providing assistance to community public water systems in development of local drinking water source protection plans and implementation of statewide protective strategies and completion of source water assessments for the remaining noncommunity public water systems.

Program 5.08: Drinking Water Assistance Fund

Program Description: The 1996 Amendments to the federal Safe Drinking Water Act (SWDA) established a Drinking Water State Revolving Loan program to provide below-market rate loans for the planning, design, and construction of new or improved community and nonprofit noncommunity public water systems. The Division of Drinking and Ground Waters (DDAGW) works in cooperation with the Division of Environmental and Financial Assistance (DEFA) and the Ohio Water Development Authority to implement this program through administration of the Water Supply Revolving Loan Account. DEFA is responsible for loan administration, project planning, environmental review activities, and fund management. DDAGW is responsible for project engineering reviews and establishing program and project priorities.

The program has made over $170 million in loans over the last three years. In FY 2004 alone, the program issued 17 loans totaling $78.7 million. Ten of these loans were issued to small systems serving a population of fewer than 10,000. This loan program helps public water systems make needed infrastructure improvements to meet regulatory requirements.

Funding Sources: Set-asides from the Drinking Water Assistance Fund Capitalization grants from the U.S. EPA (Fund 3T3). The Water Supply Revolving Loan Account (WSRLA) program is funded through grants from the U.S. EPA with a 20% state match. The match is provided through state bonds. As authorized by section 6109.22 of the Revised Code, Ohio EPA sets aside 4% of the federal capitalization grants to provide for administration of the WSRLA.

Implication of the Enacted Budget: Enacted funding levels will enable Ohio EPA to continue to provide service to public water systems with infrastructure funding needs at FY 2005 service levels.

Program Series 6 Surface Water

Purpose: To protect, improve, and restore the integrity of all waters of the state.

The following table shows the line items that are used to fund the Division of Surface Water, as well as FYs 2006-2007 appropriations.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	717-321	Surface Water	$1,112,342	$0
GRF	725-321	Laboratory	$152,043	$0
		General Revenue Fund Subtotal	**$1,264,385**	**$0**
State Special Revenue Fund				
4K4	715-650	Surface Water Protection	$11,606,000	$12,420,000
5BC	715-624	Surface Water	$7,685,071	$8,797,413
5BC	715-677	Laboratory	$1,064,290	$1,216,333
5N2	715-613	Dredge and Fill	$30,000	$30,000
699	715-644	Water Pollution Control Administration	$750,000	$750,000
		State Special Revenue Fund Subtotal	**$21,135,361**	**$23,213,746**
Federal Special Revenue Fund				
3F4	715-633	Water Quality Management	$710,000	$710,000
3F5	715-641	Nonpoint Source Pollution Management	$7,815,000	$7,810,000
3J1	715-620	Urban Stormwater	$706,000	$710,000
3K2	715-628	Clean Water Act 106	$4,081,592*	$4,381,593*
3K6	715-639	Remedial Action Plan	$320,000	$319,000
352	715-611	Wastewater Pollution	$525,000	$530,000
		Federal Special Revenue Fund Subtotal	**$14,157,592**	**$14,460,593**
General Services Fund				
199	715-602	Laboratory Services	$1,078,348	$1,083,574
		General Services Fund Subtotal	**$1,078,348**	**$1,083,574**
Total Funding: Surface Water			**$37,635,686**	**$38,757,913**

*Amount does not reflect total funding because line item is used to fund the Groundwater Characterization and Protection program in Program Series 5. Amount reflected is the budgeted amount provided in the executive budget.

The Surface Water program series includes the divisions of Surface Water and Environmental Services. For the Division of Surface Water, enacted funding supports a total of 245.2 FTEs in FY 2006 and 248.2 FTEs in FY 2007, a slight increase in staffing above FY 2005 (242.2 FTEs). Enacted funding for the Division of Environmental Services supports 36.1 FTEs in each fiscal year, allowing for the continuation of FY 2005 service levels (36.1 FTEs). Funding implications for programs within the Surface Water program series are discussed in greater detail in the analyses that follow:

- ***Program 6.01: Water Quality***
- ***Program 6.02: Nonpoint Source Pollution Control***
- ***Program 6.03: Storm Water Pollution Prevention***
- ***Program 6.04: National Pollutant Discharge Elimination System***
- ***Program 6.05: 401 Certification/Wetlands Permitting***

- ***Program 6.06: Lake Erie Restoration and Resource Management***
- ***Program 6.07: Wastewater Construction Plan Approvals***
- ***Program 6.08: Analytical Laboratory Services***
- ***Program 6.09: Laboratory Certification and Assistance***

Program 6.01: Water Quality

Program Description: Ohio EPA is required to operate Water Quality program components under Sections 303 and 305 of the federal Clean Water Act (CWA) and Chapter 6111. of the Revised Code. The Water Quality program includes the following major elements: establishing codified water quality standards into Ohio rules and regulations, monitoring and assessing the condition of Ohio's surface waters, Total Maximum Daily Load (TMDL) development, field response and investigation of pollution spills, performing data collection and risk assessment analysis for the issuance of Sport Fish Consumption Advisories, and addressing other complaints about surface water quality.

Total Maximum Daily Load (TMDL) Program. Ohio EPA is also required by the CWA to submit a list of impaired waters to the U.S. EPA for approval, and the CWA requires that impaired water bodies be assessed and restored under the TMDL program. TMDLs are required by the CWA for all polluted waters and include monitoring water quality, quantifying pollutant loadings, and developing restoration plans. Where monitoring shows that the water is polluted, a TMDL project is completed. TMDLs specify the amount a pollutant needs to be reduced to meet water quality standards and provide the technical justifications for discharge permit limitations and nonregulatory pollution abatement work.

Establishing TMDLs is a highly resource-intensive activity for Ohio EPA. Currently, TMDL projects are underway in approximately 25% of Ohio's watersheds. Each TMDL takes about two and one-half years to develop and implement. More than two-thirds of Ohio's watersheds are listed as impaired, and it will be difficult for Ohio EPA to meet the U.S. EPA-required TMDL schedule by 2013.

Funding Sources: GRF in FY 2006, federal grant moneys (Fund 3F4, Fund 3F5, and Fund 3K2), various surface water permit fees (Fund 4K4), solid waste tipping fees (Fund 5BC), and penalty moneys (Fund 699)

Implication of the Enacted Budget: Funding at enacted levels will allow for an increase in services above FY 2005 levels. The 401 certification fee increase in the Section 401 Certification/Wetlands Permitting program (see Program 06.05 in this section) will make that program more self-sufficient. As a result, the Environmental Protection Fund (Fund 5BC), the GRF replacement, will be less heavily relied upon for that program and will be used to a greater extent for this program. The additional Division of Surface Water staffing in the coming biennium will be dedicated to the Water Quality program.

Program 6.02: Nonpoint Source Pollution Control

Program Description: Nonpoint source pollution is currently considered to be the leading cause of surface water impairment in Ohio. It is defined as polluted runoff that reaches streams, rivers, lakes, and underground aquifers, most commonly from polluted rainwater and snowmelt coming off of farming, mining, and forestry operations, but also from individual home septic systems, construction sites, landfills, and urban streets and yards.

Subgrant Program. Ohio EPA's Nonpoint Source Pollution Control program is not a regulatory program. It is a subgrant program that passes federal funds to local governments, universities, and environmental groups for the implementation of nonpoint source pollution management plans. These local entities match the funding and use it to control nonpoint source pollution and create watershed restoration plans in support of nonpoint source pollution management. Ohio receives over $7 million in federal Section 319 funding annually. Approximately $5.3 million is passed through to local and state agencies, universities, and watershed groups, resulting in 80 to 100 multi-year projects active at any given time. Ohio EPA provides technical and fiscal oversight to ensure proper environmental progress and financial accountability. This program also conducts analyses of nonpoint source loadings to watersheds and works with partner agencies, such as the Department of Natural Resources, to coordinate resources for watershed planning and restoration.

Nonpoint source pollution control efforts support the Total Maximum Daily Load (TMDL) portion of the Water Quality program by aligning project activities with the TMDL schedule and/or TMDL watershed restoration strategies.

Funding Sources: GRF in FY 2006, federal grant moneys (Fund 3F5), various surface water permit fees (Fund 4K4), solid waste tipping fees (Fund 5BC), and penalty moneys (Fund 699)

Implication of the Enacted Budget: Funding at the enacted level represents a slight decrease, based on revised estimates of federal funding Ohio EPA expects to receive; however, the EPA expects no significant impacts on the program as a result of this slight decrease in expected federal funding.

Program 6.03: Storm Water Pollution Prevention

Program Description: Although the Division of Surface Water (DSW) budgets the Storm Water Pollution Prevention program separately as its own program for management purposes, it is part of the Clean Water Act National Pollutant Discharge Elimination System (NPDES) permit program. The Storm Water Pollution Prevention program regulates the discharge of storm water into Ohio streams through permitting, compliance, enforcement, and technical assistance at over 16,000 sites. Discharges are controlled through the implementation of land management and treatment practices from municipalities, construction activities, and certain industrial facilities. This program is implemented under a two-phase approach. Phase I of the Storm Water program requires storm water permits for the larger municipalities and construction sites. Phase II, implemented in 2003, extends regulatory requirements to smaller urban areas and construction sites.

Ohio EPA regulates storm water discharges on a statewide basis using five general permits for specific types of storm water discharges. Dischargers seek coverage under the appropriate general permit through submission of a Notice of Intent (NOI) committing to comply with permit requirements. DSW staff prepare rules and permits for program implementation, review storm water management plans, conduct inspections to determine compliance with the general permits, provide technical assistance to permittees and their representatives, initiate enforcement as necessary, perform education and outreach, coordinate with other programs within and outside of Ohio EPA, and process thousands of NOIs annually. As a part of implementing Phase II of the Storm Water program, DSW staff provides education, guidance, and technical assistance to small municipalities and small construction sites.

In FYs 2006-2007, DSW staff will assist local governments in developing local construction and post-construction programs in accordance with U.S. EPA Phase II program requirements. This effort will enable Ohio EPA to delegate the construction plan review, inspection, and enforcement responsibility to local governments.

Funding Sources: GRF in FY 2006, federal grant moneys (Fund 3J1 and Fund 3K2), various surface permit fees (Fund 4K4), solid waste tipping fees (Fund 5BC), and penalty moneys (Fund 699)

Implication of the Enacted Budget: The enacted funding levels will provide for a continuation of current service levels.

Program 6.04: National Pollutant Discharge Elimination System (NPDES)

Program Description: The National Pollutant Discharge Elimination System (NPDES) is a broad, federally mandated permitting program that regulates point sources of pollution to waters of the state. The program applies to both direct dischargers (municipalities and industries) that discharge directly to surface waters, and to pretreatment dischargers that discharge to public sewer systems. For both programs, Ohio must issue permits and ensure compliance with those permits. Permit issuance involves detailed technical analyses, public participation, evaluation of self-monitoring reports, periodic facility inspections, and enforcement actions when necessary.

This program establishes discharge limits for over 3,000 wastewater treatment facilities. Facilities that discharge directly to waters of the state include 293 major facilities with flows up to approximately 200 million gallons per day with the potential to significantly impact water quality, and another 2,700 minor facilities with flows less than 1 million gallons per day. In addition, there are up to several thousand small facilities that discharge less than 5,000 gallons per day that are neither covered by permit nor inspected because of inadequate staff resources. In the pretreatment program, Ohio regulates 165 industries directly and 103 communities that run their own pretreatment programs. In FY 2004, the NPDES permit backlog was eliminated.

Operator Assistance, Sewage Sludge, and Wet Weather Programs. Also included in the NPDES program are the Operator Assistance program, the Sewage Sludge program, and Wet Weather program. The Operator Assistance program provides technical assistance to small permitted communities to help them improve the operation of their wastewater treatment plans. The Sewage Sludge component regulates the disposal of sewage sludge generated from the treatment of municipal wastewater. Ohio EPA awaits U.S. EPA approval of its final rules package, at which point Ohio EPA will have sole authority to regulate sewage sludge in Ohio.

The Wet Weather program regulates discharges from municipal sewer systems that result from storm flows surcharging and overflowing municipal sewer systems. Storm overflows are a major public health concern because they contain high levels of bacteria and other pollutants and are a major source of aquatic life impairment. Ohio has a large number of communities with overflows that need to be addressed, including 89 communities with combined sewers that were designed originally to overflow during storm events. A challenge facing the NPDES program in the coming biennium is working with Ohio cities and industries to control discharges from Combined Sewer Overflows in the development and review of Long Term Control Plans. The Division of Surface Water will receive about 40 Long Term Control Plans for review and approval in the coming biennium. These plans are complex, span long time frames, and call for municipal infrastructure investment of several billion dollars statewide.

Funding Sources: GRF in FY 2006, federal grant moneys (Fund 3J1 and Fund 3K2), various surface water permit fees (Fund 4K4), solid waste tipping fees (Fund 5BC), and penalty moneys (Fund 699)

Implication of the Enacted Budget: Funding at enacted levels will allow for the continuation of current service levels.

Program 6.05: Section 401 Certification/Wetlands Permitting

Program Description: The 401 Certifications/Wetlands Permitting program regulates certain activities in wetlands and streams, such as dredging, relocation of streams, and the filling of wetlands. The waters addressed by this program include those that fall under the jurisdiction of the Clean Water Act (CWA) and are regulated through the 401 water quality certifications, as well as those wetlands that are isolated from waters of the United States and are regulated through the State of Ohio Isolated Wetlands Permits. The 401 Certification and Wetlands program issues approximately 200 permits annually to private citizens, commercial developers, local communities, the Ohio Department of Transportation (ODOT), and the U.S. Army Corps of Engineers, among others. The issuance of these permits allows the Division of Surface Water to regulate the permitted activities, thereby lessening their impact on the environment. The program also includes wetlands research, which provides technical development for the permitting program and the scientific basis for continuing improvements in wetlands monitoring and assessment procedures used by Ohio EPA.

Funding Sources: GRF in FY 2006, federal grant moneys (Fund 352), various surface water permit fees (Fund 4K4), solid waste tipping fees (Fund 5BC), isolated wetland permit fees (Fund 5N2), and penalty moneys (Fund 699)

Implication of the Enacted Budget: Enacted funding will allow the Section 401 Certification/Wetlands Permitting program to maintain current service levels. Specifically, Ohio EPA estimates that 100% of the applications received will be processed within the required timeframes.

Permanent Law Provisions: ***Surface Water Protection Fee (R.C. section 3745.114).*** The enacted budget establishes an application fee of $200 for a section 401 water quality certification under this program; requires the payment of review fees of $500 for each acre of wetland to be impacted; specifies different fees for ephemeral ($3 per linear foot, or $200, whichever is greater), intermittent ($6 per linear foot, or $200, whichever is greater), and perennial streams ($10 per linear foot, or $200, whichever is greater); requires payment of $3 per cubic yard of dredged or fill material to be moved with respect to a lake; establishes caps on the total amount of the fee of $5,000 for applications submitted by counties, townships, and municipal corporations and $25,000 for all other applicants; requires fee proceeds to be credited to the Surface Water Protection Fund (Fund 4K4); and specifies that the fees do not apply to state agencies or to projects authorized by general or nationwide permits issued by the U.S. Army Corps of Engineers. The budget also specifies that coal mining and reclamation projects are exempt from Section 401 water quality certification application and review fees for one year. The new fees are expected to generate approximately $766,000 per year.

Program 6.06: Lake Erie Restoration and Resource Management

Program Description: The Lake Erie Restoration and Resource Management program implements the requirements of the bi-national Great Lakes Water Quality Agreement and the Great Lakes Critical Programs Act, an amendment to the Clean Water Act, with the overall goal of protecting and restoring Lake Erie and its watershed. Ohio EPA component of these programs provides technical and coordination expertise to federal, state, and local partners on Lake Erie water quality protection efforts and restoration for near shore areas of significant environmental impairment. A major focus of this program is to protect and restore the Lake Erie areas of concern, which include Maumee, Black, Cuyahoga, and Ashtabula rivers, through Remedial Action Plans (RAPs). The state has developed targets to track progress and measure when each of the areas of concern has had all impairments to beneficial use mitigated. The program works with public and private sectors on a bi-national Lake Erie Lakewide Management Plan (LaMP). The Lake Erie LaMP has established a future vision for the lake and is developing indicators to measure progress toward achieving that vision. The program also provides technical assistance to the Council of Great Lakes Governors' Priorities Task Force and the Ohio Lake Erie Commission.

Funding Sources: GRF in FY 2006, federal grant moneys (Fund 3K6), various surface water permit fees (Fund 4K4), solid waste tipping fees (Fund 5BC), and penalty moneys (Fund 699)

Implication of the Enacted Budget: Funding at enacted levels will allow for the continuation of current services.

Program 6.07: Wastewater Construction Plan Approvals

Program Description: This program implements the Permit-to-Install (PTI) and Animal Feeding Operation requirements. The PTI program reviews and approves wastewater treatment and disposal systems for municipalities, industries, and commercial operations. Applicants must obtain a PTI prior to constructing a wastewater treatment or disposal system. This includes sewer extensions, treatment plants, pump stations, and storage tanks. More than 2,400 PTIs are issued annually under this program.

Animal feeding operations are required by state and federal law to obtain National Pollutant Discharge Elimination System (NPDES) permits if they are of a certain size or they have discharges to surface waters. The Division of Surface Water conducts inspections, fieldwork, permitting, and enforcement related to the regulation of these operations. While Ohio EPA oversees the water quality issues related to all animal-feeding operations, the Ohio Department of Agriculture regulates the construction and operation of large animal feeding operations.

Funding Sources: GRF in FY 2006, various surface water permit fees (Fund 4K4), solid waste tipping fees (Fund 5BC), and penalty moneys (Fund 699)

Implication of the Enacted Budget: Enacted funding levels will allow for the continuation of current service levels.

Program 6.08: Analytical Laboratory Services

Program Description: The Analytical Laboratory Services program, which is part of the Division of Environmental Services (DES), provides analyses of pollutants in matrices such as surface, drinking, and ground waters; wastewater effluents; sediment, soil, and sludge; manure; air filters and air canisters; and fish, plant, and turtle tissue. Analyses range from conventional pollutants such as metals and nutrients to tests for highly toxic organic chemicals, including herbicides, pesticides, and PCBs. The samples analyzed come from site-specific monitoring conducted by Ohio EPA field staff. Site-specific monitoring quantified by laboratory analyses identifies specific sources of known environmental problems and reveals problems that would otherwise go undetected.

The Analytical Laboratory Services program's primary customers are the divisions of Air Pollution Control, Drinking and Ground Waters, and Surface Water within Ohio EPA. The program also provides laboratory services to the divisions of Emergency and Remedial Response and Solid and Infectious Waste Management, as necessary, and provides limited services to other public entities that have analytical needs in keeping with the missions of Ohio EPA and the DES. Over the last eight years, the total number of samples received has averaged 8,000 annually. The total number of inorganic tests needed has grown during this period, reaching levels in excess of 140,000 in FYs 1999 and 2002 and 144,000 tests in FYs 2001 and 2004. The number of organic scans and toxicity tests needed has declined slightly due to short-term shifts in programmatic priorities; however, on average over the last eight years more than 2,900 organic scans and 108 toxicity tests were provided annually.

Funding Sources: GRF in FY 2006, payments from entities utilizing laboratory services (Fund 199), federal grant moneys (Fund 3K2), various surface water permit fees (Fund 4K4), and solid waste tipping fees (Fund 5BC)

Implication of the Enacted Budget: Enacted funding levels will allow for the continuation of current service levels. Specifically, proposed funding will allow the Division of Environmental Services to maintain its current sample capacity of 8,800 samples per year. The Division of Environmental Services plans to move to a new facility in FY 2006. The cost of this move ($35,000) is covered in the enacted budget. The Division predicts an increase in income to the Laboratory Services Fund (Fund 199) once the move is completed, as the new facility will provide the space and proper air flow needed to handle the more hazardous samples collected by other Ohio EPA divisions that are currently sent to outside labs for analysis due to safety concerns in the current facility.

Program 6.09: Laboratory Certification and Assistance

Program Description: This program conducts drinking water and Voluntary Action Program (VAP) laboratory certifications, performance audit inspections for the wastewater program, and training and technical assistance within and outside Ohio EPA. Under this program, drinking water laboratories are inspected and certified as having proper equipment, adequate facilities, and trained staff using proper analytical techniques. The Division of Environmental Services (DES) inspects and makes recommendations for VAP laboratories and assists in the development of rules and procedures for both the VAP and drinking water laboratory certification programs. Currently, approximately 350 drinking water laboratories and 21 VAP laboratories participate in the program.

DES also coordinates U.S. EPA's Discharge Monitoring Report-Quality Assurance (DMR-QA) proficiency testing program for wastewater laboratories in Ohio. Based on results of the DMR-QA, as well as requests from the Division of Surface Water, DES conducts performance audit inspections of wastewater laboratories used by the regulated community. DES inspects approximately 15 wastewater laboratories used by the regulated community annually. DES also interacts extensively with laboratories throughout Ohio, providing technical assistance and on-site training.

Funding Sources: GRF in FY 2006, payments from entities utilizing laboratory services (Fund 199), and solid waste tipping fees (Fund 5BC)

Implication of the Enacted Budget: Funding at the enacted levels will allow for the continuation of current service levels. Specifically, the budget will cover approximately 500 inspections annually, and current standards for timeliness and quality will be maintained.

Program Series 7 Environmental Education

Purpose: To provide accessible environmental education, support interdisciplinary environmental education in higher education, and maintain a credible and fair environmental grant program.

The following table shows the line item that is used to fund the Office of Environmental Education, as well as FYs 2006-2007 appropriations.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
6A1	715-645	Environmental Education	$1,500,000	$1,500,000
		State Special Revenue Fund Subtotal	**$1,500,000**	**$1,500,000**
Total Funding: Environmental Education			**$1,500,000**	**$1,500,000**

Program 7.01: Environmental Education

Program Description: The Office of Environmental Education (OEE) was created to enhance Ohio EPA's efforts to educate students, the general public, and the regulated community on environmental issues through administration of the Ohio Environmental Education Fund (OEEF). The OEEF uses half the air and water pollution penalties collected by Ohio EPA to provide approximately $1 million in grants each year for environmental education projects targeting three audiences: pre-school through university students and teachers; the general public; and the regulated community, including small businesses and local government entities. The program provides 18 to 20 large grants (up to $50,000 each) and 20 to 25 smaller grants (up to $5,000 each) annually. The remainder of the budget supports partnerships to accomplish strategic education objectives, an environmental science and engineering scholarship program at Ohio universities, and operating expenses.

A major focus in recent years has been providing support to municipalities, county engineers' offices, and regional planning agencies working to meet unfunded federal mandates to provide public education on storm water management. Another current initiative seeks to increase the number of OEEF grants awarded in the 16 counties that have historically received fewer grants through targeted marketing and by providing technical assistance to applicants in these counties.

Funding Source: Air and water penalty moneys (Fund 6A1)

Implication of the Enacted Budget: Funding at the enacted level will support 4 FTEs, allowing for the continuation of FY 2005 service levels (4 FTEs). The enacted budget also covers approximately 175 hours annually for Ohio EPA staff in other programs who provide technical assistance during the review of grant applications.

Program Series 8 **Pollution Prevention and Compliance Assistance**

Purpose: To help Ohio businesses understand and comply with the environmental regulations that apply to them.

The following table shows the line items that are used to fund Pollution Prevention and Compliance Assistance, as well as FYs 2006-2007 appropriations.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	724-321	Pollution Prevention	$87,538	$0
		General Revenue Fund Subtotal	**$87,538**	**$0**
State Special Revenue Fund				
4K3	715-649	Solid Waste	$347,244*	$342,006*
4T3	715-659	Clean Air – Title V Permit Program	$320,029*	$329,274*
5BC	715-676	Assistance and Prevention	$612,764	$700,302
		State Special Revenue Fund Subtotal	**$1,280,037**	**$1,371,582**
Total Funding: Pollution Prevention			**$1,367,575**	**$1,371,582**

*Amounts do not reflect total funding because line items are used to fund programs in other program series. Amounts reflected are budgeted amounts provided in the executive budget.

Program 8.01: Pollution Prevention

Program Description: The Office of Compliance Assistance and Pollution Prevention (OCAPP) was created in FY 2005 and combines staff from the Small Business Assistance Office that previously focused on Central Ohio; the Division of Air Pollution Control's Small Business Assistance Program, which dealt only with air issues; and the Office of Pollution Prevention. The Pollution Prevention program provides free technical assistance to help Ohio businesses reduce pollution and/or return operations to compliance through on-site visits, telephone and e-mail consultations, and publications that explain environmental requirements to businesses that often cannot afford to hire environmental experts to interpret complex regulations. These services are free and confidential, helping businesses achieve compliance with environmental regulations; protect workers' health and safety; preserve natural resources; and reduce liability and the potential for violations or penalties. Information obtained by the Office is not shared with Ohio EPA inspection or enforcement staff.

Funding Sources: GRF in FY 2006, solid waste tipping fees (Funds 4K3 and 5BC), and Title V fees (Fund 4T3)

Implication of the Enacted Budget: Funding at the enacted levels will support 17 FTEs in each fiscal year, allowing for the continuation of FY 2005 service levels.

Program Series 9 Environmental and Financial Assistance

Purpose: To provide technical and financial assistance for implementable solutions to environmental needs.

The following table shows the line items that are used to fund the Division of Environmental and Financial Assistance, as well as FYs 2006-2007 appropriations.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
676	715-642	Water Pollution Control Loan Administration	$4,964,625	$4,964,625
		State Special Revenue Fund Subtotal	**$4,964,625**	**$4,964,625**
Federal Special Revenue Fund				
3F2	715-630	Revolving Loan Fund - Operating	$152,021	$293,129
		Federal Special Revenue Fund Subtotal	**$152,021**	**$293,129**
Total Funding: Environmental and Financial Assistance			**$5,116,646**	**$5,257,754**

Enacted funding will support a total of 47 FTEs in the Division in both fiscal years, allowing for the continuation of FY 2005 service levels. Funding for Environmental and Financial Assistance supports the following programs:

- ***Program 9.01: Water Pollution Control Loan Fund (WPCLF)***
- ***Program 9.02: Water Supply Revolving Loan Account (WSRLA)***
- ***Program 9.03: Ohio Power Siting Board Reviews***

Program 9.01: Water Pollution Control Loan Fund (WPCLF)

Program Description: The Water Pollution Control Loan Fund (WPCLF) provides below-market interest rate loans for publicly owned wastewater treatment improvements, and for nonpoint source pollution control actions which implement the state's nonpoint source management program, including those identified in Ohio EPA's Total Maximum Daily Load (TMDL) analyses.

Since its inception in 1989, this program has awarded over $3 billion in loans. In FY 2004, the WPCLF made 62 new low-interest rate loans for over $370 million to assist municipalities with making improvements to their wastewater treatment systems. The WPCLF provides 51% of all financing for public treatment works projects in Ohio. Surveys indicate that future improvements that are needed for municipal point sources of pollution are in excess of $8 billion. The WPCLF also provided 64 low-interest loans totaling over $2.6 million through its agricultural linked deposit program. This assistance helps farmers to address nonpoint sources of pollution through implementation of agricultural best management practices, which address manure handling and runoff from cropping practices. Other loans went toward home sewage disposal systems and aquatic habitat protection and restoration. As combined sewer overflow controls have been emerging as major water quality improvement initiatives requiring significant financial resources for Ohio communities to implement, the WPCLF has responded. In FY 2004, the WPCLF awarded $150 million in loan assistance to four recipients for wet weather control projects.

Included within the WPCLF budget are activities that are not funded through WPCLF administrative funds, but instead through the Division of Surface Water budget. These activities do not support WPCLF administration, but provide assistance for some of the same types of entities that are assisted through WPCLF. These activities include the Village Capital Improvements Fund, Comprehensive Performance Evaluations of Wastewater Facilities, Small Community Environmental Infrastructure Group Staff Support, Brownfields Partnership Group Participation, and Small Community Assistance. In addition, staff within this program provide engineering expertise to the Division of Surface Water for its program of assisting villages by providing comprehensive performance evaluations of their municipal wastewater treatment systems when requested.

Funding Sources: Federal grant moneys (Fund 3F2) and annual interest on WPCLF loans (Fund 676)

Implication of the Enacted Budget: Enacted funding will support 42 FTEs in both fiscal years, allowing for the continuation of FY 2005 service levels (42 FTEs).

In the coming biennium, emphasis will be placed on encouraging applicants to proceed with their project development activities in a timely manner. Administrative and financial support will be offered to entities that desire to implement the recommendations of Total Maximum Daily Load (TMDL) plans and local watershed plans. DEFA will also focus on the development of projects for small and low-income systems that will be participating in the upcoming principal subsidy program. With the increasing number of watershed plans, DEFA staff will devote more time to assisting the local implementation groups. This will mean a reduction in time available for responses to general outreach requests from other potential applicants.

Program 9.02: Water Supply Revolving Loan Account (WSRLA)

Program Description: This program provides below-market interest rate loans to municipalities and community water supply systems for improvements to address public health risks and to meet Safe Drinking Water Act standards. It is very similar in its structure and operation to the Water Pollution Control Loan Fund (WPCLF). There are a number of community water systems in Ohio, particularly smaller systems, that need to replace aging treatment and distribution components in order to maintain a reliable, safe supply of drinking water. In addition, in the coming biennium there will be changes in drinking water standards that will reduce the allowable levels of certain substances, such as arsenic. Public water systems will be required to add treatment capability in order to meet the new standards. The availability of incentive financing will encourage the owners of public water systems to construct the necessary improvements. In FY 2004, the WSRLA provided over $78.2 million in loan assistance. These below-market interest rate loans saved recipients over $15.8 million in FY 2004, as compared to market interest rates. In FY 2005 up to $128.2 million in loans will be made available.

The Division of Environmental and Financial Assistance (DEFA) administers this program jointly with the Division of Drinking and Ground Waters (DDAGW). DEFA is responsible for loan administration, project planning, environmental review activities, and fund management. DDAGW is responsible for project engineering reviews and establishing program and project priorities. Ohio EPA administers the WPCLF and WSRLA using the same DEFA staff. As needed to accomplish WSRLA work, DEFA staff resources are shifted from the WPCLF to WSRLA.

Funding Source: Annual interest on WPCLF loans (Fund 676)

Implication of the Enacted Budget: Funding at the enacted levels will support 4 FTEs in both fiscal years, allowing for the continuation of FY 2005 service levels (4 FTEs).

In the coming biennium, DEFA will work with DDAGW to refine the areas of emphasis for program assistance. This will include identifying small systems that are in need of assistance, as well as systems that will need to comply with new drinking water standards such as the new standard for arsenic. A special program to subsidize the principal portion of WSRLA assistance to benefit low-income communities is being developed and will be implemented during the coming biennium.

Program 9.03: Ohio Power Siting Board Reviews

Program Description: The Division of Environmental and Financial Assistance (DEFA) conducts and coordinates the field review and assessment of environmental impacts of projects submitted to the Ohio Power Siting Board (OPSB) for its approval. DEFA review of applications to the OPSB for construction of power utility facilities ensures that all relevant environmental factors are taken into account in OPSB's review of the applications, and that project modifications are recommended that will either reduce or avoid environmental impacts.

Electric utility and gas utility deregulation legislation adopted by the state legislature in the last several years has led to increased competition in these industries, with the result that additional facilities are being constructed by companies to enable them to compete with each other. Consequently, there has been a significant increase in the number of applications submitted to OPSB. The average number of applications under review is 45 per year, which is significantly higher than earlier annual averages.

Funding Source: Annual interest on WPCLF loans (Fund 676)

Implication of the Enacted Budget: Enacted funding will support 1 FTE in both fiscal years, allowing for the continuation of FY 2005 service levels (1 FTE). DEFA cross-trains its program and project staff in the review process for the OPSB program. This allows the Division to draw upon the expertise of multiple staff members as needed according to the characteristics of the project under review. The OPSB program is billed for the number of hours spent on its project work.

Program Series 10 — Program Management

Purpose: To provide customer service to Ohio EPA Divisions and to assist those Divisions in carrying out their missions.

The following table shows the line items that are used to fund Program Management, as well as FYs 2006-2007 appropriations.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
219	715-604	Central Support Indirect	$15,804,913	$16,345,805
4A1	715-640	Operating Expenses	$3,369,731	$3,369,731
		General Services Fund Subtotal	**$19,174,644**	**$19,715,536**
Federal Special Revenue Fund				
3V7	715-606	Agency-wide Grants	$458,115	$479,115
		Federal Special Revenue Fund Subtotal	**$458,115**	**$479,115**
Total Funding: Program Management			**$19,632,759**	**$20,194,651**

Program 10.01: Program Management

Program Description: Program Management includes five district offices and the central support office. The central support office includes: the Director's Office; Legal Services; the Equal Employment Opportunity Office; the Public Interest Center; Employee Services; Operations and Facilities; Information Technology; and Fiscal Administration. The district and central support offices provide services to external stakeholders and Ohio EPA program divisions and offices in support of Ohio EPA's mission. Management goals include enhancing and protecting the environment and public health, ensuring sound administration of agency resources, and providing high quality customer service.

Each district office houses staff from Ohio EPA's program areas and a small contingent of Program Management staff. Program Management staff within the district offices provide managerial, administrative, public information and outreach, information technology, and secretarial support for more than 650 funded program staff positions in the district offices.

Funding Sources: Indirect charges against all Ohio EPA division payroll allocations (Fund 219), proceeds from the sale of goods and services (Fund 4A1), and federal grant moneys (Fund 3V7)

Implication of the Enacted Budget: Enacted funding will support 173.8 FTEs, allowing for the continuation of FY 2005 service levels (173.8 FTEs).

The following table shows FY 2005 staffing levels for the district offices. The enacted budget supports the same level of district office staffing in the coming biennium.

District Office	FTEs	Program Management FTEs
Northeast – Twinsburg	185	9
Northwest – Bowling Green	144	13
Southeast – Logan	128	9
Southwest – Dayton	128	13.8
Central – Columbus	88	11*

*Slated for consolidation at Ohio EPA headquarters in downtown Columbus

Environmental Review Appeals Commission

Ann Braam, Budget Analyst

- Due to newly effective federal regulations, EBR's caseload is becoming more complex and time-consuming
- EBR faces equipment upgrade costs this biennium

OVERVIEW

Duties and Responsibilities

The Environmental Review Appeals Commission (EBR) is an appellate review board whose primary statutory duty is to hear and resolve appeals from certain legal actions taken by state and local governmental 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 EBR relate to final actions of the Ohio EPA.

The Commission's office consists of five individuals: three board members appointed by the Governor, one executive secretary who also serves as liaison and fiscal, personnel, and administrative officer, and one clerical support person. Board members serve staggered six-year terms and receive a salary that is set by the Governor. One Commission member's term will expire during this biennium.

The Environmental Review Appeals Commission is funded entirely by General Revenue Fund (GRF) dollars. The Environmental Review Appeals 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 required by statute or are fixed by contract.

In the last several years, the Environmental Review Appeals Commission has experienced several challenges as a result of new requirements under the federal Clean Air Act (Title V) that have expanded the regulatory authority of the Ohio EPA. Final actions stemming from these changes in regulations have resulted in a large number of appeals that take longer on average to resolve and that demand a greater portion of staff time. The Commission's caseload continues to grow in legal and scientific complexity.

Unlike other appellate boards, the Commission conducts all hearings itself, and all decisions are researched and written by Commission members. Commission staff process and handle all of the Commission's normal administrative functions, such as purchasing and vouchering, payroll, acting as liaison between the Commission and the parties to an appeal, day-to-day duties such as typing, mail, copying, telephones, and all other functions for which many agencies have separate departments and personnel.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
5	$479,161	$483,859	$479,161	$483,859	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

There are no vetoed provisions associated with this Commission.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Environmental Review Appeals Commission is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Operating Expenses

Purpose: To hear appeals of environmental legal actions taken by several state and local government entities.

The Commission is funded entirely by one line item. The following table shows the Commission's enacted budget.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	172-321	Operating Expenses	$479,161	$483,859
Total Funding: Environmental Review Appeals Commission			**$479,161**	**$483,859**

Environmental Review Appeals Commission

Program Description: The Environmental Review Appeals Commission was created in October 1972. Its purpose is to serve Ohio citizens, the regulated community, and governmental entities affected by environmental final actions and to provide statewide legal precedent and expeditious review of environmental challenges.

The Commission has statewide jurisdiction and is the highest level of administrative appeal from final actions of the Ohio EPA, the State Fire Marshal, the State Emergency Response Commission, the Department of Agriculture, and local boards of health. At any one time, the Commission has approximately 400 active cases pending on its docket.

The Commission's duties are prescribed in sections 3745.02 through 3745.07 of the Revised Code. The Commission effectively sits in lieu of local courts of common pleas for environmental matters, creating a consistent body of environmental case law in Ohio, decided by a panel of Commission members with significant environmental expertise and knowledge of complex state and federal environmental laws. All decisions of the Commission are subsequently 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. Appeals from the courts of appeals' decisions are then appealable to the Supreme Court of Ohio.

Through the Commission's exclusive original jurisdiction, it is able to provide litigants with a more cost effective, efficient, and relaxed forum for review of their environmental disputes than if the action were required to be filed in a court of common pleas. The Commission is empowered to hear appeals from individuals who are party to a proceeding that resulted in an appealable decision, persons who are aggrieved or adversely affected by an appealable decision, and state and local subdivisions.

The appeals heard by the Commission are generally highly technically and legally complex. Historically, whenever a statute or regulation is enacted or significantly amended in the environmental arena, there is a proliferation of cases related to this area filed with the Commission, which continues until precedents are established for the new law or rule. In the past few years, environmental legislation has significantly expanded the regulatory authority of the Ohio EPA and created a number of new laws and programs to be administered by the Ohio EPA. Virtually all of the final actions stemming from these legislative changes are appealable to the Commission.

With each appeal that is filed with the Commission, the Revised Code requires the Ohio EPA or the originating agency to file its certified record with the Commission. These certified records can be lengthy filings, at times consisting of several thousand documents. The administrative duties of the Commission (i.e., docketing, indexing, and maintaining certified records) are necessary for the development of each case. In addition, there are numerous legal filings and pleadings that are made throughout the pendency of a case. The Revised Code requires the Commission to send, via certified mail, notice of the various actions taken by the Commission to all parties to an appeal.

Funding Source: GRF

Implication of the Enacted Budget: The total enacted budget is $479,161 for FY 2006 and $483,859 for FY 2007.

The enacted budget will allow the Commission to continue to fulfill its statutory duties in hearing and resolving appeals from certain legal actions taken by state and local governmental entities. The recommended funding amount will allow the Commission to make needed computer/equipment upgrades, to continue to subscribe to Lexis Nexis, and to cover FY 2006 cost-of-living pay increases as well as the new Commission appointment in October 2006. The Commission does not plan to increase its staff at this point.

eTech Ohio

Sarkis Mahdasian, Budget Analyst

- eTech Ohio created to merge the functions of OET and NET
- Total funding in FY 2006 is 6.2% above FY 2005 expenditure levels for OET and NET combined
- Total funding in FY 2007 is 1.8% below the FY 2006 appropriation level

OVERVIEW

Duties and Responsibilities

The enacted budget created eTech Ohio to merge the educational technology functions and support provided by the Ohio Educational Telecommunications Network Commission (OET) and the Ohio SchoolNet Commission (NET). eTech Ohio is charged with advancing education and accelerating the learning of the citizens of Ohio through technology. It is responsible for providing leadership and support in extending the knowledge of Ohio's citizens by promoting access to and use of all forms of educational technology. eTech Ohio is also responsible for administering programs to provide financial and other assistance to school districts and other educational institutions for the acquisition and utilization of educational technology.

eTech Ohio is governed by a 13-member commission, which consists of 9 voting members and 4 non-voting members. Voting members include the Superintendent of Public Instruction, the Chancellor of the Ohio Board of Regents, and the Director of the Department of Administrative Services, and 6 public representatives. An executive director, who is to be appointed by the eTech Ohio Commission, oversees day-to-day operations.

Some of the specific responsibilities of eTech Ohio include:

(1) Administers grants for the provision of technical assistance, professional development, and other support services to enable school districts, community schools, and other educational institutions to utilize educational technology;

(2) Establishes a reporting system for school districts, community schools, and other educational entities to ensure the technology funds are spent and the results are compatible with the state academic standards;

(3) Ensures educational technology products produced for use in public schools are aligned with the state academic standards and promotes accessibility to such products;

(4) Promotes the coherent development and growth of public telecommunications for the citizens of Ohio by working directly with Ohio public radio stations, television stations, and radio reading services.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
64	$31.2 million	$30.7 million	$26.0 million	$25.8 million	Am. Sub. H.B. 66

*Employee count obtained from eTech Ohio as of August 2005

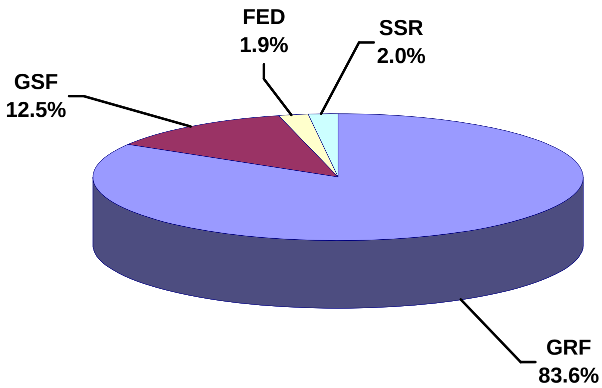
As can be seen from the table above, eTech Ohio's staff consists of 64 employees as of August 2005. eTech Ohio's current authorized personnel level, however, is at 82.5 slots. The vacancies are a result of positions intentionally left vacant by both the Ohio SchoolNet Commission (NET) and the Ohio Educational Telecommunications Network Commission (OET) prior to the merger. In addition, a number of employees left as a result of the merger, in some cases due to an early retirement incentive plan that was offered. Some of these vacancies are likely to be filled over the biennium.

The enacted budget appropriates total funding of $31,229,395 in FY 2006, an increase of 6.2% from the FY 2005 expenditure levels for both NET and OET. The total funding level for FY 2007 is $30,654,413, a decrease of 1.8% from the FY 2006 appropriation level.

GRF funding for eTech Ohio is $25,989,387 for FY 2006 (a decrease of 4.2% from the combined FY 2005 GRF expenditure levels for NET and OET) and $25,768,233 for FY 2007 (a decrease of 0.9% from the FY 2006 appropriation level). The GRF funding decreases are largely due to a shift in funding for personnel costs associated with eTech Ohio's annual state technology conference. Prior to FY 2006, these costs were paid from the GRF. Under the enacted budget, conference registration and vendor fees, which are deposited in the General Services Fund group appropriation item (Fund 5D4) 935-640, Conference/Special Purposes, will gradually replace the GRF to fund personnel costs associated with the conference. This transition is expected to be completed beginning in FY 2008.

Chart 1 shows eTech Ohio's biennial budget by fund group. As can be seen from the chart, 83.6% of eTech Ohio's budget comes from the General Revenue Fund. General Services Funds account for 12.5% and the Federal Special Revenue and State Special Revenue Fund groups account for the remaining 3.9%.

Chart 1. eTech FY 2006-2007 Budget by Fund Group



ANALYSIS OF THE ENACTED BUDGET

Given that eTech Ohio was created in the enacted budget, information on funding by program series is not available at this time. Instead, this analysis will focus on the three key areas for which eTech Ohio was appropriated funds under the enacted budget. These include Educational Technology Use and Access Assistance, Public Telecommunications Network Support, and Operations.

Educational Technology Use and Access Assistance

The following table shows appropriations for the major line items that are used to fund the Educational Technology Use and Access Assistance.

Major Appropriations for Education Technology Use and Access Assistance				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	935-406	Technical and Instructional Professional Development	$6,484,763	$6,607,144
GRF	935-539	Education Technology	$5,968,791	$5,968,791
General Services Fund				
5D4	935-640	Conference/Special Purposes	$1,600,645	$1,821,817

Technical and Instructional Professional Development

This appropriation item provides funding for eTech Ohio to carry out various activities to assist school districts, community schools, and other educational entities in educational technology use and access and to ensure educational technology products used in public schools are aligned with the statewide academic standards. The major activities, which are discussed in more detail below, are educational technology grants, eLearning, eTech Ohio Equipment and Services Catalog, and the Biennial Education Technology Assessment.

Educational Technology Grants. Three main grant programs are funded in this appropriation item.

- Professional Development District Grants - District grants are available to all Ohio public schools, the School for the Blind, the School for the Deaf, the Department of Youth Services, and educational service centers with alternative schools. Approximately $2.8 million in each fiscal year will be distributed under this grant program. Recipients have used these grants to attend educational technology conferences, to pay licenses or fees for access to eLearning courses, and to purchase other professional development resource materials.

- Public Television Grants - The enacted budget earmarks $1,260,000 in each fiscal year to be distributed equally among the 12 Ohio educational television stations. This funding will be used for the production of interactive instructional programming series with priority given to resources aligned with state academic content standards in consultation with the Ohio Department of Education (ODE) and for teleconferences to support eTech Ohio. The programming is to be targeted to the needs of the 200 lowest wealth school districts in the state.

- Innovation Grants - The enacted budget earmarks $200,000 in each fiscal year for eTech Ohio to provide competitive professional development grants to school districts, with priority given to districts in academic emergency, academic watch, or continuous improvement. Grants will be awarded to proposals that focus on developing innovative programs to assist teachers in integrating technology to implement the state academic content standards. eTech Ohio is required to develop a web site to share information learned through these programs with school districts statewide and to link the web site to ODE's Instructional Management System.

eLearning. Approximately $1.4 million in each year is provided for the eLearning initiative, which utilizes the Internet to maximize teacher access to professional development training through on-line courses. eTech Ohio's initial eLearning activity began in FY 1997 with the Ohio Assistive Technology Distance Learning Project partnership that intended to increase the capacity of Ohio's educators to meet the needs of students with disabilities. In FY 2003, the eLearning Process Model (ELPM) was created to provide a framework for the development of an on-line professional development system that is aligned to both eTech Ohio and ODE goals. Related to the ELPM, ODE has created an Information Management System (IMS) that enables educators to learn about state academic content standards and model curricula, lesson planning and model lessons, as well as classroom and state assessments. Currently, 18 different on-line professional development courses have been developed by eTech Ohio (in partnership with ODE) and are being utilized by Ohio's educators. eTech Ohio estimates that over 8,000 educators will receive professional development training in educational technology under this program each year directly through eTech Ohio.

eTech Ohio Equipment and Services Catalog. eTech Ohio provides school districts in Ohio with reduced cost software and hardware purchases by negotiating statewide pricing contracts with vendors. It has coordinated the development of the on-line Technology Planning Tool to better utilize limited technology dollars for districts. There are currently six product categories included in the catalog: workstations, laptops, servers, handhelds, printers, and displays. eTech Ohio estimates that districts can save an average of 36% off the manufacturer's list price for computers with a three-year, on-site warranty included. It estimated that savings to the districts totaled $10.1 million in FY 2004.

Biennial Education Technology Assessment (BETA). Each biennium eTech Ohio conducts three (teacher, building, and district) surveys that collect a variety of data regarding technology accessibility and usage in Ohio's public schools. BETA was originally developed in FY 2000 in response to legislation requesting a statewide view of technology access and usage in Ohio's public K-12 districts. The data are designed to assist policymakers and school districts in making more informed decisions on technology integration and to assist eTech Ohio and ODE in determining technology needs of school districts.

Education Technology

This appropriation item is earmarked for operations of the Ohio K-12 Network and providing instructional resources and services for Ohio public schools.

Ohio K-12 Network. The enacted budget earmarks $1,829,240 in each fiscal year for the Ohio K-12 Network (formerly the ONEnet Network). The Network connects all public and some chartered nonpublic schools to each other and to the Internet, providing access to voice, video, and data educational resources to Ohio students. It also provides a link between Ohio's schools and the public, giving parents, homeowners, and businesses access to school-provided web materials, electronic mails, and other information resources. The Educational Management Information System (EMIS) data collection, school continuous improvement planning, and many other grant applications and administration, are transacted over the Ohio K-12 Network.

Instructional Resources and Services. The enacted budget earmarks $4,139,551 in each fiscal year for eTech Ohio to contract with educational television to provide Ohio public schools with instructional resources and services with priority given to those aligned with state academic content standards.

Annual State Technology Conference

eTech Ohio's annual technology conference is a three-day event serving Ohio's K-12 teachers, instructional integrationists, curriculum coordinators, technology coordinators, and administrators. It provides Ohio's educators with exposure to current educational technologies and approaches for using this technology in classrooms. The annual state technology conference has been partially funded by GRF and partially funded by registration fees of attendees and exhibitors, which are deposited in General Service Fund (Fund 5D4) appropriation item 935-640, Conference/Special Purpose. The enacted budget phases out GRF funding for the conference. The conference will be completely funded by registration and vendor fees beginning in FY 2008. The 2005 conference included 13 keynote and featured speakers, 360 concurrent sessions, 1,125 vendor exhibits, 19 hands-on workshops, and 40 student and teacher displays. Serving the entire state, the 2005 conference saw over 6,800 participants.

Public Telecommunications Network Support

The following table shows appropriations for the major line items that are used to fund Public Telecommunications Network Support.

Major Appropriations for Public Telecommunications Network Support				
Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	935-401	Statehouse News Bureau	$244,400	$244,400
GRF	935-402	Ohio Government Telecommunications Studio	$716,417	$716,417
GRF	935-403	Technical Operations	$1,768,150	$1,768,150
GRF	935-404	Telecommunications Operating Subsidy	$3,632,413	$3,632,413
General Services Fund				
4F3	935-603	Affiliate Services	$2,000,000	$2,000,000

Telecommunications Operating Subsidy

This appropriation item provides $3,587,413 in subsidies per fiscal year to help fund Ohio's public television stations, public radio stations, and radio reading services. The subsidies are currently distributed according to the following formula developed by the former Ohio Educational Telecommunications Commission: 67.5% to public television stations, 22.5% to public radio stations, and 10% to public radio reading services. The enacted budget requires that eTech Ohio use this formula unless and until eTech Ohio develops a new formula in consultation with Ohio's qualified public educational television stations, radio reading services, and educational radio stations. Ohio has 8 public television licensees who operate 12 public television stations, 15 public radio licensees who operate 34 public radio stations across the state, and 9 stations that deliver the radio reading service. The radio reading service provides access to many local, state, and national newspapers for individuals who otherwise would have difficulty in reading the newspaper or other printed material.

The enacted budget earmarks $45,000 in each fiscal year for eTech Ohio to contract for dial-up newspaper reading services for the blind and physically handicapped. eTech Ohio is required to use a competitive bidding process in awarding the contract.

Statehouse News Bureau and Ohio Government Telecommunications Studio

These two appropriation items provide subsidies for the Statehouse News Bureau (SNB) and the Ohio Government Telecommunications Studio (OGT). As the sole dedicated news outlets for Ohio government, SNB and OGT provide coverage of legislative and governmental activities for Ohio's citizens. SNB produces news reports of state government activities for broadcast on Ohio's public 34 radio stations and produces a weekly half-hour video program providing a focus on the latest statewide news and events. While SNB is primarily responsible for news reports of state government events, OGT broadcasts House and Senate floor sessions in addition to sessions of the Ohio Supreme Court through the Ohio Channel. OGT produces educational documentaries on Ohio civics, history, government, and culture for use in Ohio's schools as well as for broadcast on public television stations. OGT is also responsible for coordinating all media events for members of the General Assembly and events at the Statehouse.

Technical Operations and Affiliate Services

GRF appropriation item 935-403, Technical Operations, provides funding to operate and maintain the statewide fiber optic network connecting Ohio's 12 public television stations, 34 public radio stations, 9 radio reading services, the Statehouse News Bureau, the Ohio Government Telecommunications Studio, and the Ohio Emergency Management Agency (a division within the Ohio Department of Public Safety) to eTech Ohio's network operations center (NOC) in Columbus. The NOC is staffed 16 hours a day, 7 days a week. With the assistance of a video file server, the NOC provides audio and video content to eTech Ohio affiliates 24 hours a day, 7 days a week. The NOC's array of satellite antennas allows eTech Ohio to uplink and downlink programming for immediate or delayed distribution to any of eTech Ohio's affiliates and to all state agencies. Some services (primarily the lease of office and tower broadcast capability) are provided to affiliated entities, other state and federal agencies, and private entities on a fee basis. The fees are deposited in General Services Fund (Fund 4F3) appropriation item 935-603, Affiliated Services.

Operations

The following table shows appropriations for the major line items that are used to fund Operations.

Major Appropriations for Operations				
Fund	**ALI**	**Title**	**FY 2006**	**FY 2007**
General Revenue Fund				
GRF	935-321	Operations	$7,174,453	$6,830,918

GRF appropriation item 935-321, Operations, provides funding for salaries and fringe benefits of approximately 82 personnel of eTech Ohio in addition to maintenance expenses and new equipment purchases necessary for the agency to administer its programs. Again, the decrease in FY 2007 is largely due to a shift in funding for personnel costs associated with the annual state technology conference.

A portion of the maintenance funding is used to maintain eTech Ohio's 22 public telecommunications broadcast towers. eTech Ohio's FY 2006 budget allocates approximately $800,000 for maintenance of the broadcasting related equipment. Of this amount, approximately $30,000 (or 3.8%) is estimated to be used for tower maintenance. The enacted budget requires eTech Ohio to enter into an agreement with the Department of Administrative Services (DAS) to provide for the maintenance of the tower system. eTech Ohio and DAS are also required to submit a plan to the Office of Budget and Management by January 1, 2006 to address the best method for transferring ownership and control of all towers to DAS.

With the creation of the new agency, the budget authorized the Governor to appoint an interim executive director to oversee eTech Ohio's day-to-day operations. The Governor appointed the interim executive director in August 2005. The interim executive director will serve no longer than one year, until the eTech Ohio Commission appoints an executive director.

The enacted budget requires eTech Ohio to monitor the developments of technology, coordinate with the Office of Information Technology, and assures the most effective and highest quality operation of eTech Ohio networks.

Ethics Commission

Terry Steele, Budget Analyst

- Funding of $2.04 million in FY 2006 and $1.97 million in FY 2007
- Funding provided for more ethics training and advisory staff

OVERVIEW

Duties and Responsibilities

The Ohio Ethics Commission (ETH) administers, interprets, and enforces ethical conduct in government under Ohio Ethics Law, Chapter 102. and related provisions of the Ohio Revised Code. The underlying mission of the Commission is to promote and enforce ethical conduct throughout state and local government through impartial and responsive education, advice, investigation, and financial disclosure processes. To fulfill its mission, the Commission has improved educational and informational access to thousands of public servants to create a baseline understanding of Ethics Law. The Ethics Commission consists of six members who are appointed by the Governor and confirmed by the Senate. The political affiliation of the Commission is equally divided between the two major parties.

The day-to-day administration of the Commission's activities is the responsibility of the Executive Director and a staff of 18. Commission staff responsibilities fall into four general categories: public information, advisory opinions, investigations and referrals for prosecution, and financial disclosure. Including most state agencies and political subdivisions, about 18,700 elected officials and 590,000 employees statewide fall under the Commission's jurisdiction.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
20	$2,038,756	$1,938,056	$1,536,213	$1,536,213	Am. Sub. HB 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

There were no provisions affecting this agency that were vetoed by the Governor.

Summary of FYs 2006-2007 Budget Issues

S.B. 133 Requirements

S.B. 133 of the 125th General Assembly requires that ETH provide extensive continuing education and additional oversight for officials of the state's retirement funds and employees. This legislation requires ETH to provide several functions such as providing all retirement systems with ongoing ethics orientation, and continuing education, as well as responding to inquiries from board members and staff. The provisions of S.B. 133 will result in increased administrative costs resulting from increased education programs as well as responding to inquiries.

Additional Staffing

ETH estimates that additional staff is necessary to continue providing services over the biennium. ETH feels that it will be necessary to hire an additional trainer position to fulfill the educational training requirements of S.B. 133, at an estimated cost of $60,000 each fiscal year. The enacted budget contains funding to fill that position. ETH also sought funding to hire an additional advisory attorney, at a cost of approximately $62,000 in each fiscal year because it has experienced an increase of 20% in advisory opinions requested from FY 2003 to FY 2004. However, this was not funded.

Hardware and Software Needs

ETH utilizes a legacy database system for data processing within its Financial Disclosure Program. The current system was designed ten years ago. ETH indicates that this system can still meet basic needs, however, it is at risk of failing because it is no longer capable of upgrade or design consultant support. The software was originally designed to track approximately 8,500 annual filings. The system must now account for an average of 10,500 annual filings as well as perform many other reporting duties that were not originally anticipated. ETH had requested appropriations to upgrade this system for the last three biennia but did not receive funding for it. In addition, software consultants were asked to review ETH's system and determined that the existing software code is outdated and in need of complete replacement. ETH has not contracted with a software consultant to determine the exact costs of a system replacement, but estimates that such costs would be approximately $150,000 in FY 2006, and $50,000 in FY 2007 to implement on-line filing and viewing capabilities.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 — Ethics Oversight

Purpose: To administer the Ohio Ethics Law for public officials and employees at the state and local levels of government.

The following table shows the line items that are used to fund this Commission, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	146-321	Operating Expenses	$1,536,213	$1,532,213
		General Revenue Fund Subtotal	**$1,476,213**	**$1,476,213**
General Services Fund				
4M6	146-601	Operating Expenses	$502,543	$432,543
		General Services Fund Subtotal	**$502,543**	**$432,543**
Total Funding: Ohio Ethics Commission			**$2,038,756**	**$1,968,756**

This analysis focuses on the following specific programs within the program series:

- ***Advisory Services***
- ***Education***
- ***Financial Disclosure***
- ***Investigations***

Advisory Services

Program Description: This program increases awareness and understanding of the ethics law by the public, public officials and employees, and entities doing business with government entities to ensure compliance with the state's ethics law. The Advisory Services program implements the Commission's authority to render advisory opinions with regard to questions concerning ethics, conflicts of interest, and financial disclosure. The advisory process allows those who have potential conflicts or otherwise need ethics advice to seek guidance before they act. The Commission issues written advisory opinions that apply the ethics law and related statutes for state and local public officials and employees, provides telephone guidance to public servants, and provides ethics law information to the public and the media. When the Commission provides written advice, the individual to whom the opinion was directed is immune from criminal prosecution if such advice is heeded.

Funding Sources: GRF, GSF

Implication of the Enacted Budget: The enacted budget appropriation of $415,251 in FY 2006 and $424,170 in FY 2007 falls $62,875 short of the requested funding level for FY 2006 and $45,456 short of requested funding level in FY 2007. The recommended funding levels would allow ETH to retain its current staff, which would not have been possible under FY 2005 funding levels. However, the recommended funding levels will not be sufficient to add an additional advisory attorney in FY 2007.

Temporary and Permanent Law Provisions: None

Education

Program Description: This program provides continuing education and written materials concerning the provisions of Ohio's ethics law, conflicts of interest, and financial disclosure. The educational sessions and informational materials help increase public awareness of the application of Ohio's ethics law and, thereby, decrease the potential for ethics violations. Ethics education is offered through the development and distribution of informational materials, correspondence, educational appearances, telephone assistance, and the Commission's web site. This program also assumes much of the responsibility to review and recommend ethics-related legislation to the General Assembly.

Funding Sources: GRF, GSF

Implication of the Enacted Budget: The appropriation of $342,653 in FY 2006 and $348,235 in FY 2007 allows the ETH to hire an additional educational trainer, which will aid the agency in fulfilling the requirements of S.B. 133, which mandated additional ethics training for board members and employees of the state's retirement systems.

Temporary and Permanent Law Provisions: None

Financial Disclosure

Program Description: This program administers and enforces the financial disclosure requirements of the Ohio Revised Code, which mandates over 10,500 elected state, county, and city officeholders, candidates for those offices, upper-level state administrative appointees and employees, and many state board and commission members and their executive directors annually disclose their sources of income and investments. The purpose of the disclosure is to remind the filer and make the public and Commission aware of potential conflicts of interest.

Funding Sources: GRF, GSF

Implication of the Enacted Budget: The enacted appropriation of $477,964 in FY 2006 and $362,737 in FY 2007 falls short of the requested funding by approximately $65,000 in FY 2006 and approximately $35,000 in FY 2007. This is based on estimates that ETH has given as to the cost of upgrading and implementing a new database system, and the costs of implementing on-line filing and viewing capabilities. It is not yet known what part, if any, of the database replacement and implementation of on-line capabilities could be accomplished with the enacted budget. The recommended levels will continue to fund the current service levels provided by this program.

Temporary and Permanent Law Provisions: None

Investigations

Program Description: This program administers confidential investigations of allegations or complaints of ethics violations against public officials and employees and those with whom they do business. The Commission reports its findings to the appropriate prosecuting attorney in such cases as violations are evidenced. The Commission investigates allegations of wrongdoing involving public officials and employees, and private parties who interact with them, at every level of government, including state departments, boards, and commissions, counties, cities, villages, townships, school districts, and other public entities.

Funding Sources: GRF, GSF

Implication of the Enacted Budget: The FY 2006 appropriation of $802,888 falls short of the requested funding by approximately $3,900 in FY 2006, but the FY 2007 appropriation of $833,614 is approximately $5,100 above requested funding in FY 2007. These funding levels will allow ETH to maintain the current level of eight FTEs for this program, and continue to provide investigative services through the next biennium.

Temporary and Permanent Law Provisions: None

Expositions Commission

Jason Phillips, Budget Analyst

- Attendance for the 12-day Ohio State Fair was 802,074 in 2005
- The Expositions Commission continues to implement a Facility Improvement and Modernization Plan to help attract nonfair events, a significant source of revenue to the Commission

OVERVIEW

The Ohio Expositions Commission was created and is governed by Revised Code Chapter 991. It is comprised of 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, employs approximately 82 permanent staff and hires approximately 1,000 temporary employees throughout the year to work the State Fair and special events.

The Commission's goal is to become a self-sufficient agency. In order to do this, the Commission believes it must continue to make long-term improvements to the annual Ohio State Fair and provide an accommodating facility that will attract new nonfair events. The Commission is hopeful that these efforts will increase both participants and guests at the Fair and the nonfair events, resulting in greater revenues to fully support its operations.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
130*	$14.56 million	$14.56 million	$400,000	$400,000	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005. The Expositions Commission stated that they had 68 full-time employees, 14 part-time employees and 48 seasonal employees at the end of June 2005. The seasonal employees were pre-fair. The Expo Commission employs up to 1,000 additional seasonal employees for the State Fair.

Commission Challenges

The Commission believes that the primary fiscal and programmatic challenge of the Ohio State Fair lies in achieving public expectation, such as providing support to the Junior Fair, while not negatively impacting the annual operating budget of the Ohio Expositions Commission.

Another challenge is the increase in local competition for nonfair events. Nonfair events are an important source of revenue to the Commission through rental fees for the facility and through parking fees. During the FY 2004-2005 biennium, the Commission continued to implement the Facility Improvement and Modernization Plan. The Commission is currently working on phase II of the plan by improving the 17th Avenue entrance through an electrical upgrade project. In addition, the Commission is making a concerted effort to improve handicapped accessibility.

For the FY 2006-2007 biennium, the Commission plans to continue its ongoing efforts to promote efficient management, increase return business, and increase customer satisfaction with the physical facilities. The aim is to increase the number of participants and the guests that come to the Ohio Expositions Center, whether for the State Fair or for nonfair events. Success in improved management, well maintained facilities, and increased attendance would provide greater revenues to support operations on a daily basis. Challenges for the 2006-2007 budget are increased payroll costs, general inflation, and increased utility costs.

Appropriations Summary

The enacted budget appropriates flat funding for FY 2006 and FY 2007 at $14,563,315 each year. This is a 0.3% decrease over estimated FY 2005 spending levels. The Commission is 97% funded through rotary funds in the State Special Revenue Fund Group. The remainder of the Commission's funding is derived from a GRF subsidy for the Junior Fair.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Expositions Commission is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Ohio Expositions Commission

Purpose: To produce the annual Ohio State Fair and professionally manage and maintain the Ohio Expositions Center, a 360-acre facility located in Columbus, for year-round events.

The following table shows the line items that are used to fund the Ohio Expositions Commission, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	723-403	Junior Fair Subsidy	$400,000	$400,000
		General Revenue Fund Subtotal	**$400,000**	**$400,000**
State Special Revenue Fund				
4N2	723-602	Ohio State Fair Harness Racing	$520,000	$520,000
506	723-601	Operating Expenses	$13,643,315	$13,643,315
		State Special Revenue Fund Subtotal	**$14,163,315**	**$14,163,315**
Total Funding: Expositions Commission			**$14,563,315**	**$14,563,315**

The Expositions Commission is responsible for the following two programs:

- ***State Fair Management***
- ***Nonfair Events***

State Fair Management

Program Description: The Ohio State Fair, authorized by R.C. Chapter 991., is an annual event that emphasizes youth education, and the promotion of Ohio's agricultural industry, Ohio products, Ohio tourism, and cultural activities. The Junior Fair, a part of the Ohio State Fair, allows over 10,000 youth from across the state participating in FFA or 4H to show their livestock. In addition, youth bands and choirs are invited to perform at the Fair. The commission provides lodging and food for these youth while they are participating in the Fair. These youth programs are supported through the GRF. The Commission also conducts harness racing during the Fair. Participants in the harness races pay an entry fee, which goes to pay for the use of the Scioto Downs Race Track located in Central Ohio.

In 2004, the Ohio State Fair went from 17 days to 12 days in order to reduce operational costs. However, this reduced number of days did not significantly hurt attendance. To illustrate, in 2003 the number of people that attended the Fair was 1,011,331; attendance in 2005 was 802,074.

Funding Sources: GRF and SSR derived from fees charged for facility rental, exhibit entries, parking, admissions, etc.

Implication of the Enacted Budget: The enacted budget provides full support for the State Fair Management program within the Ohio Expositions Commission. The Commission's two rotary accounts, which are used to support the Ohio State Fair Harness Racing and the Operating Expenses for the State Fair and nonfair events, are fully funded. However, the GRF funded line item received less than what was needed for the Junior Fair Subsidy. As a result, the Commission plans to use a portion of the State Fair operating expenses rotary fund (Fund 506) in an effort to maintain the Junior Fair at current levels.

Nonfair Events

Program Description: The Ohio Expositions Commission manages and operates the Ohio Exposition Center for year-round events. Nonfair events are an important source of revenue to the Commission, which charges rental fees for the facilities and for parking at these events. In 2004, the largest revenue-generating events included: Ohio Quarter Horse Association (over $1.17 million); the Equine Affaire (over $300,000); and the Goodguys event (over $127,000).

As mentioned in the Overview, in order to remain competitive in the Columbus area, the Commission wants to improve the Fairground's image. During the FY 2006-2007 biennium, the Commission plans to continue implementation of the Facility Improvement and Modernization Plan. The Commission is currently working on phase II of the plan by improving the 17th Avenue entrance through an electrical upgrade project and handicapped accessibility.

Funding Source: SSR, consisting of fees for fair and nonfair events

Implication of the Enacted Budget: The Executive's recommendations provide full support for the Nonfair Events program within the Ohio Expositions Commission. However, the amount of revenue the Expo Commission receives determines the extent of funds that are allocated to expenditures. Yet, revenues can fluctuate because of reasons that are out of the Commission's control, like the weather.

Office of the Governor

Terry Steele, Budget Analyst

- Total budget of $10,078,558 for the biennium
- Office of Veterans' Affairs provides training, certification, and accreditation of more than 600 county veteran service officers, commissioners, and staff

OVERVIEW

Duties and Responsibilities

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:

- Formulating and implementing administrative policy for state agencies;
- Ensuring the faithful execution of Ohio's laws;
- Submitting biennial capital and operating budgets;
- Appointing judges, certain agency officials, and board and commission members; and
- Serving as commander-in-chief of the Ohio National Guard.

Beginning in FY 1996, the budget for the Office of the Lieutenant Governor was incorporated into the Governor's budget. The Lieutenant Governor oversees select departments and serves as state deputy commander-in-chief, and a cabinet member. The current Lieutenant Governor serves as the Director of the Department of Development. The Governor's office also funds the Office of Veterans' Affairs, which assists veterans in receiving services and benefits, and maintains burial records of Ohio's veterans.

Finally, the Governor's Office also funds Ohio's participation in national and regional associations, such as the National Governor's Association and the National Lieutenant Governor's Association.

The enacted budget provides $5.05 million in FY 2006, a 15.79% increase over FY 2005 spending of $3.36 million, and $5.03 million in FY 2007, a .47% decrease over the FY 2006 appropriation.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
52	$5,051,779	$5,026,779	$4,697,265	$4,672,265	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

There were no vetoed provisions that affected the Governor's office.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Office of the Governor is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

Purpose: This program series encompasses the activities of the chief executive officer of the state of Ohio.

The following table shows the line items that are used to fund this agency, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	040-321	Operating Expenses	$3,981,582	$3,981,582
GRF	040-403	Federal Relations	$422,760	$422,760
GRF	040-408	Office of Veterans' Affairs	$292,923	$267,923
		General Revenue Fund Subtotal	**$4,697,265**	**$4,672,265**
General Services Fund				
5AK	040-607	Federal Relations	$354,514	$354,514
		General Services Fund Subtotal	**$354,514**	**$354,514**
Total Funding: Office of the Governor			**$5,051,779**	**$5,026,779**

There are two budgeted programs within the Governor's Office:

- ***Office of the Governor***
- ***Office of Veterans' Affairs***

Office of the Governor

Program Description: The Office of the Governor oversees cabinet agencies, formulates administrative policy, recommends legislation, proposes operating and capital budgets, and considers and acts upon legislation approved by the General Assembly. The program also includes the costs to operate the Office of the Lieutenant Governor.

Funding Sources: GRF, GSF

Implication of the Enacted Budget: The enacted budget will enable the Office of the Governor to fulfill his Constitutional and statutory duties.

Office of Veterans' Affairs

Program Description: This program provides operational oversight of the 88 county Veterans' Service offices and provides training, certification, and accreditation of more than 600 county veteran service officers, commissioners, and staff. This office also serves as the custodian of approximately 2.0 million veterans' records and provides oversight of the Ohio Veterans' Plaza, and the Ohio Veterans' Hall of Fame.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget will enable the Office to address the concerns and needs of Ohio's veterans and active military duty personnel. About $25,000 is to be used to pay Veterans' Hall of Fame expenses.

Department of Health

Wendy Risner, Budget Analyst

- ODH receives $1.1 billion for the FY 2006-2007 biennium
- ODH receives $5 million from the Tobacco Master Settlement Agreement Fund to be used for the Healthy Ohioans Initiative
- 12 occupational licensing boards are to be absorbed into the Department in FY 2007

OVERVIEW

Duties and Responsibilities

The mission of the Department of Health (ODH) 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. ODH has an annual budget of approximately $568.2 million in fiscal year (FY) 2006 and $575.2 million in FY 2007.

In addition to the Department's central office operations, there are 137 local health districts that are each governed by a board of health and a health commissioner. Approximately 60% of the Department's budget goes to local health care districts and healthcare providers who are responsible for covering various health services. The local health departments receive funding from many sources, including ODH line items earmarked for specific purposes and from subsidy moneys appropriated in the Local Health Department Support General Revenue Fund (GRF) line item 440-413. The subsidy funds are allocated according to a formula developed by the Public Health Council. The Council meets at least four times per year to formulate the rules that govern the Department's activities in preserving and promoting public health. The Governor appoints seven members to serve on the Public Health Council. The Council conducts public hearings, but does not have executive or administrative duties.

The Department's budget is organized into six program series: Disease Prevention, Family and Community Health Services, Quality Assurance, Public Health Preparedness, Services to State Employees, and Program Support.

Enacted Budget Funding

The biennial funding for the Department is $1,143,414,094. In FY 2006, the ODH appropriation is $568,171,863, an increase of 4.9% over FY 2005 expenditures. In FY 2007, the Department received a 1.2% increase over FY 2006 recommended appropriations, or $575,242,231. GRF appropriations are $75,587,016 in each FY 2006 and $75,537,016 in FY 2007. This translates to an 11.4% increase in FY 2006 GRF appropriations from FY 2005 GRF expenditures and a 0.07% decrease from FY 2006 GRF appropriations to FY 2007 GRF appropriations. GRF appropriations represent approximately 13.2% of ODH's total funding. Federal appropriations make up 72.3% of total funding, while general service funds and state special revenue funds represent 14.5% of total funding.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
1,370*	$568.17 million	$575.24 million	$75.59 million	$75.54 million	Am. Sub. H.B. 66

*Employee Count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Budget Highlights for the FY 2006-2007 Biennium

Transfer of Tobacco Master Settlement Dollars

In FY 2006, up to $5 million will be transferred to the Healthy Ohioans Fund (Fund 5BL) in ODH from the Tobacco Master Settlement Agreement Fund. The program focuses on promoting healthy lifestyle choices for Ohioans to reduce chronic disease. The Tobacco moneys will be used for the following programs.

- $1.3 million to Healthy Ohioans in local communities. Funds will be available to the American Cancer Society, the Heart Association, and the Lung Association to further expand partnerships with local health departments and focus on controlling high blood pressure and cholesterol levels, and diabetes.

- $900,000 to Appalachian Health Initiative – Building on Partnerships. Funds will be made available to Ohio's Appalachian counties. Smoking, obesity, and physical inactivity are risk factors that are more highly prevalent in Appalachian populations than non-Appalachian populations.

- $1.0 million to Increase Awareness of Healthy Ohioans. Funds will be used to increase awareness of the Healthy Ohioans program statewide and in all markets through branding and other strategies. Three television ads were aired that focus on promoting healthy eating and physical activity.

- $500,000 to Workplace Wellness Grants. Funds will be distributed for the creation of projects to engage businesses in health and wellness programming as a wise investment, not only in employee health, but also in maintaining competitive advantage.

- $500,000 to After School Physical Activity Programs. Funds will be given to the Ohio Parks and Recreation Association (OPRA) for distribution to local OPRA members for up to ten pilot programs. The programs would promote and provide physical activity to school age children grades kindergarten through eighth grade.

- $800,000 to Fetal Alcohol Syndrome Project. ODH, in collaboration with the departments of Drug and Alcohol Services and Mental Retardation and Developmental Disabilities, will use the funds for new and emerging research and resources to develop and distribute prevention messages, enhance early detection and referral, and increase the supply of trained and available professionals to assist women at risk and persons affected by prenatal alcohol exposure.

- In FY 2007, $800,000 will be transferred to GRF appropriation item 440-418, Immunizations, in ODH from the Tobacco Master Settlement Agreement Fund. These funds are to be used for the purchase of varicella vaccines.

Board Consolidation

In Am. Sub. H.B. 66, 20 independent occupational licensing boards are to be absorbed into the departments of Health, Commerce, and Public Safety. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, the Office of Budget and Management (OBM), and three representatives selected by the affected boards. According to OBM, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentives will be offered to regulatory board staff. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board members will be retained. The appropriations for the boards in FY 2007 are not reflected in the departments' of Health, Commerce, or Public Safety appropriations. The following boards are slated to be absorbed into the Department of Health:

- Chiropractic Board;
- Chemical Dependency Professionals Board;
- Counselor, Social Worker, and Marriage and Family Therapist Board;
- Board of Dietetics;
- Occupational Therapy, Physical Therapy, and Athletic Trainers Board;
- Optical Dispensers Board;
- Board of Orthotics, Prosthetics, and Pedorthics;
- Board of Optometry;
- Board of Psychology;
- Respiratory Care Board;
- Board of Speech-Language Pathology and Audiology; and
- Veterinary Medical Licensing Board

Fee Increases

Am. Sub. H.B. 66 increases several fees that are revenue sources for ODH. For the FY 2006-2007 biennium, the following fee increases were implemented:

Initial Inspections of Hospices		
Program: Community Health Care Facilities and Services		
Fund: 470		
Estimated Additional Revenue per FY: $35,000		
Purpose: To help cover operating expenses		
New Fee		
Description	**Current Fee**	**Proposed Fee**
Initial Hospice Inspection Fee	$0	$1,750

ODH currently licenses and inspects hospices. ODH charges fees for a three-year hospice license, however, they do not charge for inspections of these facilities. As of July 1, 2005, there will be a fee for the initial inspections of hospices, which could result in an increase of revenues of $35,000 per fiscal year.

J-1 Visa Application Fees for Physicians		
Program: Community Health Services and System Development		
Fund: 470		
Estimated Additional Revenue Per FY: $107,130		
Purpose: To help cover operating expenses		
New Fee		
Description	**Current Fee**	**Proposed Fee**
J-1 Visa Application Review Fee	$0	$3,571

ODH will administer the J-1 Visa Waiver Program for recruiting physicians who received graduate medical education or training in the United States but are not citizens. These physicians will serve in areas of the state that are designated by the U.S. Secretary of Health and Human Services to be health professional shortage areas. There currently is no fee for this application review. ODH typically receives 50 applications, with 30 of those being placed. Only those physicians placed would be subject to the fee.

Radiation Fee Increases		
Program: Radiation Protection		
Fund: 470		
Estimated Additional Revenue Per FY: $148,000		
Purpose: To help cover operating expenses		
Fee Changes		
Description	**Current Fee**	**Proposed Fee**
Handler Certificate of Registration	$200	$218
First Dental Tube	$118	$129
Each Additional Tube	$59	$64
First Medical Tube	$235	$256
Each Additional Tube	$125	$136
Ionizing Radiation Equipment > 250 kv	$466	$508

Fee Changes		
Description	**Current Fee**	**Proposed Fee**
First Non-Ionizing Radiation Equipment	$235	$256
Each Additional Non-Ionizer	$125	$136
Assembler Maintainer Inspection	$291	$317
Inspection if not licensed	$363	$395
Shielding Plan Review	$583	$635

Nursing Home Facilities Bed and Application Fee Increase		
Program: Long Term Care & Quality		
Fund: 470		
Estimated Additional Revenue per FY: $200,000		
Purpose: To help cover operating expenses and to shift more of the cost sharing from GRF to the nursing home providers		
Fee Changes		
Description	**Current Fee**	**Proposed Fee**
Licensure and Renewal	$105 per 50 persons	$170 per 50 persons

Vital Statistics Fee Increase	
Program: Vital and Health Statistics	
Fund: 5BK within the Department of Public Safety	
Estimated Additional Revenue per FY: Over $1 million for Birth and Death Certificates (Divorce and Dissolution of Marriage not available at this time)	
Purpose: To be used by the Director of Public Safety for grants to family violence shelters	
Fee Changes	
Description	**Proposed Fee Increase**
Birth Certificates (Certified Copy)	+ $1.50
Death Certificates (Certified Copy)	+ $1.50
Divorce Filing	+ $5.50
Dissolution of Marriage Filing	+ $5.50

Adult Care Facility Inspection Fee Increase		
Program: Community Health Care Facilities and Services		
Fund: 470		
Estimated Additional Revenue per FY: $56,660		
Purpose: To help cover operating expenses and to shift more of the cost sharing from GRF to the nursing home providers		
Fee Changes		
Description	**Current Fee**	**Proposed Fee**
Inspection Fee	$10 for each bed for which the facility is licensed	$20 for each bed for which the facility is licensed

Bureau of Children with Medical Handicaps (Program for Medically Handicapped Children)

In Am. Sub. H.B. 66, there is a requirement that the Public Health Council return financial eligibility requirements for FYs 2006 and 2007 to the levels that were in effect prior to October 13, 2003 (there was a change in financial eligibility requirements that made approximately 5,000 families ineligible for services). The bill also eliminates a provision that provides that a medically handicapped child is not required to apply for Medicaid as a condition of eligibility for the program if applying for or receiving Medicaid violates a religious belief of the child or child's parent or guardian. The bill also creates the Legislative Committee on the Future Funding of the Bureau for Children with Medical Handicaps to examine issues involving the program's operation, services, and funding. The Committee is required to make recommendations on December 1, 2006.

Free Clinic Liability Insurance

Am. Sub. H.B. 66 appropriates $275,000 in FY 2006 and $325,000 in FY 2007 in GRF appropriation item 440-431, Free Clinic Liability Insurance. Up to $20,000 in each fiscal year may be used for administrative expenses related to the Medical Liability Insurance Reimbursement Program. The remainder in each fiscal year shall be used to pay for medical liability insurance for free clinics, including the clinics' staff and volunteer health care professionals and volunteer health care workers. The bill states that the necessity and feasibility of this new program shall be reviewed as part of the next biennial budget.

County Tuberculosis Control Programs and Detention Costs

In Am. Sub. H.B. 66, there is a provision that repeals the requirement that the Director of Health make financial assistance available to county tuberculosis control programs and the requirement that the Director reimburse boards of county commissioners for the cost of detaining indigent persons with tuberculosis. The provision also eliminates the option that a county or district tuberculosis control unit be a county tuberculosis program receiving financial assistance from the Director. According to the County Commissioners' Association, in FY 2004, ODH provided $250,000 for treatment for tuberculosis and $60,000 for detention costs. These dollars were distributed to counties that dealt with tuberculosis cases. ODH is no longer required to allocate this funding to county tuberculosis programs.

Vetoed Provisions

There were no vetoed provisions for the Department of Health.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 Disease Prevention

Purpose: To promote health and prevent disease through population based assessment and intervention.

The following table shows the line items that are used to fund the Disease Prevention Program Series, as well as the enacted funding levels. The figures in the table are based on initial estimates in the Department's budget request. As a result, it is possible that some funding could shift from one program to another and one program series to another.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	440-407	Animal Borne Disease & Prevention	$2,452,101	$2,452,101
GRF	440-412	Cancer Incidence Surveillance System	$1,002,619	$1,002,619
*GRF	440-416	Child & Family Health Services	$470,000	$470,000
GRF	440-418	Immunizations	$8,600,615	$9,400,615
*GRF	440-444	AIDS Prevention & Treatment	$1,687,932	$1,687,931
GRF	440-446	Infectious Disease Prevention	$200,000	$200,000
GRF	440-451	Lab and Public Health Prevention	$6,085,250	$6,085,250
GRF	440-454	Local Environmental Health	$889,752	$889,752
		General Revenue Fund Subtotal	**$21,388,269**	**$22,188,268**
State Special Revenue Fund				
*4L3	440-609	Non Governmental Grants and Awards	$81,217	$81,217
4T4	440-603	Child Highway Safety	$233,894	$233,894
*470	440-618	Fee Supported Programs	$8,563,874	$8,801,443
*5B5	440-616	Quality, Monitoring, and Inspections	$522,992	$500,011
**5BL	440-638	Healthy Ohioans	$5,000,000	$0
5CB	440-640	Poison Control Centers	$200,000	$200,000
5C0	440-615	Alcohol Testing and Permit	$1,455,405	$1,455,405
610	440-626	Radiation Emergency Response	$850,000	$850,000
		State Special Revenue Fund Subtotal	**$16,907,382**	**$12,121,970**
General Services Fund				
*142	440-618	Agency Health Services	$92,385	$92,385
473	440-622	Lab Operating Expenses	$4,154,045	$4,154,045
		General Services Fund Subtotal	**$4,246,430**	**$4,246,430**
Federal Special Revenue Fund Group				
*320	440-601	Maternal Child Health Block Grant	$1,902,288	$1,902,288
*387	440-602	Preventive Health Block Grant	$7,755,005	$7,826,659
*392	440-618	Federal Public Health Programs	$32,405,593	$32,803,731
		Federal Special Revenue Fund Group Subtotal	**$42,062,886**	**$42,532,678**
Total Funding: Disease Prevention			**$84,604,967**	**$81,089,346**

*Amount does not reflect total appropriation because the line item funds other program series.

This analysis focuses on the following specific programs within the Disease Prevention program series:

- ***Infectious Disease***
- ***Healthy Ohioans***
- ***Environmental Health & Toxicology***
- ***Public Health Labs***
- ***Radiation Protection***
- ***Alcohol & Permit***
- ***Epidemiology***
- ***Abstinence***

Infectious Disease

Program Description: The Infectious Disease Control program prevents the occurrence and transmission of infectious disease through both primary (e.g., immunization) and secondary (interdiction of outbreaks) prevention modalities. The program was established in 1983 in R.C. section 3701.24. This program serves local health departments, health care providers, the general public, and other programs within the Department of Health.

The program provides for the following activities: purchase of vaccines (584,852 doses) for public clinics; provision of vaccines from the Vaccine for Children program to private physicians and other Medicaid providers; provision of a statewide immunization registry; immunization action plan grants to reach under-immunized populations; prevention and control of an animal borne/insect borne disease and sexually transmitted diseases; and prevention and control of other infectious diseases. Prevention and control activities include education, testing for disease, purchase of drugs, providing investigations into outbreaks of diseases, and surveillance or tracking of diseases. Highlights of the program are discussed below.

Animal and Insect Borne Disease. Every year local health departments investigate about 23,000 animal bites for rabies exposure. Approximately 4,200 animal specimens are submitted to ODH for rabies testing. ODH provides for the shipping and testing of these specimens, conducts consultations with local health departments, conducts raccoon rabies baiting once a year (500,000 baits), conducts case reviews of reported diseases, investigates disease outbreaks, and responds to emerging zoonotic agents where disease transmission from animals to people is implicated.

HIV Prevention. Approximately 57 community-based organizations receive federal funds that are passed through the ODH. These organizations implement approximately 89 HIV prevention programs to various high-risk groups per year. They also provide HIV testing and prevention counseling for 40,000 individuals per year. Nine local health departments receive federal funding and GRF to provide educational activities. Approximately 200,000 to 300,000 high-risk individuals are impacted by these efforts each year.

Implication of the Enacted Budget: The enacted funding will allow FY 2005 service levels to be maintained. The program, among other things, will be able to purchase over 580,000 vaccines for public clinics and the Vaccine for Children program, test up to 400,000 mosquitoes for West Nile Virus and other agents, and provide HIV testing and prevention counseling for 40,000 individuals per year.

Am. Sub. H.B. 66 transfers $800,000 in FY 2007 from the Tobacco Master Settlement Agreement Fund (Fund 087) to the GRF. These funds are to be used in GRF appropriation item 440-418, Immunizations, for varicella vaccination purchases.

Healthy Ohioans

Program Description: This program protects and improves the health of all Ohio citizens by providing leadership and coordination for population-based health promotion activities. The program provides health education and health promotion technical assistance and consultation to local agencies and communities. The program also includes efforts to prevent and control tobacco use, arthritis, cardiovascular disease, and diabetes. The program also provides the means for early detection of breast and cervical cancer to 11,000 low-income women ages 50 to 64, as well as providing education about colorectal and skin cancer. Funding is used to provide education, self-management of diseases, tracking of diseases and injuries, crisis intervention services, infant car seats, breast and cervical cancer screenings, and a hotline. The program was established in 1996 by the Public Health Council in 3701-1-131 of the Ohio Administrative Code.

The primary goal of the program is to reduce the incidence of chronic diseases. The success or benefit of the program can be measured by the incidence of death and disease. More specific goals and objectives include: increase physical activity, improve nutrition, and prevent the use of tobacco among all Ohioans, promote quitting for those who use tobacco, and reduce deaths caused by intentional and unintentional injuries.

In FY 2005, GRF funding for rape prevention activities was eliminated. In previous years, funding was allocated to the State Sexual Assault Coalition, the Rape Prevention Program at the Combined Health District of Montgomery County, and the Women and Family Services Center in Defiance. The State Sexual Assault Coalition and the Women and Family Services Center in Defiance still receive some federal funds from ODH.

Implication of the Enacted Budget: The enacted funding will allow FY 2005 service levels to be maintained. The program, among other things, will provide early detection of breast and cervical cancer to 11,000 low-income women between the ages of 50 and 64 and provide education about colorectal and skin cancer. The budget bill allows for the transfer of up to $5 million from the Tobacco Master Settlement Agreement Fund (Fund 087) to Fund 5BL, Healthy Ohioans. The moneys will be used to address the underlying causes of chronic diseases such as poor nutrition, lack of physical activity, and smoking. Moneys will be used as grants to local communities, Appalachian counties, and workplace wellness grants, among other things.

Environmental Health and Toxicology

Program Description: This program protects the health of Ohioans by monitoring and investigating noninfectious diseases and special health problems related to the environment. The program uses risk assessment, health education, human studies, epidemiological and biostatistical analysis to assess and prevent exposure to toxins. The program also includes the inspection of migrant labor camps. The program was established in 1981 by R.C. section 3701.14. The population served by this program includes the general public, local health departments, Ohio Environmental Protection Agency, U.S. Environmental Protection Agency, Centers for Disease Control and Prevention, and programs within the Department.

The following are a few examples of activities provided in the program in 2003:

- Plan approval, licensing, and inspection of agricultural labor camps (145 licensed camps);
- Review approval and compliance inspection of engineering plans for swimming pools/spas (403), manufactured home parks (75), marinas (7), and RV parks/camps (23);
- Provide technical assistance to local health departments, industry, and the general public in agricultural migrant labor camps, food safety, private water systems, household sewage treatment, indoor environments, asthma, school environmental management, school inspection, tattoo and body piercing establishments, marinas, manufactured home parks, swimming pools/spas, RV parks, and resident and day camps through consultation and training;
- Approve courses and certify individuals in food protection (6,000 individuals certified);
- Provide legal registration of private water system contractors;
- Provide recall information regarding food products to local health departments (52 food products were recalled); and
- Sample and analyze water from selected public bathing beaches along the Lake Erie shoreline and advise local officials when public health use advisories need to be posted.

A majority of the services conducted under this program are mandated through state statute and serve the entire state. Fees supply most of the funding for this program. Federal funds support a significant portion of indoor environments, asthma, and health assessment of chemically contaminated sites.

Implication of the Enacted Budget: The enacted funding will allow FY 2005 service levels to be maintained.

Am. Sub. H.B. 66, appropriates $200,000 in each fiscal year for line item 440-640, Poison Control Centers. The Greater Dayton Area Hospital, as well as the poison control centers in Cleveland, Cincinnati, and Columbus shall each receive $50,000 in each FY for poison control purposes.

Public Health Laboratories

Program Description: The Public Health Laboratories program provides testing to assist in identification of potential disease outbreaks, aids in the recognition of environmental hazards, provides initial screening for metabolic diseases of all newborns in Ohio, and provides other laboratory services. The first public health lab in Ohio was established in 1898. The program is established in law in R.C. sections 3701.22 and 3701.23. The lab runs approximately 4.2 million tests per year. It also maintains a role in the education of future laboratorians by working in conjunction with The Ohio State University. This partnership assists in teaching medical technology students and offers practical experience in a production laboratory facility.

Implication of the Enacted Budget: The enacted funding will allow FY 2005 service levels to be maintained. As such, the lab will be able to run over four million tests per year for things such as foodborne disease testing and serotyping of infectious disease specimens, as well as maintaining a role in the education of future laboratorians.

Radiation Protection

Program Description: The Radiation Protection program is responsible for the regulatory control of radiation sources in Ohio. The purpose of the program is to control the possession, use, handling, storage, and disposal of radiation sources and to maintain the radiation dose to the general population within limits established in rule. This limit is established with standards adopted by the National Council on Radiation Protection and Measurement, the Conference of Radiation Control Program Directors, American National Standards Institute, Food and Drug Administration, and other national standard-setting bodies. The program is responsible for licensing the possession and use of radioactive material, registering radiation-generating equipment, and inspecting facilities housing these radiation sources. The technologists operating radiation-generating equipment and nuclear medicine are also licensed. The program also oversees the cleanup of contaminated facilities, responds to radiation accidents, investigates reports of excessive radiation doses, and sponsors local health departments in radon testing programs for schools and homes. ODH is designated as the Radiation Control Agency for Ohio. The responsibilities that go with this designation are outlined in R.C. section 3748.02.

The regulated community consists of most academia, industry, hospitals, practitioners of the healing arts, and other government agencies. The program is supported through fees charged for licensing, registering, and inspecting facilities that deal with radiation.

Implication of the Enacted Budget: The enacted funding will allow FY 2005 service levels to be maintained. Therefore, ODH will continue inspecting over 6,000 x-ray machines, providing quality assurance inspections at 100 hospitals, and inspecting 150 assemblers and maintainers.

In Am. Sub. H.B. 66, there is a fee increase (approximately 9%) for the program. This will result in a revenue increase of $148,000 per fiscal year, which will be used for operating expenses.

Alcohol Testing and Permit

Program Description: The goal of the program is to ensure that drunken driving charges are not dropped due to inoperable/inaccurate equipment and nonlicensed and untrained persons conducting the chemical testing. The program attempts to ensure that the solution that police use to calibrate breathalyzer machines is accurate. The program also trains new police officers on how to properly use the equipment. The Department also is charged with insuring the quality assurance of labs that run blood and urinalysis tests for alcohol levels. The program issues basic and renewal permits to over 10,000 breath analyzer operators and also issues 49 laboratory drug permits and 209 alcohol laboratory permits. The program evaluates proficiency examinations for laboratory and breath permit holders, as well as inspecting 580 breath testing sites and 27 laboratory sites throughout 88 counties. The program is established in R.C. section 3701.143.

Implication of the Enacted Budget: The enacted funding will allow FY 2005 service levels to be maintained. This will allow the program to issue permits to over 10,000 breath analyzer operators, among other things.

Epidemiology

Program Description: The Epidemiology Program conducts population-based surveillance/tracking for diseases and other health conditions and risk factors. The information is used to provide guidance to disease prevention and control programs. The program tracks the occurrence of infectious diseases, including HIV, tuberculosis, sexually transmitted diseases, and over 70 other infectious diseases. The program also conducts cancer surveillance as required by R.C. section 3701.26.

Implication of the Enacted Budget: The enacted funding will allow the program to maintain FY 2005 service levels.

Abstinence Education

Program Description: The Abstinence Education Program focuses on a comprehensive approach that includes units on valuing self, physical changes of adolescence, human reproduction, fetal development, family relationships, friendship and dating, building character, making good decisions, communication, refusal skills, STD information and prevention, as well as overall health and wholeness. Communities, including local health departments, receive funding for abstinence education through a competitive grant process. Ohio's Abstinence Law requires all schools in Ohio to teach abstinence until marriage as the only completely effective means by which to avoid contracting STDs or becoming pregnant. The program helps schools respond to that mandate through funding local initiatives that provide direct service.

Implication of the Enacted Budget: The enacted funding will allow the program to maintain FY 2005 service levels. In FY 2005, 13 abstinence grants were awarded. It is likely that this number of grants will be awarded in FYs 2006 and 2007 as well.

Program Series 2 — Family and Community Health

Purpose: To assure that health services are available for Ohioans and provide health services that are accessible, appropriate, affordable, available, acceptable, family-centered, guided by local needs, coordinated, culturally sensitive, reflective of consumer involvement, and comprehensive.

The following table shows the line items that are used to fund the Family and Community Health Program Series, as well as the enacted funding levels. The figures in the table are based on initial estimates in the Department's budget request. As a result, it is possible that some funding could shift from one program to another and one program series to another.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
*GRF	440-416	Child & Family Health Services	$9,212,874	$9,112,874
GRF	440-431	Free Clinic Liability Insurance	$275,000	$325,000
*GRF	440-444	AIDS Prevention & Treatment	$5,470,195	$5,470,196
GRF	440-452	Child & Family Health Services Match	$1,024,017	$1,024,017
GRF	440-459	Help Me Grow	$9,323,797	$9,323,797
GRF	440-505	Medically Handicapped Children	$9,591,784	$8,791,784
GRF	440-507	Targeted Health Care Services Over 21	$1,631,023	$1,631,023
		General Revenue Fund Subtotal	**$36,528,690**	**$35,678,691**
State Special Revenue Fund				
*470	440-618	Fee Supported Programs	$250,000	$250,000
477	440-627	Medically Handicapped Children Audit	$3,800,000	$3,693,016
4D6	440-608	Genetics Services	$2,617,000	$2,617,000
4F9	440-610	Sickle Cell Disease Control	$1,035,344	$1,035,344
4G0	440-637	Birth Certificate Surcharge	$5,000	$5,000
*4L3	440-609	Non Governmental Grants and Awards	$62,902	$62,902
4V6	440-641	Save Our Sight	$1,767,994	$1,767,994
5D6	440-620	Second Chance Trust	$1,054,951	$1,054,951
666	440-607	Medically Handicapped Children Co. Assess	$14,320,687	$14,320,687
		State Special Revenue Fund Subtotal	**$24,913,878**	**$24,806,894**
General Services Fund				
*142	440-618	Agency Health Services	$19,000	$19,000
		General Services Fund Subtotal	**$19,000**	**$19,000**
Federal Special Revenue Fund				
*320	440-601	Maternal Child Health Block Grant	$26,877,034	$27,123,347
389	440-604	Women, Infants, and Children	$219,920,083	$230,077,451
*392	440-618	Federal Public Health Programs	$47,049,543	$47,351,515
		Federal Special Revenue Fund Subtotal	**$293,846,660**	**$304,552,313**
Total Funding: Family & Community Health			**$355,308,228**	**$365,056,898**

* Amount does not reflect total appropriation because the line item funds other program series.

This analysis focuses on the following specific programs within the program series:

- ***Children with Medical Handicaps***
- ***Child & Family Health***
- ***Oral Health***
- ***Nutrition***
- ***Help Me Grow***
- ***Community Health Services and System Development***
- ***Second Chance***

Children with Medical Handicaps

Program Description: The Children with Medical Handicaps Program includes treatment for medically handicapping conditions, diagnostic services, and service coordination for children ages 0 to 21. The program also provides insurance premium payments to adults with hemophilia (30 adults) and prescription medications and medical supplies to adults with cystic fibrosis (150 adults). The treatment package for children with medical handicaps depends on the diagnosis, but can include basic outpatient and physician services, hospital stays, and prescription medications. The program also provides metabolic formulas to 269 individuals with phenylketonuria and homocystinuria, services for 7,163 newborns, children and adults affected by or at risk for sickle cell disease, and clinical genetic services to 10,611 Ohioans. Services are typically limited to those who meet medical and/or financial criteria.

The goal of the program is to assure that children and adults have access to community-based health care services, to eliminate health disparities, and to improve quality of life.

The program changed its financial eligibility formula in November 2003, which resulted in approximately 5,000 children being ineligible for benefits. The program is working with local public health nurses to try to assist families recently disenrolled in maximizing their third party benefits and in applying for other insurance. Approximately half of the families affected by this change have no other source of funding for their health care needs.

Implication of the Enacted Budget: In Am. Sub. H.B. 66, there is a requirement that the Public Health Council return financial eligibility requirements for FYs 2006 and 2007 to the levels that were in effect prior to October 13, 2003 (there was a change in financial eligibility requirements that made approximately 5,000 families ineligible for services). The bill also eliminates a provision that provides that a medically handicapped child is not required to apply for Medicaid as a condition of eligibility for the program if applying for or receiving Medicaid violates a religious belief of the child or child's parent or guardian. As a result, funding for the program should be sufficient to provide for the return of the 5,000 families made ineligible in October of 2003 and to maintain current service levels.

In Am. Sub. H.B. 66, there is an earmark for $731,033 in each fiscal year in GRF appropriation item 440-507, Targeted Health Care Services Over 21, to be used for the administration of the cystic fibrosis and Hemophilia Insurance Premium Payment Program. There is an additional earmark for $900,000 in each fiscal year in the same appropriation item for essential medications for the cystic fibrosis program.

Child and Family Health

Program Description: The Child and Family Health Program includes the following services or sub-programs: Child & Family Health Services Program; Child Fatality Review Program; Family Planning (Title X) Program; Ohio Childhood Lead Poisoning Prevention Program; Ohio Infant Mortality

Reduction Initiative Program; Prenatal Smoking Cessation Services Program; Regional Perinatal Services Program; Save Our Sight Program; Specialty Medical Services Program; Sudden Infant Death Program; and the Women's Health Services Program. A few of these services will be discussed in detail below.

Child & Family Health Services Program. This program provides infrastructure-building services such as conducting community health assessments, implementing population-based, enabling and/or direct health care services (perinatal, family planning, and child health). The program provides services primarily to un/underinsured children and pregnant women statewide. The program funds 79 projects and serves over 208,000 clients.

Child Fatality Review Program. This activity was created in 2000 to reduce the incidence of preventable child deaths. Ohio Revised Code section 307.621 mandates that each county in Ohio establish a child fatality review board to review the deaths of all children under 18 years of age residing in that county. These local boards are required to submit information concerning the deaths of children to ODH. In cooperation with the Children's Trust Fund Board, the Department is required to prepare, publish, and distribute a report concerning the data collected and is required to provide an annual training seminar.

Title X Family Planning Program. The Title X Family Planning program provides the following services: screening for breast and cervical cancer; gynecological examinations and the provision of contraception; laboratory testing, urine dipstick for diabetes and pregnancy testing, colorectal screening for clients over 40 years of age; blood pressure, height and weight measurements; thyroid, heart, lung, abdominal and extremities check; screening and treatment for sexually transmitted diseases, including HIV risk assessment, education, and testing; patient education and information about contraception, infertility, pregnancy, sterilization, preconception, interconception, and nutrition; determination of Rubella immunity status, Hepatitis B status and DES exposure; referral and follow-up of other needed services; counseling to minors on resisting attempts to coerce in engaging in sexual activities; and community outreach and education. In FY 2003, the program provided services to 78,741 clients, of which 81% were under the 150% of the Federal Poverty Guideline and 19% were on Medicaid.

Save Our Sight (SOS) Program. This program was created to ensure that children in Ohio have good vision and healthy eyes. The program accomplishes this through the early identification of children with vision problems and the promotion of good eye health and safety. One in four schoolchildren and one in twenty preschoolers have vision problems. If left untreated, these problems may affect a child's learning ability. The SOS Program funds are disbursed through two grant programs: the Save Our Sight Children's Vision Program and the Save Our Sight Children's Protective Eyewear Program. Funds are also used to develop and maintain the Ohio Amblyope (lazy eye) Registry. The program provided 310,000 children with a vision screening and 9,750 children with protective eyewear. Over 1,000 physicians and children were registered in the amblyopia registry.

Women's Health Services Program. The program provides: 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 of sexual coercion and violence in relationships; and prenatal care or referral for prenatal care. The program was established to serve low-income women in vulnerable populations. The program provided grants to twenty local health departments that competed for a competitive grant application process and were reviewed by an external grant review panel.

Implication of the Enacted Budget: As a result of funding, there is some concern that the Specialty Medical Services program may need to be reduced. This is due to reductions in federal funding over the past few years, coupled with cost increases of approximately 8% annually.

Oral Health

Program Description: The Oral Health program's goal is to provide access to dental care and to reduce the number of Ohioans with unmet dental care needs. It is estimated that 4.6 million people in Ohio do not have dental healthcare coverage. The program includes the following subprograms:

Dental OPTIONS. The Dental OPTIONS program provides funding to four local agencies on a regional basis (NE, NW, Central, and S), to provide referral and case management services for Ohioans who need dental care and have no form of dental insurance, including Medicaid, and can't afford to pay for care. The program is primarily for those with household incomes below 200% of the poverty level. In FY 2004, 5,403 people were served by the program.

Access to Dental Care. This activity is funded by the Health Priorities Trust Fund, which is made up of moneys from the Tobacco Master Settlement. The program funds six to eight grants for the start-up and expansion of dental care programs. The programs offer comprehensive dental services for Medicaid and low-income individuals who would not otherwise receive needed care.

State Dentist Loan Repayment/Dental Health Professional Shortage Area (DHPSA). The DHPSA program is funded from dentist license fees paid to the State Dental Board. Qualifying dentists have been out of dental school less than three years and are willing to work in a shortage area. Those qualifying can receive repayment for government or commercial loans associated with the cost of attending dental school if they agree to work in a health shortage resource area.

School-Based Dental Sealant Activity. This program funds 18 to 20 school-based dental sealant programs, which provide preventive dental sealants in over 40 counties. This is a cost-effective preventive measure to prevent the most common form of dental decay for 2nd, 3rd, 6th, and 7th graders in targeted schools. It is estimated that 25,000 children were provided with dental sealants in 2004.

Dental Safety Net. The program funds five to eight local agencies to provide dental care to Ohioans with poor access to oral health care. Funds are used to cover the gap between the cost of services and the amount received from Medicaid and sliding fee payments. It is estimated that this program provided dental care for over 22,000 Ohioans in 2004.

Community-based Fluoride Activity. This program provides financial assistance to communities that are beginning to fluoridate water and to those communities that need replacement fluoridation equipment.

Implication of the Enacted Budget: The enacted funding will enable ODH to increase access to dental care.

Nutrition

Program Description: The goal of the Nutrition program is to improve the health status and prevent health problems among Ohio's at-risk women, infants, and children. The program includes the following subprograms:

***Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)*.** WIC provides nutritious foods, nutrition and breastfeeding education and support, immunization screening, and health care referral through local agencies to eligible individuals. WIC helps income-eligible pregnant, postpartum, and breastfeeding women, infants, and children who are at risk with respect to physical and mental health due to inadequate nutrition, healthcare, or both. There is a series of criteria that applicants must meet in order to be enrolled in the program. One of these requirements is that the gross family income must be at or below 185% of the federal poverty guidelines. Eligibility is reviewed at least every six months.

***Farmer's Market Nutrition Program (FMNP)*.** The FMNP was created in 1992. Since then the program has provided nutritionally at-risk women and children fresh fruits and vegetables from farmers' markets. The program also increases awareness and use of farmers' markets. The program operates from June 1st to October 31st. Currently, only the highest-priority participants of the WIC program receive these benefits. For FY 2004, 31,000 people were served. These people receive six coupons at $3.00 each to purchase fresh fruits and vegetables from authorized farmers during the market season. The program is 70% federally funded through the United States Department of Agriculture. There is a 30% state match requirement that is currently met through the Ohio Department of Job and Family Services' Agriculture Surplus program.

Implication of the Enacted Budget: The enacted funding will maintain FY 2005 service levels. As a result of funding, approximately 265,000 eligible women, infants, and children will be provided nutritious foods, nutrition and breastfeeding education and support, and health care referral. Also, 80,000 infants and 120,000 children will be provided with immunization screening, and 31,000 women and children in 47 counties will receive Farmer's Market Nutrition Program vouchers for $18.

Help Me Grow

Program Description: The Help Me Grow program is an Ohio Family and Children First initiative. The program seeks to ensure that infants and toddlers with developmental disabilities are identified early and assisted with services and supports. Infants and toddlers in the program receive developmental, vision, and hearing screening. The program also seeks to increase immunization rates of two year olds and to decrease health disparities by targeting underrepresented population groups. Funding is provided to local programs for home visiting services to first time and teen parents, as well as parenting education for families with questions about child health and development. Services and supports are provided for families with infants and toddlers at risk for or with developmental disabilities.

Implication of the Enacted Budget: The enacted funding will allow for home visits by registered nurses to 22,000 newborns and their families in FY 2006. Approximately 38,000 infants and toddlers at risk for or with developmental disabilities and their families will receive services and support.

Community Health Services and Systems Development

Program Description: The goal of the Community Health Services and Systems Development program is to improve the health status of Ohioans, decrease likelihood of death for those with HIV, and improve access to health care. Activities include assistance for those with HIV and primary care medical services to low-income, uninsured patients at 100 federally qualified health sites (160,072 encounters in 2004). There are also three black lung clinics in southeastern Ohio for coal miners (15,000 uninsured served). Other activities include placing physicians and other healthcare professionals in health resource shortage areas, providing technical assistance to 850 school nurses, coordinating the Ohio Youth Risk Behavioral Survey, improving health in rural areas by providing technical assistance, placing a minimum of 40 primary care providers per year, and applying for federal funds to fund new federally qualified health care sites.

The HIV assistance activity includes the provision of medications, health insurance premium payments, case management, emergency financial assistance, home health, and Medicaid spend down. The Department of Health is the only entity in Ohio receiving federal Ryan White Care Act funds. These funds have a 50% match requirement. Part of the match is provided from the Department of Rehabilitation and Correction since GRF appropriation item 440-444, AIDS Prevention and Treatment, has been reduced over the past few fiscal years.

GRF funding for migrant health centers, which served 1,050 migrants out of a total population of 12,458, was eliminated in FY 2005 and receives no funding in FYs 2006 and 2007.

Implication of the Enacted Budget: Enacted funding will maintain FY 2005 service levels and provides funding for ODH to administer the J-1 Visa Waiver Program for Physician Recruitment. The program services foreign physicians who come to the U.S. for graduate medical studies and remain in the country after completion of their studies if placed in medically underserved areas. The physicians apply for a J-1 visa waiver. ODH is required to charge up to $3,751 for each application it accepts for review. This is a new fee for ODH. ODH usually receives 50 applications and places 30 physicians in underserved areas. This could increase revenues by $107,130 per fiscal year, which would be used for costs of operating the program. Only those physicians that are placed would be subject to the fee.

Am. Sub. H.B. 66 appropriates $275,000 in FY 2006 and $325,000 in FY 2007 in GRF appropriation item 440-431, Free Clinic Liability Insurance. Up to $20,000 in each fiscal year may be used for administrative expenses related to the Medical Liability Insurance Reimbursement Program. The remainder in each fiscal year shall be used to pay for medical liability insurance for free clinics, including the clinics' staff and volunteer health care professionals and volunteer health care workers. The bill states that the necessity and feasibility of this new program shall be reviewed as part of the next biennial budget.

In Am. Sub. H.B. 66, there are numerous earmarks for community projects within GRF appropriation item 440-416, Child and Family Health Services. The earmarks in each fiscal year are as follows: $10,000 to the Jewish Family Services in Cleveland; $10,000 to the Jewish Family Services in Cincinnati; $10,000 to the Wexner Heritage Village; $10,000 to the Jewish Family Services in Dayton; $5,000 to the Jewish Community Center in Akron; $5,000 to the Jewish Community Center in Sylvania; $2,500 to the Jewish Community Center in Youngstown; $2,500 to the Jewish Community Center in Canton; $10,000 to the Jewish Family Services in Columbus; $16,667 to the Jewish Community Center in Cincinnati; $16,666 to the Jewish Community Center in Cleveland; $450,000 to the Visiting Nurse Association; $25,000 to the Clermont County's Comprehensive Suicide Prevention Program; and $50,000 to the Mayerson Inclusion Project. There was also an earmark for $100,000 in FY 2006 to the People Working Cooperatively in Cincinnati.

Second Chance

Program Description: The Second Chance Trust program awards funding to local projects to increase awareness about the need for organ donors. The program is funded through a $1 donation made when renewing a driver's license.

Implication of the Enacted Budget: The enacted funding will provide for a more comprehensive marketing campaign for organ donations during this biennium. ODH will be able to conduct a more comprehensive marketing campaign for organ donations. This will include airing television ads, as well as advertising on billboards and bus signs to promote the program.

Program Series 3 — Quality Assurance

Purpose: To achieve the best possible health status for the citizens of Ohio through the monitoring of activities that assure the quality of both public health and private healthcare delivery systems.

The following table shows the line items that are used to fund the Quality Assurance Program Series, as well as the enacted funding levels. The figures in the table are based on initial estimates in the Department's budget request. As a result, it is possible that some funding could shift from one program to another and one program series to another.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	440-453	Health Care Quality Assurance	$10,253,728	$10,253,728
		General Revenue Fund Subtotal	**$10,253,728**	**$10,253,728**
State Special Revenue Fund				
*470	440-618	Fee Supported Programs	$3,799,633	$3,893,791
471	440-619	Certificate of Need	$581,572	$594,572
*5B5	440-616	Quality, Monitoring, and Inspection	$315,487	$338,468
*5L1	440-623	Nursing Facility Technical Assistance Program	$617,517	$617,517
		State Special Revenue Fund Subtotal	**$5,314,209**	**$5,444,348**
General Services Fund				
*698	440-634	Nurse Aide Training	$170,000	$170,000
		General Services Fund Subtotal	**$170,000**	**$170,000**
Federal Special Revenue Fund				
391	440-606	Medicaid/Medicare	$24,211,198	$24,850,959
*392	440-618	Federal Public Health Program	$522,441	$533,121
		Federal Special Revenue Fund Subtotal	**$24,733,639**	**$25,384,080**
Total Funding: Quality Assurance			**$40,471,576**	**$41,252,156**

* Amount does not reflect total appropriation because the line item funds other program series.

This analysis focuses on the following specific programs within the program series:

- ***Long Term Care and Quality***
- ***Regulatory Compliance***
- ***Diagnostic Safety and Personnel Certification***
- ***Community Health Care Facilities and Services***

Long Term Care and Quality

Program Description: The Long Term Care and Quality Program primarily conducts surveys of nursing facilities to monitor provider compliance with state and federal rules and regulations, which have been formulated to ensure high quality health care services. The surveys conducted include initial licensure and federal certification surveys, recertification/relicensure surveys and complaint investigations. Revisits are conducted to ensure that providers achieve compliance after deficiencies and violations are identified during surveys. The program is also responsible for the survey actions required by Ohio's contract to conduct surveys for the federal Centers for Medicare & Medicaid Services.

The program also includes the Technical Assistance Program (TAP), which provides education to improve the quality of care and life for residents in Ohio's 989 nursing facilities by using supportive, proactive, and constructive techniques. In 2003, TAP completed a demonstration project. This project consisted of two programs, which addressed activities of daily living, while a third program addressed detection of dehydration. There were 24 homes picked to be a part of the project. Twelve homes were picked to receive one of the programs and the other twelve homes were used as the control and received no programming. At the end of the project, TAP documented procedures and the results of the three programs to improve care and to enable programs to be adopted and replicated in nursing homes throughout the state.

Implication of the Enacted Budget: The enacted funding, coupled with the fee increases for this program series, should allow for a continuation of FY 2005 service levels. GRF appropriation item 440-453, Health Care Quality Assurance, is cut by 2.5% from FY 2005 spending levels. This appropriation item funds all of the programs within the Quality Assurance Program Series. In FY 2005, spending for the appropriation item was $10,516,387. In FYs 2006 and 2007, the appropriation item was appropriated $10,253,728 in each fiscal year. It is possible that federal funding could be lost as a result of state match requirements if fee increases do not match the loss in funding in GRF appropriation item 440-453.

In Am. Sub. H.B. 66, there is an increase for the licensing and inspection fee for nursing homes and residential care facilities from $105 to $170 for each 50 persons in a home or facility's licensed capacity. This will increase revenues for ODH by approximately $200,000 per fiscal year. This revenue will be used for operating expenses. Also, Am. Sub. H.B. 66, allows ODH to revoke or refuse to issue a license to operate a nursing home or residential care facility when the licensee or applicant demonstrates a long-standing pattern of violations of Ohio law governing nursing homes and residential care facilities.

Regulatory Compliance

Program Description: The Regulatory Compliance program is primarily responsible for state and federal health care provider program enforcement. The program's responsibilities result from federal Medicare and Medicaid nursing home reform and enforcement provisions and subsequent federal and concomitant state statutes, regulations, and rules. The primary goals of the program are: enforcement and dispute resolution for Medicare and/or Medicaid certified skilled nursing facilities and nursing facilities; substandard quality of care notification; enforcement for Medicaid certified intermediate care facilities for the mentally retarded; enforcement for licensed nursing homes, residential care facilities, homes for the aging, adult care facilities, health care services, community alternative homes, and hospices; county home resident rights enforcement; and enforcement of federal nurse aide training program requirements relating to extended surveys and enforcement remedies.

Implication of the Enacted Budget: The enacted funding will allow FY 2005 levels to be maintained.

Diagnostic Safety and Personnel Certification

Program Description: The Diagnostic Safety and Personnel Certification program licenses and certifies companies/persons for asbestos abatement, nursing home administrators, hearing aide dealers and fitters, radon testing and mitigation, and lead abatement. The program is responsible for performing federally mandated on-site inspections for 8,500 clinical laboratories, as well as evaluating the need for and impact of proposed nursing home bed relocations, proposed nursing home replacement, and nursing home renovation projects over $2 million. Lastly, the program is responsible for conducting field investigations of allegations of resident abuse and neglect and misappropriation of resident property involving residents at long-term and residential care facilities throughout Ohio.

Implication of the Enacted Budget: The enacted funding, coupled with the fee increases for this program series, should allow for a continuation of FY 2005 service levels. GRF appropriation item 440-453, Health Care Quality Assurance, is cut by 2.5% from FY 2005 spending levels. This appropriation item funds all of the programs within the Quality Assurance Program Series. In FY 2005, spending for the appropriation item was $10,516,387. In FYs 2006 and 2007, the appropriation item was appropriated $10,253,728 in each fiscal year. It is possible that federal funding could be lost as a result of state match requirements if fee increases do not match the loss in funding in GRF appropriation item 440-453.

Community Health Care Facilities and Services

Program Description: The Community Health Care Facilities and Services program conducts surveys for federally certified, non-long-term care providers and suppliers, as well as licensure inspections and complaint investigations for adult care facilities. The program also provides for initial survey and the periodic evaluation of ambulatory surgical facilities, freestanding dialysis centers, freestanding inpatient rehabilitation facilities, and hospices. Lastly, the program certifies the quality of and access to health care in health insuring corporations and the initial and annual licensure inspections for hospital maternity units, neonatal units in children's hospitals, maternity homes, and freestanding birthing centers. The frequency of inspections is set by the federal government or by statute or rules.

Currently there are 712 licensed adult care facilities with 5,685 beds operating in 70 counties.

Implication of the Enacted Budget: The enacted funding, coupled with the fee increases for this program series, should allow for a continuation of FY 2005 service levels. GRF appropriation item 440-453, Health Care Quality Assurance, is cut by 2.5% from FY 2005 spending levels. This appropriation item funds all of the programs within the Quality Assurance Program Series. In FY 2005, spending for the appropriation item was $10,516,387. In FYs 2006 and 2007, the appropriation item was appropriated $10,253,728 in each fiscal year. It is possible that federal funding could be lost as a result of state match requirements if fee increases do not match the loss in funding in GRF appropriation item 440-453.

Am. Sub. H.B. 66 authorizes the Public Health Council to adopt rules establishing an inspection fee for hospice care facilities not to exceed $1,750. This could increase revenues by up to $35,000, which will be used for operating expenses. Am. Sub. H.B. 66 also increases the adult care facility inspection fee from $10 to $20 per bed and requires that the fee be paid following each inspection, in addition to following issuance or renewal of a license. This will result in an increase in revenues for ODH of approximately $56,660, which will also be used for operating expenses.

Program Series 4 Public Health Preparedness

Purpose: To establish and maintain a basic public health infrastructure at the local and state level so that both have the capacity to respond to disease outbreaks, bioterrorism threats, foodborne illness outbreaks, and other threats to the health of Ohioans.

The following table shows the line items that are used to fund the Public Health Preparedness program, as well as the enacted funding levels. The figures in the table are based on initial estimates in the Department's budget request. As a result, it is possible that some funding could shift from one program to another and one program series to another.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	440-413	Local Health Department Support	$3,786,794	$3,786,794
GRF	440-461	Center for Vital and Health Stats	$3,629,535	$3,629,535
		General Revenue Fund Subtotal	**$7,416,329**	**$7,416,329**
State Special Revenue Fund				
4G0	440-636	Heirloom Birth Certificate	$5,000	$5,000
*470	440-618	Fee Supported Programs	$3,344,415	$3,012,609
5G4	440-639	Adoption Services	$20,000	$20,000
		State Special Revenue Fund Subtotal	**$3,369,415**	**$3,037,609**
General Services Fund				
*142	440-618	Agency Health Services	$533,302	$545,721
		General Services Fund Subtotal	**$533,302**	**$545,721**
Federal Special Revenue Fund				
*392	440-618	Federal Public Health Programs	$46,700,625	$46,989,091
		Federal Special Revenue Fund Subtotal	**$46,700,625**	**$46,989,091**
Holding Account Redistribution Fund				
R14	440-631	Vital Statistics	$70,000	$70,000
		Holding Account Redistribution Fund Subtotal	**$70,000**	**$70,000**
Total Funding: Public Preparedness			**$58,089,671**	**$58,058,750**

* Amount does not reflect total appropriation because the line item funds other program series.

This analysis focuses on the following specific programs within the program series:

- ***Center for Vital and Health Statistics***
- ***Bioterrorism***
- ***Support to Local Health Departments***

Center for Vital and Health Statistics

Program Description: The Center for Vital and Health Statistics is responsible for the administration and maintenance of the statewide system of registration of births, deaths, fetal deaths, and other vital statistics. The Center's Health Data Analysis unit is responsible for the processing, analysis, interpretation, and distribution of the statistical data collected. Essential public health information such as death rates, causes of death, birth rates, teen pregnancy, abortion rates, and infant mortality are produced by the Center. The data produced by the Center is used by academics, public health agencies, social services agencies, and the media. The data is also shared with multiple federal agencies for the estimation of national statistics or the management of federal programs.

Implication of the Enacted Budget: As a result of enacted funding, ODH may experience a decreased ability to cover for extended paid absences and vacancies with temporary contractors, which may increase the program's backlog. Furthermore, the program may experience more backlogs in the registration of vital events and adoptions. However, this decrease should not affect the modernization and digitization efforts of the Center.

Bioterrorism

Program Description: The Bioterrorism program is responsible for the creation of statewide systems and funding of local public health entities to assure local response capacity. The program works to protect the public from bioterrorism, as well as from other infectious disease outbreaks and public health threats and emergencies. The program is involved in many activities to assure this. A prominent goal of each activity is listed below.

- *Preparedness Planning and Readiness Assessment* – To establish a process for strategic leadership, direction, coordination, and assessment of activities to ensure state and local readiness, interagency collaboration, and preparedness for bioterrorism, other outbreaks of infectious disease, and other public health threats and emergencies.

- *Surveillance and Epidemiology* – To rapidly detect a terrorist event through a highly functioning, mandatory reportable disease surveillance system, as evidenced by ongoing timely and complete reporting by providers and laboratories in a jurisdiction, especially of illnesses and conditions possibly resulting from bioterrorism, other infectious disease outbreaks, and other public health threats and emergencies.

- *Laboratory – Biologic Agents* – To develop and implement a jurisdiction-wide program to provide rapid and effective laboratory services in support of the response to bioterrorism, other infectious disease outbreaks, and other public health threats and emergencies.

- *Laboratory – Chemical Agents* – To develop and implement a jurisdiction-wide program that provides rapid and effective laboratory response for chemical terrorism by establishing competency in collection and transport of clinical specimens to laboratories capable of measuring chemical threat agents.

- *Health Alert/Communication and Information Technology* – To ensure effective communications connectivity among public health departments, healthcare organizations, law enforcement organizations, public officials, and hospitals, physicians, fire departments, etc.

- *Risk Communication and Health Information Dissemination* – To provide needed health/risk information to the public during a terrorism event by establishing critical baseline information about the current communication needs and barriers within individual communities, and identifying effective channels of communication for reaching the general public and special populations during public health threats and emergencies.

- *Education and Training* – To ensure the delivery of appropriate education and training to key public health professionals, infectious disease specialists, and emergency department personnel in preparedness for and response to bioterrorism and other public health emergencies directly or through other sources such as schools of medicine.

- *Health Care Preparedness* – To develop, enhance, and upgrade the capacity of regional health care systems to deal with mass casualties.

Implication of the Enacted Budget: ODH received funding of $46,000,000 in FY 2006 and $46,279,358 in FY 2007. This funding will allow ODH to increase their ability to respond to bioterrorist events, infectious disease outbreaks, and other public health threats and emergencies. It will also allow the program to continue building the capacity of local health departments and health care systems.

Support for Local Health Departments

Program Description: The Support for Local Health Departments program exists to empower the public health community to affect positive change in the health of citizens and to assure that citizens have access to a minimum set of health services. A majority of funding for this program is distributed to 137 local health departments based on a per capita formula. The local health departments must submit proof that they meet certain public health standards. The remainder of the funding is used by ODH to provide technical assistance, training, and determination and allocation of state subsidy payments to 137 local health departments.

Implication of the Enacted Budget: The enacted funding will enable the program to continue service levels from FY 2005.

In Am. Sub. H.B. 66, there is a provision that repeals the requirement that the Director of Health make financial assistance available to county tuberculosis control programs and the requirement that the Director reimburse boards of county commissioners for the cost of detaining indigent persons with tuberculosis. The provision also eliminates the option that a county or district tuberculosis control unit be a county tuberculosis program receiving financial assistance from the Director. According to the County Commissioners' Association, in FY 2004, ODH provided $250,000 for treatment for tuberculosis and $60,000 for detention costs. These dollars were distributed to counties that dealt with tuberculosis cases. ODH is no longer required to allocate this funding to county tuberculosis programs.

Program Series 5 Services to State Employees

Purpose: To help state employees and their families cope with personal health and emotional problems.

The following table shows the line items that are used to fund the Services to State Employees program, as well as the enacted funding levels. The figures in the table are based on initial estimates in the Department's budget request. As a result, it is possible that some funding could shift from one program to another and one program series to another.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
*470	440-618	Fee Supported Programs	$67,272	$67,351
		State Special Revenue Fund Subtotal	**$67,272**	**$67,351**
General Services Fund				
*142	440-618	Agency Health Services	$1,817,228	$1,904,809
*211	440-613	Central Support Indirect Costs	$316,731	$319,375
683	440-633	Employee Assistance Program	$1,208,214	$1,208,214
		General Services Fund Subtotal	**$3,342,173**	**$3,432,398**
Total Funding: Services to State Employees			**$3,409,445**	**$3,499,749**

* Amount does not reflect total appropriation because the line item funds other programs.

This analysis focuses on the following specific programs within the program series:

- ***Employee Health***
- ***Employee Assistance***

Employee Health

Program Description: The Employee Health program contracts with state agencies to ensure the health and safety of employees by providing nursing services to state employees at 11 locations throughout the state. These services include referral evaluation of work-related injuries or illnesses, and emergency care. The goal of the program is to protect and improve the health of public employees and save the state money by reducing workers' compensation rates and improving productivity.

Implication of the Enacted Budget: The enacted funding will allow for FY 2005 service levels to be maintained.

Employee Assistance

Program Description: The Employee Assistance Program (EAP), established in June 1984 under R.C. section 3701.041, contributes to the emotional health of state employees by providing a screening, support, information, and referral service for employees, families, and employers. The program addresses problems such as alcohol or drug abuse, as well as emotional or mental health concerns, physical disabilities, family and marital problems, etc. An agency may place an employee in an Ohio EAP Participation Agreement thereby giving the employee the opportunity to correct job performance deficiencies while holding discipline in abeyance.

There has been an increased demand for EAP training. In FY 2002 there were 117 training sessions for 3,914 employees. In FY 2003, there were 215 training sessions for 5,552 employees.

The program is funded through a charge levied on each state payroll warrant that is written. These fees are deposited into Fund 683, Employee Assistance Program.

Implication of the Enacted Budget: The enacted funding will allow the program to continue providing the same level of services as in FY 2005.

Program Series 6 Program Support

Purpose: To support other ODH programs and thereby enable the mission of ODH to be accomplished.

The following table shows the line items that are used to fund Program Support, as well as the enacted funding levels. The figures in the table are based on initial estimates in the Department's budget request. As a result, it is possible that some funding could shift from one program to another and one program series to another.

Fund	ALI	Title	FY 2004	FY 2005
General Services Fund				
*211	440-613	Central Support Indirect Costs	$26,267,976	$26,265,332
		General Services Fund Subtotal	**$26,267,976**	**$26,265,332**
Holding Account Redistribution Fund				
R48	440-625	Refunds, Grants Reconciliation, & Audit Settlements	$20,000	$20,000
		Holding Account Redistribution Fund Subtotal	**$20,000**	**20,000**
Total Funding: Program Support			**$26,287,976**	**$26,285,332**

* Amount does not reflect total appropriation because the line item funds other program series.

This analysis focuses on the following specific program within the program series:

- ***Program Support***

Program Support

Program Description: Program Support is authorized by R.C. section 3701.831 and includes all central administration activities such as IT, human resources, legal, budget, accounting, grants management, internal audits, EEO, public affairs, purchasing, and facility costs.

Implication of the Enacted Budget: The funding for this program will allow for FY 2005 service levels to be maintained.

Higher Educational Facility Commission

Zak Talarek, Budget Analyst

- Funding for each fiscal year is 14.9% above FY 2005
- Additional funding is also provided for the Board of Regents to hire one staff person to manage the administrative duties of the Commission

OVERVIEW

Duties and Responsibilities

The Higher Educational Facility Commission was established in 1968 to help Ohio's approximately 55 eligible independent nonprofit institutions of higher education 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. Its activities are governed by Chapter 3377. of the Revised Code. The members of the Commission receive no compensation for their services, but are reimbursed for their actual expenses related to the Commission's official business.

The Commission assists the institutions by issuing revenue bonds to finance the acquisition, construction, and renovation of their facilities. Although the bonds are state bonds, the institutions for which the bonds are issued make all of the principal and interest payments, and 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 institution leases the constructed facility from the Commission and pays rent to the Commission in amounts needed to retire the bonds. As a result, the interest paid by the Commission to the bondholders is exempt from state and federal income taxes. 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. Currently, this savings is estimated at approximately two percentage points.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
0	$16,819	$16,819	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Higher Educational Facility Commission is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Program Management

Purpose: To administer the program that assists Ohio's independent institutions of higher education in acquiring tax exempt financing for the construction of education facilities.

The following table shows the line item that is used to fund the Commission's operations, as well as the enacted budget's recommended funding levels.

Fund	ALI	Title	FY 2006	FY 2007
Agency Fund Group				
AGY: 461	372-601	Operating Expenses	$16,819	$16,819
		Agency Fund Group Subtotal	$16,819	$16,819
Total Funding: Higher Educational Facility Commission			**$16,819**	**$16,819**

Program Management

The only program of the Commission is Program Management. For FY 2006 and FY 2007, the enacted budget appropriates $16,819 in each fiscal year, which is an increase of 14.9% over the actual expenditures for FY 2005. The appropriations will be used to reimburse the actual expenses incurred by the members of the Commission, including personal travel, parking, lunches, and incidental state fees. The appropriations will also be used to reimburse the administrative and staffing costs incurred by the Board of Regents.

The Commission receives no General Revenue Fund money, and is supported entirely by fee revenue. The revenues to support the Commission are obtained from fees charged to the institutions 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 is the total amount of fees paid less than $1,000, or greater than $3,000. The fee structure has remained unchanged since 1991. The Commission indicates that, by this method it can help sustain the institutions at no cost to the state.

A 2004 audit conducted by the Auditor of State has recommended that the Board of Regents employ and maintain one staff person to manage the administrative duties of the Commission. A provision in the Board of Regents section of the enacted budget authorizes a transfer of up to $55,000 in each fiscal year from the Commission's agency fund (Fund 461) to the HEFC Administration Fund (Fund 4E8), which is a state special revenue fund within the Board of Regents. These funds will be used to hire a staff person to manage the administrative duties of the Commission.

Commission on Hispanic/Latino Affairs

Erin Pettegrew, Budget Analyst

- The Commission's staff will decrease to two FTEs in FYs 2006 and 2007 to remain within the enacted funding level

OVERVIEW

Duties and Responsibilities

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. The Commission is made up of an 11-member board. The Revised Code requires all members of the board to have the ability to speak Spanish and to be of Spanish-speaking origin. The 2000 United States Census indicates that there are 217,213 Hispanics in Ohio. That represents 1.9% of Ohio's population. Based on prior population growth, the U.S. Census Bureau estimates that the Hispanic population in Ohio grew by more than 15,000 (a 7% increase) between 2000 and 2003. Nationally, population projections indicate that the Hispanic population could grow by 188% by 2050.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
2.5*	$201,781	$201,781	$181,781	$181,701	Am. Sub. H.B. 66

*Employee count obtained from the Commission in August 2005. The Commission supports the stipends of an 11-member board and the salaries of 2 full-time employees (a director and a secretary) and a part-time acting liaison officer.

Vetoed Provisions

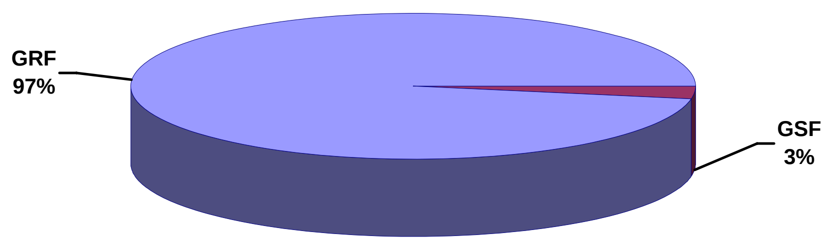
There were no vetoed provisions for the Commission on Hispanic/Latino Affairs.

Budget Issues

The budget for the Commission, as enacted in Am. Sub. H.B. 66, is $201,781 in both FY 2006 and FY 2007, a 1.5% increase from FY 2005. A 3.2% increase in the Personal Services appropriation item is somewhat offset by a 2.6% decrease in the Maintenance appropriation item and a 3.0% decrease in the Gifts and Miscellaneous appropriation item.

As in prior years, funds for the Commission's staff, GRF appropriation item 148-100, Personal Services, will be insufficient to support more than 2 full-time employees and stipends for the 11-member board. Controlling Board actions in FYs 2004 and 2005 enabled the Commission to contract with a part-time Legislative Liaison. That employee has since left the Commission and will not be replaced.

Total Budget by Fund Group
FY 2006-2007 Biennium



ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Commission on Hispanic/Latino Affairs is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Hispanic/Latino Affairs

Purpose: To gather information on the needs of the Hispanic/Latino community and advise policy makers on those needs.

The following table shows the line items that are used to fund the Hispanic-Latino Affairs program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	148-100	Personal Services	$145,880	$145,880
GRF	148-200	Maintenance	$35,901	$35,901
		General Revenue Fund Subtotal	**$181,781**	**$181,781**
General Services Fund				
601	148-602	Gifts & Miscellaneous	$20,000	$20,000
		General Services Fund Subtotal	**$20,000**	**$20,000**
Total Funding: Hispanic Latino Affairs			**$201,781**	**$201,781**

This analysis focuses on the following specific programs within the Hispanic-Latino Affairs program series:

- ***Program 1.01: Latino Community Network***
- ***Program 1.02: Public Policy Center***

Program 1.01: Latino Community Network

Program Description: The Latino Community Network supports the Commission mandate to gather and disseminate information about the Latino communities of Ohio and supports the annual Distinguished Hispanic Ohioan Awards Luncheon, among other projects.

Implication of the Enacted Budget: The enacted budget will allow the Commission to continue Latino Community Network operations at current levels. The budget includes appropriation authority of $20,000 (Gifts & Miscellaneous appropriation item) to be funded with revenue collected from the awards luncheon and private gifts and donations. The Commission hopes to match or exceed FY 2005 revenue of $20,000.

Program 1.02: Public Policy Center

Program Description: The Public Policy Center supports the Commission's mandate to advise public officials on the needs of the Hispanic/Latino population in Ohio.

Implication of the Enacted Budget: The enacted budget will allow the Commission to continue Public Policy Center operations, however, the funding level will be insufficient to replace a departing part-time contract employee, limiting the Center's capabilities.

Ohio Historical Society

Erin Pettegrew, Budget Analyst

- Continued funding at FY 2005 levels may curtail some services and staff levels
- $1.1 million in each fiscal year is earmarked for local historical projects and institutions

OVERVIEW

Duties and Responsibilities

The Ohio Historical Society (OHS) is a chartered, not-for-profit corporation that receives state subsidies. It has operated continuously since 1885. The Society was chartered "to promote a knowledge of history and archeology, especially for Ohio." A 21 member Board of Trustees governs OHS. The Governor appoints nine members and nine are elected by the Society's membership. The Society's Board elects the remaining three.

The Ohio Revised Code mandates many Ohio Historical Society functions, which include:

- Administering a state historical museum and maintaining it for public use;
- Establishing a historic marker system;
- Publishing historical information;
- Engaging in research;
- Collecting, preserving, and making available manuscripts, print collections and historical objects, and artifacts pertaining to the history of Ohio;
- Establishing and operating the National Museum of Afro-American History and Culture; and
- Preserving the state archives.

To comply with these mandates, OHS oversees the operations and maintenance of historical, archeological, and natural history sites and museums throughout the state. The Society operates 60 historical sites, preserves and maintains the official state archives, artifacts, documents, and primary source materials, manages the records of more than 3,500 sites and 440 districts on the National Register of Historic Places, 89,200 properties on Ohio's Historic Inventory, the Ohio Historic Preservation Office, and nearly 38,500 sites on the Ohio Archaeological Inventory, and educates the general public on Ohio history.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
278	$14,319,655	$14,294,655	$14,319,655	$14,294,655	Am. Sub. H.B. 66

*Employee count obtained from the Ohio Historical Society in September 2005. Appropriations for the next biennium will support up to 291 employees.

Vetoed Provisions

There were no vetoed provisions for the Ohio Historical Society.

Analysis of the Enacted Budget

For budget purposes, as detailed below, the Ohio Historical Society is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Ohio Historical Society

Purpose: To perform various functions, including preservation activities, museum management, grants activities, and site operations.

The following table shows the line items that are used to fund the Ohio Historical Society, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	360-501	Operating Subsidy	$3,288,274	$3,288,274
GRF	360-502	Site Operations	$8,388,725	$8,388,725
GRF	360-504	Ohio Preservation Office	$281,041	$281,041
GRF	360-505	Afro-American Museum	$754,884	$754,884
GRF	360-506	Hayes Presidential Center	$509,231	$509,231
GRF	360-508	Historical Grants	$1,097,500	$1,072,500
		General Revenue Fund Subtotal	**$14,319,655**	**$14,294,655**
Total Funding: Ohio Historical Society			**$14,319,655**	**$14,294,655**

This analysis focuses on the following specific programs within the Ohio Historical Society program series:

- ***Program 1.01: Educational and Interpretation Services***
- ***Program 1.02: State Archives, Library, and Artifact Collections***
- ***Program 1.03: Historic Preservation and Local History Support***
- ***Program 1.04: Institutional Advancement***

Educational and Interpretation Services

Program Description: The Ohio Historical Society provides education and interpretation programs and services, delivered both through its network of historic sites and museums and directly to the education community. These programs support the 60 historic sites and museums within the state memorial system, the Statehouse Visitor's Center and the Ohio Historical Center. Publication, public programs, and educational resources, including the National History Day in Ohio, are also provided to the Ohio public.

Implication of the Enacted Budget: The enacted appropriation level will allow the Ohio Historical Society to continue current operations but will not permit further spending to renovate, replace, or fully maintain its resources. The Hayes Presidential Center, for instance, has experienced higher costs for employee health care, energy, and vendor services. An appropriation increase of $250,000 over FY 2005 funding levels will permit a slight increase in staffing levels in the Educational and Interpretation Services program.

State Archives, Library, and Artifact Collections

Program Description: The Ohio Historical Society is mandated to administer the archives program for the State of Ohio and its political subdivisions, provide historical information to state agencies, and collect, preserve, and make available historical objects, specimens, manuscripts, and artifacts. This program provides for the acquisition, appraisal, organization, and preservation of the over three million museum artifacts, books, historical manuscripts, photographs, and governmental archival records.

Implication of the Enacted Budget: The enacted appropriation for FY 2006 and FY 2007 will allow the Ohio Historical Society to continue current State Archives, Library, and Artifact Collections program operations.

Historic Preservation and Local History Support

Program Description: The Historic Preservation and Local History Support program of the Ohio Historical Society encompasses two distinct programs. The Ohio Historic Preservation Office (OHPO) identifies, evaluates, registers, and protects Ohio's historic properties. The Local History Office assists over 400 local historical societies and nearly 400 other history-related organizations in the state. It administers the Ohio Historical Markers program.

Implication of the Enacted Budget: The enacted budget provides funding for the Historic Preservation and Local History Support program for FYs 2006 and 2007 at FY 2005 funding levels. The appropriation level will allow the Ohio Historical Society to continue current operations but will restrict technical services and support. For instance, the current processing time for National Register nominations will continue to delay and hinder development projects.

The Historic Grants appropriation item is funded at approximately $1.1 million in each fiscal year. These funds are earmarked for local history programs and institutions, including: $250,000 in each fiscal year for the Western Reserve Historical Society in Cleveland; $225,000 in each fiscal year to the Great Lakes Historical Society in Vermilion; $75,000 in each fiscal year to the Hebrew Union College in Cincinnati for the Center for Holocaust and Humanity Education; $100,000 in each fiscal year to the Art Academy of Cincinnati; and $250,000 in each fiscal year to the Cincinnati Museum Center; $12,500 in each fiscal year to the Roseville Historical Society; $125,000 in each fiscal year to the Harbor Heritage

Society Steamship Mather in Cleveland; $35,000 in each fiscal year to the Castle Farm project in the City of Mason; and $25,000 in fiscal year 2006 to the Springboro Historical Society Heritage Triangle.

Related temporary law restricts the Ohio Historical Society from charging or retaining an administrative, service, or processing fee for distributing grants or subsidies that the General Assembly has provided to other entities for their site related programs. The Society serves as the fiduciary agent for the distribution of such grants and subsidies to the recipient organizations.

Institutional Advancement

Program Description: The Ohio Historical Society's Institutional Advancement program manages activities to increase nonstate funding support for the Society and to promote the Society's program and services to its audiences.

Implication of the Enacted Budget: The enacted funding levels for the Institutional Advancement program in FY 2006 and FY 2007 will not allow the Society to devote any additional resources, such as new staff, to seeking new grants and gifts or to marketing projects that earn revenue for the Society. The restriction may hinder the Society from meeting its increased membership goals and reducing its reliance on state funds.

House of Representatives

Sara D. Anderson, Budget Analyst

- Primarily GRF-driven budget
- Member and staff compensation by far largest expense

OVERVIEW

Duties and Responsibilities

The legislative branch of the state of Ohio includes the General Assembly, which is composed of two chambers: the House of Representatives and the Senate. Based on Article II of the Ohio Constitution, the General Assembly can be viewed as having three fundamental legislative powers: (1) the power to enact laws providing for the establishment, organization, and operation of government in Ohio, (2) the power to enact all manner of laws that promote the public peace, health, safety, and welfare, and (3) the power to levy and collect taxes for certain purposes. In terms of more specific legislative duties and responsibilities, the House of Representatives:

- Enacts, in conjunction with the Senate, new laws or amends or repeals existing laws;
- Adopts, in conjunction with the Senate, joint, concurrent, and simple resolutions that generally are formal expressions of the opinions and wishes of the General Assembly and do not require approval of the Governor;
- Judges the election, returns, and qualifications of its members; and
- Initiates impeachment proceedings against the Governor, other executive officers, and state judges.

The House of Representatives is divided into 99 legislative districts, each serving a population of approximately 115,000 persons. The elections to the House of Representatives occur every two years. All members are subject to term limits prescribing no more than four consecutive two-year terms.

Agency in Brief

The following table selectively summarizes House appropriations and staffing information. The House's annual operating expenses are financed almost entirely by moneys appropriated from the GRF. By far, its major cost component is personal service-related payroll expenses, in particular payments of salaries and wages, supplements, and fringe benefits.

House In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
316	$21.63 million	$21.83 million	$20.17 million	$20.37 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

The House of Representatives is not directly affected by any of the items contained in Am. Sub. H.B. 66 that were vetoed by the Governor.

Analysis of the Enacted Budget

For budget purposes, as detailed below, the House of Representatives is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Operating Expenses

Purpose: To support the efforts of state representatives and related staff in representing their respective districts, developing legislation, and overseeing the administration of state activities and the state budget.

The following table shows the line items that are used to fund the House of Representatives, as well as the enacted appropriation levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	025-321	Operating Expenses	$20,169,168	$20,370,859
		General Revenue Fund Subtotal	**$20,169,168**	**$20,370,859**
General Services Fund				
103	025-601	House Reimbursement	$1,419,469	$1,419,469
4A4	025-602	Miscellaneous Sales	$37,474	$37,474
		General Services Fund Subtotal	**$1,456,943**	**$1,456,943**
Total Funding: House of Representatives			**$21,626,111**	**$21,827,802**

Program Description: This program serves to promote the role and responsibilities of the House of Representatives. Each member of the House of Representatives is elected to a two-year term from one of the state's 99 House districts. Each member is assigned to serve on at least one standing committee or subcommittee.

Funding Sources: (1) GRF, (2) sale of flags and other items to the general public, (3) moneys from salvage and recycling of equipment, materials, and supplies, and (4) miscellaneous reimbursements, such as those received for overpayment of medical insurance.

Implication of the Enacted Budget: The enacted appropriation levels appear to be sufficient for the House of Representatives to maintain its FY 2005 level of operating expenses, including covering the payroll costs associated with 99 House of Representative members, 189 full-time staff, and around 45 part-time pages.

Temporary Law: ***<u>Operating Expenses (Section 206.54)</u>.*** The enacted budget contains a temporary law provision requiring the Director of Budget and Management, at the direction of the Chief Administrative Officer of the House of Representatives, to transfer: (1) any unencumbered appropriations from FY 2005 to FY 2006 for use within GRF line item 025-321, Operating Expenses, and (2) any unencumbered appropriations from FY 2006 to FY 2007 for use within GRF line item 025-321, Operating Expenses.

Ohio Housing Finance Agency

Kerry Sullivan, Budget Analyst

- Legislation establishing OHFA as an independent agency became effective July 1, 2005
- Funding of $8.1 million each fiscal year is appropriated for payroll expenses only

OVERVIEW

Duties and Responsibilities

The Ohio Housing Finance Agency (OHFA) was established in 1983 as an agency within the Department of Development. Under Am. Sub. H.B. 431 of the 125th General Assembly, the Ohio Housing Finance Agency was established as an independent state agency.

The Ohio Housing Finance Agency offers affordable housing opportunities for Ohioans by providing financing for the acquisition, construction, and rehabilitation of owner-occupied single-family housing and multifamily rental housing projects for low- and moderate-income individuals and families. The Agency's programs serve first-time homebuyers, renters, senior citizens, and other populations with special needs who otherwise might not be able to afford quality housing. The Agency's programs are made possible through coordination with private industry and local communities, and are supported primarily by revenues raised through the issuance, private sale, and repayment of tax-exempt mortgage revenue bonds as well as contract fees received from the U.S. Department of Housing and Urban Development (HUD) for the administration of housing assistance payments. The Agency receives no general revenue funding.

OHFA is governed by an eleven-member Board that consists of the Directors of the Departments of Commerce and Development, who serve as ex-officio members, and nine public members. The public members are appointed by the Governor for six-year terms and represent various housing sectors and the public.

The Agency administers its housing programs through five offices: Administration; Finance; Homeownership; Planning, Preservation, and Development; and Program Compliance. Funding for the Agency totals $8.1 million in each of FYs 2006 and 2007, appropriations that support payroll and fringe benefit expenses only. Other agency operating expenses, such as equipment costs and rental payments, and all program subsidy expenditures are not reflected in OHFA's budget, but are supported through other Agency accounts.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
104	$8.1 million	$8.1 million	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Ohio Housing Finance Agency as of September 30, 2005.

Am. Sub. H.B. 431

Under the provisions of Am. Sub. H.B. 431 of the 125th General Assembly and Am. Sub. H.B. 66 of the 126th General Assembly, two funds within the Department of Development's budget that formerly supported operating costs for OHFA were eliminated. These were (FED) Fund 380,[11] Housing Development Operating, and (SSR) Fund 445,[12] Housing Finance Operating. All remaining cash balances in these funds at the end of FY 2005 were transferred to OHFA's newly established operating fund, (GSF) Fund 5AZ, Housing Finance Agency Personal Services. The Low- and Moderate-Income Housing Trust Fund (Fund 646), which provides grants and loans for qualifying housing projects serving low- and moderate-income persons, continues to be administered by the Department of Development, and OHFA continues to receive an allocation of moneys from this fund.

Housing Trust Fund

The Low- and Moderate-Income Housing Trust Fund (Housing Trust Fund, or HTF) subsidizes very low- to moderate-income persons by providing low-interest loans and some grants. Most of the programs provide loans for down payment assistance or rental housing development and grants for preservation projects. Eligible recipients for trust fund moneys vary by program, but include low-income homebuyers, developers, resident homeowners, and landlords. Income guidelines for HTF moneys require 75% of moneys be used for households with 50% of the median area income.

Under Am. Sub. H.B. 95 of the 125th General Assembly, the revenue source for the Housing Trust Fund shifted from the General Revenue Fund to county recordation fees. In addition to several OHFA programs, a portion of the HTF provides support to programs and activities of the Community Development Division at the Department of Development.

[11] Fund 380 supports Section 8 contract administration personnel and the OHFA Development Loan Program.

[12] Fund 445 supports administration of OHFA's single family program and housing credit program.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Ohio Housing Finance Agency is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Affordable Housing

Purpose: To provide access to financial resources for the development and management of affordable, safe, and sanitary housing.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
5AZ	997-601	Housing Finance Agency Personal Services	$8,100,000	$8,100,000
		General Services Fund Subtotal	**$8,100,000**	**$8,100,000**
Total Funding: Affordable Housing			**$8,100,000**	**$8,100,000**

This analysis focuses on the following specific programs within the Affordable Housing program series:

- ***Program Support***
- ***Homeownership***
- ***Planning, Preservation, and Development***
- ***Program Compliance***

Program Support

Program Description: The Executive Office directs and oversees all functions performed by the Agency's administrative and programmatic divisions and is responsible for the Agency's policies, objectives, and initiatives. The office reports to the Board and represents the Agency and the state to federal, state, and local elected officials, the housing industry, the mortgage lending community, the investment banking community, and the public concerning affordable housing activities of the state and the Agency.

The Finance Office provides fiscal management and accounting for the Agency and all of its programs. In its history, OHFA has issued over $7 billion in single-family mortgage revenue bonds and $475 million in multifamily revenue bonds. The office currently manages more than $1.7 billion in combined mortgage bonds payable and represents the Agency with bond counsel, bond trustees, and investment bankers. Additionally, the office administers over $47 million annually in housing assistance payments for HUD Section 8 housing projects, and acts as loan servicer for affordable housing loans and down payment assistance loans, which currently total approximately $256 million.

Other offices include the Administration Office, which provides centralized services and specialized support to the Agency, and the Information Technology Office, which designs, acquires, and implements all aspects of OHFA's computer operations.

Funding Source: Moneys within the control of the Ohio Housing Finance Agency that are periodically deposited to the fund for payroll expenses for the Agency

Implication of the Enacted Budget: Funding allotted for Program Support totals $3,823,715 in each year of the biennium and will support this oversight of all agency activities, including centralized information technology and finance services.

Homeownership

Program Description: The Homeownership Office works to ensure safe, structurally sound, and sanitary homeownership opportunities for low- to moderate-income individuals and families by providing low-interest loans and down payment assistance. Two programs in particular that are managed by the Homeownership Office include:

- **The First-Time Homebuyer Program.** The largest program operated by OHFA, the program offers 30-year, fixed-rate mortgages at below-market interest rates to first-time homebuyers or persons purchasing homes in economically distressed areas. Under current program rates, prospective homeowners not using down payment assistance can qualify for mortgage rates starting at 5.10%, and buyers using down payment assistance can qualify for rates starting at 5.50%. Down payment assistance is offered through OHFA's Single-Family Mortgage Revenue Bond Program in the form of a grant of up to 2% of the home's purchase price. These grants are available on a first-come, first-served basis. In the upcoming biennium, OHFA expects to issue $300 million per year in mortgage revenue bonds to fund some 6,000 mortgages statewide.

- **The Mortgage Credit Certificate Program.** Created to help reduce a homebuyer's federal income tax liability, under this program, 10% of a homebuyer's annual mortgage interest payment can be used as a tax credit, with the remaining 90% of the interest taken as an itemized deduction. For targeted areas, 20% of the interest payment can be used as a tax credit, with the remaining 80% taken as an itemized deduction.

Funding Source: Moneys within the control of the Ohio Housing Finance Agency that are periodically deposited to the fund for payroll expenses for the Agency

Implication of the Enacted Budget: Funding allotted for Homeownership totals $994,013 in each year of the biennium and will support operations of the First-Time Homebuyer and the Mortgage Credit Certificate programs.

Planning, Preservation, and Development

Program Description: Programs administered by the Planning, Preservation, and Development Office provide financial assistance to developers for all stages of the development process, including predevelopment, construction, and post-construction permanent financing. All programs are accessed through a one-stop application approach, intended to encourage nonprofit and for-profit developers to increase affordable housing stock targeted to Ohio's low- and moderate-income individuals and families. Programs administered by the Planning, Preservation, and Development Office include:

- **The Housing Credit Program.** Income tax credits are used to offset federal income tax liability (either corporate or individual) for building acquisition, new construction, and substantial rehabilitation costs. Tax credits are subtracted on a dollar-for-dollar basis from the federal income tax liability and can be received each year for up to ten years with the affordability component enduring for a total of 30 years. In the upcoming biennium, OHFA expects to allocate $44 million in annual credits, resulting in the development of 110 properties consisting of 5,500 affordable housing units.

- **The Housing Development Loan Program.** Provides seed, construction, and bridge loan assistance through the use of five funding mechanisms: seed money loans, compensating balance loans, equity bridge loans, direct loans, and loan guarantees. Moneys for this program are provided through Unclaimed Funds that are collected by the Department of Commerce.

- **The Housing Development Assistance Program.** Provides financing to expand, preserve, and improve the supply of decent, safe, and affordable housing. The HTF provides funding to projects that predominantly serve low-income households at or below 50% of the area median income (AMI); preference is given to households at or below 35% of the AMI. Additional funding for projects derives from federal HOME Investment Partnership funds. In the upcoming biennium, OHFA expects to award $24 million per year in HDAP loans.

- **The Multifamily Bond Program.** Finances multifamily housing through the issuance and sale of tax-exempt development bonds. Bonds issued under the state's Volume Cap Allocation support this program, which in turn, supports low-interest mortgages for projects that involve new construction or rehabilitation. Assistance is usually provided in conjunction with the Housing Credit Program.

Funding Source: Moneys within the control of the Ohio Housing Finance Agency that are periodically deposited to the fund for payroll expenses for the Agency

Implication of the Enacted Budget: Funding allotted for Planning, Preservation, and Development totals $1,624,890 in each year of the biennium and will support staffing needs for all of the programs listed above.

Program Compliance

Program Description: The Program Compliance Office monitors more than 1,000 tax credit properties and more than 500 HOME/HDAP properties across the state. Program Compliance ensures that properties are being maintained in a satisfactory manner and that properties are in compliance with Internal Revenue Service, HUD, and state regulations. In addition, the office monitors approximately 30 multifamily bond-financed properties consisting of 3,500 units and five Federal Deposit Insurance Corporation properties consisting of 202 units, and acts as contract administrator for HUD Section 8 privately owned properties consisting of more than 8,000 units. As contract administrator, OHFA is responsible for disbursing subsidy payments each month on behalf of the lower income residents and for performing site reviews of all properties to ensure compliance with federal and state regulations.

Section 8 Rental Assistance Program

The U.S. Department of Housing and Urban Development (HUD) funds the Section 8 Project-Based program, which provides rental subsidies directly to private owners of Section 8 apartment developments. The tenant pays approximately 30% of his or her income toward rent and utilities, and HUD pays the remainder of the rent as agreed upon by HUD and the private owner. Additionally, HUD provides subsidies to local public housing authorities that administer the Tenant-Based program, in which rental subsides are paid to private owners of tenant selected rental units.

OHFA currently serves as contract administrator for 108 projects with 8,622 units under the Owner-Based program. In the Section 8 Owner-Based program HUD provides loans to landlords that rent to low-income persons. In its role as contract administrator for HUD, OHFA performs site inspections and distributes rental assistance payments from HUD to the project owners.

Funding Source: Moneys within the control of the Ohio Housing Finance Agency that are periodically deposited to the fund for payroll expenses for the Agency

Implication of the Enacted Budget: Funding allotted for Program Compliance totals $1,657,382 in each year of the biennium and will support the staffing needs of the Program Compliance Office.

Ohio Industrial Commission

Kerry Sullivan, Budget Analyst

- Appropriations in FY 2006 and FY 2007 equal those made in FYs 2003 to 2005
- Technological advances at the Industrial Commission are making the hearing process more efficient and less expensive

OVERVIEW

Duties and Responsibilities

The Ohio Industrial Commission (OIC) hears worker and employer appeals of workers' compensation claims decisions made by the Bureau of Workers' Compensation (BWC).

The Governor appoints the three commissioners who lead the Industrial Commission. Each commissioner must have at least six years experience in workers' compensation and at least one member must be licensed to practice law in Ohio. By reason of previous vocation, employment, or affiliation, one member must represent employees, one must represent employers, and one must represent the public. Each commissioner serves a six-year term.

The Commission's proceedings are quasi-judicial in nature and provide an opportunity for all parties to be heard before a decision is made. The hearing process begins when the Commission assumes jurisdiction of an issue after an appeal of a BWC order. The hearing process consists of three levels of adjudication. Claimants or employers make first-level appeals before District Hearing Officers. Second-level appeals are conducted by 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 appeals are held in Columbus with the three-member panel of commissioners. A Commission level hearing is conducted on a discretionary basis. Typically, commissioners hear unresolved cases that deal with an issue of policy or special circumstance that they believe warrants further consideration. If an injured worker or employer disagrees with the Commission's decision, the issue can be further adjudicated in the court system.

Ohio Industrial Commission operations, as well as those of the BWC, are funded through an Administrative Cost Fund (ACF) assessment that is added to employer workers' compensation premiums. Neither the OIC nor the BWC receives general revenue funds.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
523	$60.0 million	$60.0 million	$0	$0	H.B. 65

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Ohio Industrial Commission is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Adjudication of Workers' Compensation Claims

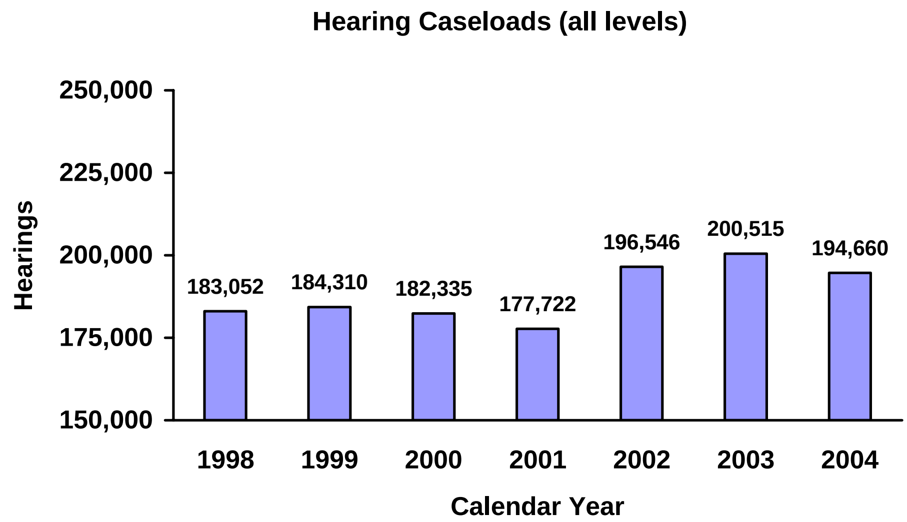
Purpose: To provide fair and impartial resolutions to disputes in workers' compensation claims through an easily accessible hearing process that is completed within specified time frames established by the legislature.

The following table shows the line items that are used to fund the adjudication of workers' compensation claims, as well as the enacted funding levels contained in H.B. 65.

Fund	ALI	Title	FY 2006	FY 2007
Workers' Compensation Fund				
5W3	845-321	Operating Expenses	$50,270,800	$50,270,800
5W3	845-402	Rent – William Green Building	$6,116,466	$6,116,466
5W3	845-410	Attorney General Payments	$3,454,984	$3,454,984
821	845-605	Service Account	$157,133	$157,133
		Workers' Compensation Fund Subtotal	**$59,999,383**	**$59,999,383**
Total Funding: Ohio Industrial Commission			**$59,999,383**	**$59,999,383**

Adjudication of Workers' Compensation Claims

Program Description: The Ohio Industrial Commission serves injured workers and employers through expeditious and impartial resolutions of issues arising from workers' compensation claims and through establishment of adjudication policy. The hearing process begins when the Commission assumes jurisdiction of an issue after an appeal of a BWC order. The following chart provides information relative to the total number of cases (at all hearing levels) heard annually by the Industrial Commission from 1998 to 2004. The Commission is required to hear claims and issue orders at the District level within 52 days (45 days to hear the claim, and 7 days to issue the order). If a decision is appealed, the OIC has another 52 days to conduct a second-level hearing and issue an order.



Telecommunications and Computer Services Contracts

Enacted under section 125.021 of H.B. 65, the Department of Administrative Services is precluded from operating, superintending, or making contracts on behalf of the Industrial Commission for telephone, other telecommunication, or computer services. The Industrial Commission is therefore permitted discretion with respect to contracting for these services itself, or opting to have the Department of Administrative Services contract on its behalf. Other agencies that have this authority under existing law are the military department, the General Assembly, the Bureau of Workers' Compensation, and institutions administered by boards of trustees.

Funding Sources: Line items within Fund 5W3 are supported by administrative assessments paid by State Insurance Fund employers together with their overall premium payments. Fund 821 is supported by conference income, income received from coin copiers, and the sale of publications.

Implication of the Enacted Budget: Appropriations for FY 2006 and FY 2007 total $59,999,383 each year. This amount is equivalent to the total appropriated in FYs 2003 to 2005 and will allow the agency to continue adjudicating workers' compensation claims at current service levels. Funding will also allow for the implementation of future phases of the OIC's electronic hearing process, referred to as the Enterprise Content Management (ECM) system, and various other program enhancements that are directed toward making the OIC and the hearing process more efficient and less expensive. Full implementation of the ECM system is expected to result in decreased travel expenses to review files at separate locations, lower paper and related printing costs, and better file integrity.

Inspector General

Terry Steele, Budget Analyst

- A maximum of $100,000 per fiscal year is set aside for special investigations
- Up to an additional $750,000 appropriation in FY 2006 to conduct BWC fiduciary review

OVERVIEW

Duties and Responsibilities

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. The jurisdiction of this office extends to the Governor, his staff, state agencies, departments, boards, commissions, and any other entities appointed, employed, controlled, directed, or subject to the authority of the Governor.

The IG has contracted with anywhere from one to five investigators to assist with cases involving special skills and expertise. The IG is currently authorized to have nine full-time employees and one part-time employee. These nine employees consist of four investigators, one legal counsel, a secretary, two administrative assistants, and the Inspector General. One of the four investigators is currently on military leave, and the IG has not yet filled the part-time position.

At the conclusion of an investigation by the IG, a report of investigation is completed and provided to the Governor and the agency subject to investigation. The report may include recommendations for the board to consider in addressing and avoiding the recurrence of fraud, waste, abuse, or corruption uncovered by the investigation. When appropriate, a report of investigation may also be forwarded to a prosecutor for review to determine whether the underlying facts give rise to a criminal prosecution.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
9*	$1,800,868	$1,079,085	$1,700,868	$979,085	Am. Sub. HB 66

*Employee count obtained from Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

There were no vetoed provisions that affected this agency.

FY 2006-2007 Budget Issues

Bureau of Workers' Compensation Fiduciary Review

The enacted budget provides up to an additional $750,000 in fiscal year 2006 to be used to conduct a fiduciary review of the investment assets invested by the Bureau of Workers' Compensation in light of investment management difficulties identified there. A copy of the fiduciary review must be submitted to the Governor, Attorney General, Auditor of State and General Assembly. The IG has hired an individual that will work with the office to conduct this investigation.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Inspector General is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Investigations

Purpose: To investigate complaints of fraud, waste, and abuse in the executive branch of government.

The following table shows the line items that are used to fund the Investigations program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	965-321	Operating Expenses	$1,700,868	$979,085
4Z3	965-602	Special Investigations	$100,000	$100,000
Total Funding: Investigations			**$1,800,868**	**$1,079,085**

Program Description: This program extends to the Governor, the Governor's cabinet and staff, state agencies, departments, boards and commissions, state universities, and state medical colleges. Outside of the jurisdiction of the office are community colleges, the courts, the legislature, and the offices of the Secretary of State, Auditor, Treasurer, Attorney General, and their staff and employees.

Funding Sources: GRF and $100,000 each fiscal year from a Controlling Board transfer for special investigations

Implication of the Enacted Budget: The enacted budget meets the request for funding issued by the Inspector General's office, but will not permit the agency to fill an open part-time employee position. The funding will permit the office to maintain its levels of staffing and services. In order to further identify management problems at the Bureau of Worker's Compensation (BWC), the IG received up to an additional $750,000 in FY 2006 to conduct a fiduciary review of assets invested by the BWC. The agency has hired an employee to pursue this investigation rather than hiring a consulting firm. A copy of the fiduciary review must be submitted to the Governor, Attorney General, Auditor of State and General Assembly.

Temporary Law Provisions: ***Bureau of Workers' Compensation Fiduciary Review (Section 206.60).*** As noted above, this provision allows the IG to use up to $750,000 to conduct a review of BWC investments. This provision stems from management problems that came to light during the spring of 2005. The IG's involvement covers only one aspect of the investigation.

Special Investigations (Section 206.60). This recurring provision permits up to $100,000 per fiscal year to be spent from line item 965-602, Special Investigations, for investigative costs. The controlling Board may release up to this amount to assist the IG in conducting lengthy and complex investigation.

Department of Insurance

Ross Miller, Senior Economist

- The agency receives no GRF funding
- Fee changes in H.B. 66 are approximately revenue neutral for both Department of Insurance Operating Fund and GRF

OVERVIEW

Duties and Responsibilities

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 they charge customers in the life, accident, health, managed care, and property and casualty insurance lines. It also administers the domestic and foreign insurance taxes, which in FY 2005 raised just over $414 million (combined) for the General Revenue Fund (GRF).

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
263	$31.99 million	$32.12 million	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services payroll reports as of June 2005.

The Department of Insurance is a cabinet level agency. Its activities are organized into six distinct program series, which are: Investigative and Licensing Services, Financial Regulation, Policy and Rate Filing Regulation Services, Consumer Services, Medical Malpractice, and Program Management.

The Department receives no budgetary resources from the GRF. Funding for the Department is derived primarily from the fees that accompany appointments of insurance agents by insurance companies. 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). The agency's FY 2005 expenditures were $26.35 million.

The Department licensed and regulated approximately 1,740 insurance companies operating in the state in 2004, of which approximately 275 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 also annually licenses and regulates over 180,000 insurance agents and more than 13,000 agencies.

Summary of FYs 2006-2007 Budget Issues

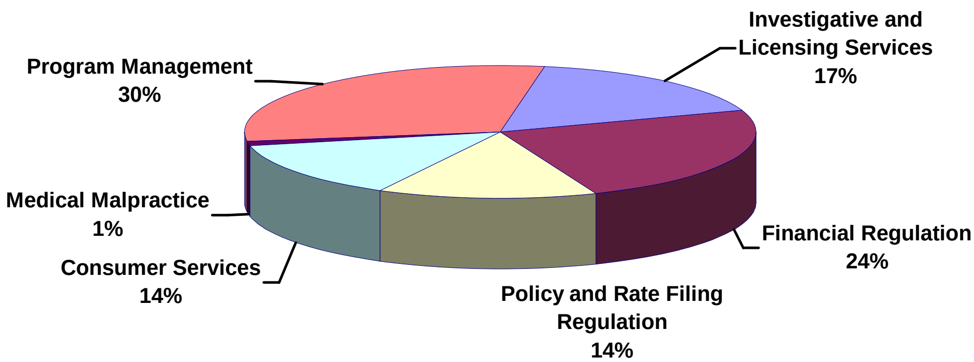
The enacted budget includes appropriations of $31,993,567 for FY 2006 and $32,123,567 for FY 2007. These amounts represent an increase of 21.4% in FY 2006 compared to FY 2005 expenditures and an increase of 0.4% in FY 2007. Of the approximately $5.6 million increase from FY 2005 to FY 2006, about $4.2 million, or 75%, is in appropriation item 820-606, Operating Expenses. An additional approximately $525,000, or slightly over 9%, is attributable to an increase in the federal grant that funds the Ohio Senior Health Insurance Information Program (OSHIIP, described below). The increase in federal funding is to provide support for disseminating information about the new Medicare Part D pharmaceutical benefit, and to help seniors to make choices related to it.

Am. Sub. H.B. 66 (H.B. 66) made a handful of changes to the fees that finance the Department's budget. It eliminated the requirement that the Superintendent of Insurance issue annually to every foreign insurer with one or more agencies in Ohio a certificate of compliance, and that the certificate of compliance be published in a newspaper in each county where the insurer has an agency. The elimination of this requirement will reduce fee revenue for the Department of Insurance Operating Fund (Fund 554) by approximately $600,000 per fiscal year and will reduce revenue to the GRF by approximately $250,000 per year. The revenue loss to Fund 554 was made up by increasing the fee for a certificate of compliance from $20 to $60, and by increasing the fee for a certificate of authority from $5 per year to $175 and the fee for filing an annual statement from $25 to $175. The net effect of all the fee changes in the enacted budget is approximately revenue neutral. The Department estimates that revenue to Fund 554 would on net increase by about $8,000 per year, and that GRF revenue will increase by about $5,000. The enacted budget also permits other revenues, such as registration fees from Department sponsored seminars or conferences and private grants, to be deposited into the state treasury to the credit of Fund 554; this essentially codifies existing practice.

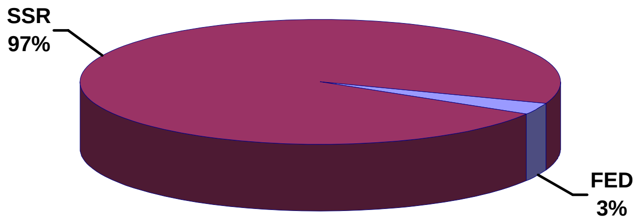
Prior to enactment of H.B. 66, companies who purchased insurance from an unauthorized insurer or surplus lines insurer were required to report but not pay a tax, 5% of the gross premium, if they issued an insurance contract to an "employer insured," which is defined in section 3905.36 of the Revised Code. The enacted budget eliminates the exemption whereby these companies report, but do not pay, the tax; with the elimination of the exemption, these companies will begin to pay the tax. Professional or medical liability insurance procured by a hospital organized under Ohio law will remain exempt from the tax. This provision will increase revenue to the GRF by $6.5 million to $11.8 million per year, depending on market conditions.

The following charts show biennial appropriations to the Department of Insurance by Program Series and by Fund Group.

Total Budget by Program Series



Total Budget by Fund Group



ANALYSIS OF THE ENACTED BUDGET

Program Series 1 Investigative and Licensing Services

Purpose: To investigate inappropriate market conduct by insurance companies and agents, license insurance agents, and investigate insurance-related fraud.

The following table shows the line items that are used to fund the Investigative and Licensing Services program series, as well as the appropriations that fund that series.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
554	820-606	Operating Expenses	$5,335,574	$5,446,432
		State Special Revenue Fund Subtotal	**$5,335,574**	**$5,446,432**
Total Funding: Investigative and Licensing Services program series			**$5,335,574**	**$5,446,432**

This analysis focuses on the following specific programs within the Investigative and Licensing Services program series:

- ***Program 1: Market Conduct***
- ***Program 2: Licensing***
- ***Program 3: Fraud Investigation and Enforcement***

Program 1: Market Conduct

Program Description: The Market Conduct Division identifies inappropriate market practices by insurance companies, imposes penalties, and takes corrective actions. This program also houses the Department's provider complaint and prompt payment program for healthcare claims.

Funding Source: SSR: fees and fines

Implication of the Enacted Budget: The enacted budget provides sufficient funding to continue the program at its current level of service and permits an enhanced ability to analyze the market.

Temporary and Permanent Law Provisions: ***Market Conduct Examination (Section 206.63).*** Permits the Superintendent of Insurance to assess the costs of market conduct examinations on the insurer that was examined. All assessments collected are to be deposited into the Department of Insurance Operating Fund (Fund 554).

Program 2: Licensing

Program Description: The Licensing Division licenses individuals and organizations other than insurance companies to sell, distribute, and service insurance products. This division administers the professional education program required for obtaining a license from the Department.

Funding Source: SSR: fees and fines

Implication of the Enacted Budget: The enacted budget provides sufficient funding to continue the program at its current level of service.

Program 3: Fraud Investigation and Enforcement

Program Description: This division investigates insurance-related fraud committed by consumers, medical providers, or others, and investigates allegations of misconduct by insurance agents and other licensees. During 2004 the division received slightly over 1,250 referrals about possible instances of insurance fraud.

Funding Source: SSR: fees and fines

Implication of the Enacted Budget: The enacted budget provides sufficient funding to continue the program at its current level of service. One of the Department's goals is to increase the number of fraud and enforcement cases investigated. The enacted budget provides funding to increase the number of staff employed in this program, but the higher staffing level would remain below the current authorized staffing level.

Program Series 2 — Financial Regulation

Purpose: To monitor the financial solvency of insurance companies operating in Ohio.

The following table shows the line items that are used to fund the Financial Regulation program series, as well as the appropriations that fund that series.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
555	820-605	Examination	$7,639,581	$7,639,581
		State Special Revenue Fund Subtotal	**$7,639,581**	**$7,639,581**
Total Funding: Financial Regulation program series			**$7,639,581**	**$7,639,581**

This analysis focuses on the following specific program within the Financial Regulation program series.

Program 1: Financial Regulation Services

Program Description: The Financial Regulation Services program monitors the financial solvency of the approximately 275 insurance companies headquartered in Ohio to ensure they are able to pay claims when due. This program also monitors approximately 1,500 insurance companies headquartered in other states, in cooperation with other state insurance departments and the NAIC.

Funding Source: SSR: insurance company fees

Implication of the Enacted Budget: The enacted budget provides sufficient funding to continue the program at its current level of service.

Temporary and Permanent Law Provisions: ***Examinations of Domestic Fraternal Benefit Societies (Section 206.63).*** Permits the Director of Budget and Management, at the request of the Superintendent of Insurance, to transfer funds from the Department of Insurance Operating Fund (Fund 554) to the Superintendent's Examination Fund (Fund 555) for expenses incurred in examining domestic fraternal benefit societies.

Program Series 3 — Policy and Rate Filing Regulation

Purpose: To review all rates and policies issued by property and casualty insurers and by life and health insurers operating in Ohio and license and monitor the activities of all health insuring corporations operating in Ohio.

The following table shows the line items that are used to fund the Policy and Rate Filing Regulation program series, as well as the appropriations that fund that series.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
554	820-606	Operating Expenses	$4,489,164	$4,537,637
		State Special Revenue Fund Subtotal	**$4,489,164**	**$4,537,637**
Total Funding: Policy and Rate Filing Regulation			**$4,489,164**	**$4,537,637**

This analysis focuses on the following specific programs within the Policy and Rate Filing Regulation program series:

- ***Program 1: Property and Casualty***
- ***Program 2: Life and Health***

Program 1: Property and Casualty

Program Description: This program reviews documents related to the sale of property and casualty insurance products to Ohio consumers for compliance with Ohio laws. Such documents include policy forms, endorsements, manual rules, and rates. This program received 10,054 product filings for review in 2003.

Funding Source: SSR: fees and fines

Implication of the Enacted Budget: The enacted budget provides sufficient funding to continue the program at its current level of service.

Program 2: Life and Health

Program Description: This program reviews documents related to the sale of life and health insurance products to Ohio consumers for compliance with Ohio laws. The actuarial staff analyzes over 800 accident and health premium adjustments each year. The managed care staff within this program licenses and monitors the activities of health insuring corporations that operate in Ohio, and monitors their financial solvency.

Funding Source: SSR: fees and fines

Implication of the Enacted Budget: The enacted budget provides sufficient funding to continue the program at its current level of service and permits an enhanced ability to evaluate the sufficiency of life insurers' methodologies for setting reserve levels.

Program Series 4 Consumer Services

Purpose: To respond to consumer inquiries, investigate consumer complaints, and conduct educational outreach activities.

The following table shows the line items that are used to fund the Consumer Services program series, as well as the appropriations that fund that series.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
554	820-601	Operating Expenses--OSHIIP	$564,754	$571,772
554	820-606	Operating Expenses	$2,810,595	$2,840,978
		State Special Revenue Fund Subtotal	**$3,375,349**	**$3,412,750**
Federal Special Revenue Fund				
3U5	820-602	OSHIIP Operating Grant	$1,080,000	$1,080,000
		Federal Special Revenue Fund Subtotal	**$1,080,000**	**$1,080,000**
Total Funding: Consumer Services			**$4,455,349**	**$4,492,750**

This analysis focuses on the following specific programs within the Consumer Services program series:

- ***Program 1: Consumer Services***
- ***Program 2: Ohio Senior Health Insurance Information Program***

Program 1: Consumer Services

Program Description: This program responds to insurance-related inquiries from insurance customers, investigates consumer complaints related to insurance, and educates Ohio consumers about insurance issues. During FY 2004 the program responded to over 125,000 telephone calls and 10,800 written complaints from consumers. As a result of departmental efforts, Ohio consumers recovered approximately $6.8 million.

Funding Source: SSR: fees and fines

Implication of the Enacted Budget: The enacted budget provides sufficient funding to continue the program at its current level of service.

Program 2: OSHIIP

Program Description: This program educates Ohio Medicare beneficiaries and their families about health insurance-related issues for seniors. In addition to distributing free brochures and other written educational material, the program operates a toll-free hotline. Since its inception in 1992 this program has counseled more than 248,000 people, distributed 862,000 publications, and saved Ohio consumers approximately $3.6 million.

The enacted budget increased funding for this line, as compared with the agency's budget request, due to the receipt of a larger federal grant than anticipated when the request was submitted. The increased grant was provided to allow enhanced service under this program to help inform seniors about their options with the introduction of the new Medicare Part D drug program.

Funding Source: SSR: fees and fines, federal grant

Implication of the Enacted Budget: The enacted budget will permit greater service levels in educating seniors about their health care options. This enhancement of service levels will be needed due to the complexity of the new Medicare Part D drug program and the desire to help seniors understand how it may affect their insurance needs.

Program Series 5 — Medical Malpractice

Purpose: To respond to the medical liability and liquidation provisions of Sub. H.B. 282 of the 125th General Assembly.

The following table shows the line items that are used to fund the Medical Malpractice program series, as well as the appropriations that fund that series.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
554	820-606	Operating Expenses	$300,000	$485,000
		State Special Revenue Fund Subtotal	**$300,000**	**$485,000**
Total Funding: Medical Malpractice			**$300,000**	**$485,000**

This analysis focuses on the following specific program within the Medical Malpractice program series.

Program 1: Medical Malpractice

Program Description: In response to growing concerns about the stability of the market for medical malpractice insurance in Ohio, the 125th General Assembly passed Sub. H.B. 282. H.B. 282 permitted the Superintendent of Insurance to create a Medical Liability Underwriting Association (MLUA) to support the market under conditions specified in the bill.[13] The MLUA would essentially be an insurance company created by action of the state for the specific purpose of ensuring access to medical

[13] Before establishing the MLUA the Superintendent must determine both that a "substantial number" of medical providers have been unable to obtain medical malpractice coverage from an existing insurer, and that the lack of insurance coverage threatens the availability of health care for "any group of individuals in this state."

malpractice insurance coverage for Ohio medical providers. The Superintendent has not determined that establishment of the MLUA is necessary as of September 2005.

If it were to be established, the MLUA would be required to produce a plan of operation within 45 days. This program will engage in activities preparatory to creation of the MLUA, including drafting a potential plan of operation. If the MLUA is established it will be funded by the Medical Liability Fund that was also established by H.B. 282 for the purpose of "funding the medical liability underwriting association that is created in accordance with sections 3929.62 to 3929.70 of the Revised Code or for funding another medical malpractice initiative with the approval of the general assembly." The fund received one-time funding, which was the balance of custodial funds that funded the Joint Underwriting Association (JUA). Like the MLUA, the JUA was essentially an insurance company, created by the state in 1975, to ensure that medical providers would have access to medical malpractice insurance coverage. The JUA was dissolved in 1997 by the Superintendent of Insurance with the authorization of the General Assembly, because the Superintendent determined that malpractice insurance was generally available to providers in the market. The money in the Medical Liability Fund derives from premiums paid to the JUA when it was operating.

The money in the Medical Liability Fund can be spent only if the Superintendent of Insurance establishes the MLUA by rule or with the approval of the General Assembly. Because the enacted budget did not include an appropriation from the Medical Liability Fund, it effectively would require the Department to go before the Controlling Board to establish an appropriation from the fund after FY 2005. The preparatory work conducted by this program is therefore funded by Fund 554 until such time as it may legally be possible to fund it from the Medical Liability Fund.

Funding Source: SSR: fees and fines

Implication of the Enacted Budget: The enacted budget will permit hiring of one full-time staff member to plan and prepare for the establishment of the MLUA should its establishment prove necessary.

Program Series 6 — Program Management

Purpose: To support the activities of all Department divisions and employees.

The following table shows the line items that are used to fund the Program Management program series, as well as the appropriations that fund that series.

Fund	ALI	Title	FY 2006	FY 2007
Federal Special Revenue Fund				
3AV	820-604	Federal Grant – Special Project	$55,000	$0
		Federal Special Revenue Fund Subtotal	**$55,000**	**$0**
State Special Revenue Fund				
554	820-606	Operating Expenses	$9,718,899	$9,522,167
		State Special Revenue Fund Subtotal	**$9,718,899**	**$9,522,167**
Total Funding: Program Management			**$9,773,899**	**$9,522,167**

This analysis focuses on the following specific program within the Program Management program series.

Program 1: Program Management

Program Description: This program supports the Department's mission by providing management and support services to the other programs. It includes the offices of General Services, Legal Services, Executive Services, and Information and Technology Services. The Office of General Services includes the divisions of Fiscal Operations and Human Resources.

Funding Sources: FSR: federal grants, SSR: fees and fines

Implication of the Enacted Budget: The enacted budget provides sufficient funding to continue the program at its current level of service.

Department of Job and Family Services

Ivy Chen, Economist
Maria E. Seaman, Senior Analyst

- If all Medicaid cost containment strategies are implemented, the Executive estimates that spending in appropriation item 600-525 could be reduced by $813.2 million all funds in FY 2006, and by $1,458.3 million all funds in FY 2007
- The enacted budget includes provisions to reimburse the TANF Block Grant for misallocation of funds
- Enacted funding will allow the Department to increase eligibility for the child care program from 150% to 185% of the federal poverty guidelines
- State-funded Head Start and Head Start Plus is being replaced by the Early Learning Initiative

AGENCY OVERVIEW

Duties and Responsibilities

The Department of Job and Family Services (ODJFS) develops and oversees programs that provide health care, employment and economic assistance, child support, and services to families and children. The ODJFS mission is, through state and local partnerships, to help all Ohioans improve the quality of their lives. The ODJFS vision is to be the nation's leading family support and workforce development system.

Most of ODJFS' programs and services are federally mandated and funded. Title XIX and XXI of the Social Security Act funds the Medicaid health care program; Temporary Assistance for Needy Families funds financial assistance for families; the federal Workforce Investment Act funds job training and job placement services for workers and employers; and Title III of the Social Security Act sets forth federal standards for administration of the Unemployment Insurance Program and authorizes federal administrative funding for the program. The Department also receives federal reimbursement for a portion of expenditures made for child support and child welfare activities.

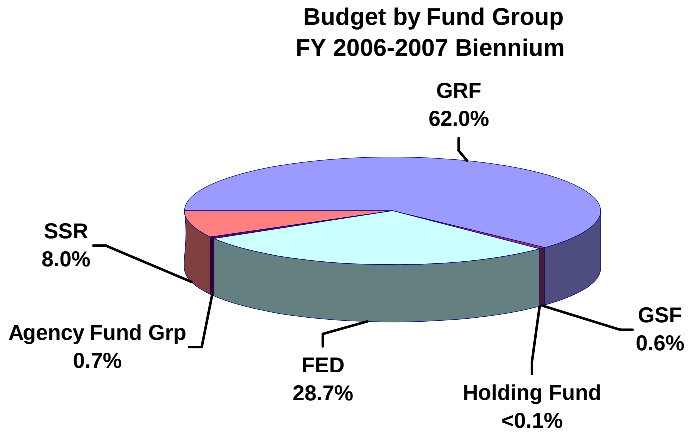
The administration and funding of job and family services programs represent a unique cooperative partnership between three levels of government: federal, state, and local. The Department of Job and Family Services directs and supervises the delivery of these services through a network of local government agencies and several district offices. The direct delivery of services is administered by a combination of county offices, which includes 88 county departments of job and family services, 26 separate child support enforcement agencies, and 26 separate public children services agencies. The Department provides funding to local agencies to develop programs that respond to local needs and provides technical assistance and support to ensure compliance with federal and state regulations.

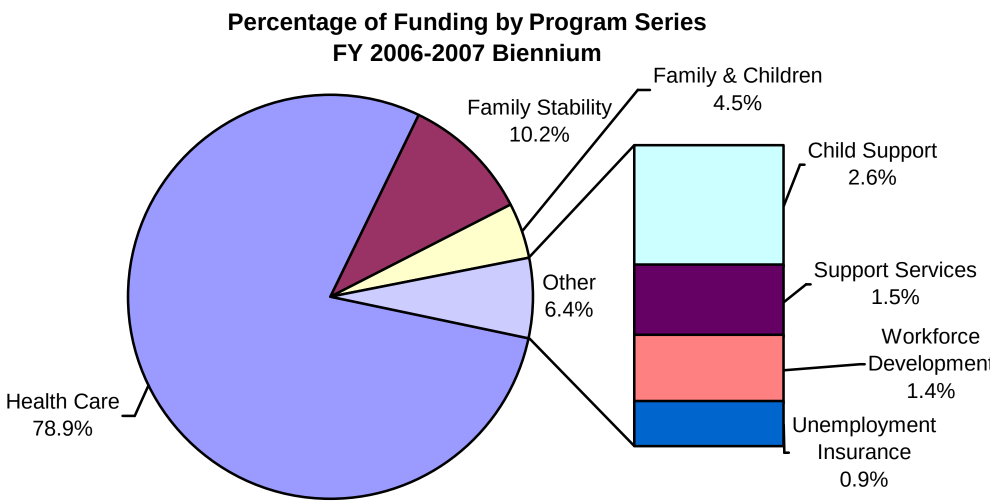
The Department is led by a director, appointed by the Governor, who manages over 4,000 employees and a budget of approximately $17.1 billion in FY 2006 and $17.4 billion in FY 2007.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
3,871	$17. 1 billion	$17.43 billion	$10.52 billion	$10.89 billion	Am. Sub. H.B. 66

*Employee count obtained from ODJFS based on payroll data from pay period ending July 23, 2005.





Vetoed Provisions

Provisions of the budget bill that the Governor vetoed can be found in the section of this analysis affected by the veto. The sections affected by the vetoes are Family Stability and Medicaid.

WORKFORCE DEVELOPMENT

OVERVIEW

The Workforce Investment Act of 1998 (WIA) 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. Adults and dislocated workers may utilize Individual Training Accounts to "purchase" the training that best fits their needs. Depending on an eligibility assessment of their needs, the employment and training activities offered to adults and dislocated workers fall in three categories: core, intensive, and training services. Youth activities under WIA offer a broad range of coordinated services including opportunities for assistance in both academic and occupational learning, developing leadership skills, and preparing for further education, additional training, and eventual employment.

In Ohio, the Office of Workforce Development (OWD) administers WIA, providing 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 OWD provides services that seek to assist Ohioans to remove barriers, enter employment, maintain employment, and gain self-sufficiency and independence. The OWD 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 WIA mandates that states and localities develop One-Stop delivery systems for service integration and elimination of duplicative efforts. In Ohio, funding is allocated to 20 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 child care and transportation.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 — Workforce Development

Purpose: To increase the state's workforce by promoting employment services and workforce development activities at the state and local levels.

The following table shows the line items that are used to fund the Workforce Development program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	600-321*	Support Services	$40,564	$40,292
		General Revenue Fund Subtotal	**$40,564**	**$40,292**
State Special Revenue Fund				
4A9	600-607*	Unemployment Compensation Admin Fund	$1,947,602	$1,672,288
		State Special Revenue Fund Subtotal	**$1,947,602**	**$1,672,288**
General Services Fund				
613	600-645	Training Activities	$135,000	$135,000
		General Services Fund Subtotal	**$135,000**	**$135,000**
Federal Special Revenue Fund				
331	600-686*	Federal Operating	$34,555,662	$35,298,607
3V4	600-678*	Federal Unemployment Programs	$2,203,963	$1,620,158
3V0	600-688*	Workforce Investment Act	$200,258,644	$199,773,666
		Federal Special Revenue Fund Subtotal	**$237,018,269**	**$236,692,431**
Total Funding: Workforce Development			**$239,141,435**	**$238,540,011**

* Amount does not reflect total appropriation because the line item is used to fund other program series. The amounts shown here were calculated by LSC staff based on the percentage of the line item that was allocated to this program series in the As Introduced version of the bill.

This analysis focuses on the following specific programs within the Workforce Development program series:

- ***Workforce Investment Act Worker Training***
- ***Employment Services***
- ***Veteran's Services***
- ***Tax Credit***
- ***Women's Hall of Fame***
- ***Labor Market Information***
- ***Sharing Career Opportunities and Training Information (SCOTI)***

Program 1.01: Workforce Investment Act Worker Training

Program Description: This program includes services such as WIA and related programs, the One-Stop system support, Ohio State Apprenticeship Council, Rapid Response program, and Grants and Audit Resolution. The program is intended to support employment and training activities, including worker training and retraining, occupational and vocational testing and counseling services, and employment readiness activities. Support activities such as grant processing, auditing, and technical assistance to local programs and local workforce policy boards are also included in this program.

Funding Sources: State Special Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow services provided under the WIA Worker Training program to continue at current levels.

Program 1.02: Employment Services

Program Description: The Employment Services program encompasses activities related to the Wagner-Peyser Act of 1933, as amended by the Workforce Investment Act of 1998, which made Employment Services part of the One-Stop delivery network. The Office of Local Operations assists offices across the state to deliver services to individuals seeking jobs and assist employers in finding qualified applications for available jobs. Other services included in the Employment Services program are the Migrant Seasonal Farm Worker program and the Foreign Labor Certification program.

During the last biennium, the Department implemented a major reorganization of local offices. The consolidation of staff from 61 facilities into 22 locations was part of the changes required by the Workforce Investment Act, that certain services be made available in all certified, full-service One-Stop system sites.

According to the Department, accomplishments of Labor Exchange services delivered as part of the One-Stop system included: nearly 370,000 customers served, nearly 100,000 job referrals; and more than 90,000 individuals obtained employment after receiving Labor Exchange services.

Funding Sources: State Special Revenue Fund, General Services Fund, and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow services provided under the Employment Services program to continue at current levels.

Program 1.03: Veteran's Services

Program Description: As authorized by the Jobs for Veteran's Act of 2002, the Veteran's Services program includes the subprograms Local Veterans Employment Representative (LVER) and Disabled Veteran Outreach Program Specialist (DVOP). The LVER ensures that veterans are provided the range of labor exchange services needed to meet their employment and training needs. The DVOP facilitates labor exchange services for those with special employment and training needs. The primary focus is for those veterans who are unable to obtain employment through core services. In FY 2004, the Office provided 914,276 services to 61,170 veterans.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow services provided under the Employment Services program to continue, although a reduction in staffing from 133 to 100 full-time equivalents is expected due to a decline in funding support from the U.S. Department of Labor.

Program 1.04: Tax Credit

Program Description: The Tax Credit program provides tax incentives to Ohio employers who hire from targeted groups of job seekers with consistently high unemployment rates, giving the employer a tax credit against their federal tax liability and supplying employment to disadvantaged job seekers in one of ten targeted groups, including TANF or food stamp recipients, veterans, and ex-felons. In FY 2003 the Tax Credit program reduced the federal tax liability of Ohio employers by $107.5 million while helping 27,000 Ohioans with barriers to employment find work opportunities.

The Ohio Training Tax Credit (OTTC), created by Am. Sub. H.B. 283 in the 123rd General Assembly, offers tax incentives to employers who provide training to current employees at risk of being displaced because of skill deficiencies or the inability to use new technologies, or to provide job skills to eligible employees that enable them to perform other job duties for the employer. Prior legislation extended the program through calendar year (CY) 2005, with credit claimed for three additional tax years. There is no funding for the OTTC beyond CY 2005.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow activities provided under the Employment Services program to continue through December 2005. Legislation authorizing the OTTC does not extend beyond that time.

Program 1.05: Women's Hall of Fame

Program Description: The Women's Division, created in 1970, promotes programs that improve and enhance women's opportunities in the workplace. The main activity of this program is to administer the Ohio Women's Hall of Fame for the Governor. Recognition is given to outstanding Ohio women each year by inducting them into the Hall of Fame. A web site database is maintained with biographical information on each inductee.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow activities under the Women's Hall of Fame program to continue at current levels.

Program 1.06: Labor Market Information

Program Description: The Labor Market Information Office collects and analyzes information about Ohio's industry, labor force, and economy. The focus of the Office is on serving business initiatives and planning needs to support workforce and economic development activities and decisions. The Office prepares reports on employment levels, unemployment levels, wages and earnings, employment outlook by industry and occupation, and other economic and industry-specific data. Between April 2003 and June 2004, the Office produced 18 publications, provided 61 training sessions for 746 individuals, and logged almost 2 million Internet hits, and 4,000 phone, e-mail, and fax requests for labor market information.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow services provided under the Labor Market Information program to continue at current levels.

Program 1.07: Sharing Career Opportunities and Training Information (SCOTI)

Program Description: The Sharing Career Opportunities and Training Information (SCOTI) program is federally funded from WIA and the Wagner-Peyser grant. To meet requirements of both grant programs, the state must provide training programs for youth and displaced workers and provide job search and job matching services to laid-off workers who collect unemployment benefits. As a web-based job placement and referral service integral to the One-Stop system, SCOTI is intended to meet both needs. It replaced the Ohioworks.com system which was sanctioned by the federal government for inadequate performance.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow the Department to hire and train state programming staff to replace contract staff. The Department anticipates a savings of approximately $89,000 per contracted employee with replacement by a state employee. The Department intends to replace 11 contract employees with state employees for a total of 21 full-time equivalents by FY 2007. Current and expanded service levels will be possible with the enacted appropriation level.

FAMILY STABILITY

OVERVIEW

The Office of Family Stability (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 Financial Assistance (DFA) program.

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) implemented the Temporary Assistance for Needy Families (TANF) program. Ohio's TANF program, Ohio Works First, provides time-limited cash assistance and support services to help needy families with (or expecting) children to 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.

Maintenance of Effort

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 2005. The MOE can be lowered to 75% if the state meets its work participation requirements. Since Ohio is meeting these participation requirements, the enacted budget provides for an MOE spending level of 75%, or about $390.8 million. See the table below for a breakdown of the components of the MOE.

Components of TANF State Maintenance of Effort (MOE)		
	FY 2006 (in millions)	FY 2007 (in millions)
600-410, TANF State	$272.6	$272.6
600-413, Day Care MOE	$45.4	$45.4
600-658, Child Support Collections	$23.7	$23.7
ODADAS MOE in ODADAS budget	$5.0	$5.0
County Share	$28.5	$28.5
State Operating	$15.6	$15.6
TANF MOE	$390.8	$390.8

ANALYSIS OF THE ENACTED BUDGET

Program Series 2 Family Stability

Purpose: To primarily support low-income Ohioans and families as they are seeking to better their lives and become self-sufficient.

The following table shows the line items that are used to fund the Family Stability program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	600-410	TANF State	$272,619,061	$272,619,061
GRF	600-413	Child Care Match/MOE	$84,120,596	$84,120,596
GRF	600-416*	Computer Projects	$36,603,889	$25,285,644
GRF	600-421	Office of Family Stability	$4,864,932	$4,864,932
GRF	600-423*	Office of Children and Families	$1,466,714	$1,510,317
GRF	600-511	Disability Financial Assistance	$22,839,371	$22,839,371
GRF	600-512	Non-TANF Emergency Assistance	$1,000,000	$1,000,000
GRF	600-521	Family Stability Subsidy	$151,206,401	$151,206,401
		General Revenue Fund Subtotal	**$574,720,964**	**$563,446,322**
State Special Revenue Fund				
5Z9	600-672	TANF QC Reinvestments	$647,409	$688,421
		State Special Revenue Fund Subtotal	**$647,409**	**$688,421**
General Services Fund				
4A8	600-658*	Child Support Collections	$23,680,794	$23,680,794
4R4	600-665	BCII Services Fees	$36,974	$36,974

Fund	ALI	Title	FY 2006	FY 2007
		General Services Fund Subtotal	**$23,717,768**	**$23,717,768**
Agency Fund				
5B6	600-601	Food Stamp Intercept	$2,000,000	$2,000,000
		Agency Fund Subtotal	**$2,000,000**	**$2,000,000**
Federal Special Revenue Fund				
384	600-610*	Food Stamps & State Administration	$177,189,699	$169,830,507
385	600-614	Refugee Services	$6,083,829	$6,542,439
396	600-620*	Social Services Block Grant	$15,139,237	$15,139,237
3A2	600-641	Emergency Food Distribution	$2,600,000	$2,800,000
3H7	600-617*	Child Care Federal	$199,849,359	$199,525,926
3V6	600-689*	TANF Block Grant	$755,951,486	$781,335,499
3W3	600-659*	TANF/Title XX Transfer	$500,000	$500,000
		Federal Special Revenue Fund Subtotal	**$1,157,313,610**	**$1,175,673,608**
Total Funding: Family Stability			**$1,758,399,751**	**$1,765,526,119**

* Amount does not reflect total appropriation because the line item is used to fund other program series. The amounts shown here were calculated by LSC staff based on the percentage of the line item that was allocated to this program series in the As Introduced version of the bill.

This analysis focuses on the following specific programs within the Family Stability program series:

- ***TANF/Ohio Works First Cash Assistance***
- ***TANF Non-Assistance***
- ***Disability Financial Assistance***
- ***Food Stamp and Food Stamp Employment and Training Program***
- ***Emergency Food Distribution***
- ***Child Care***
- ***Refugee Services***
- ***Client Registry Information System Enhanced (CRIS-E)***
- ***Electronic Benefit Transfer (EBT)***
- ***Integrated Client Management System (e-ICMS)***
- ***TANF Quality Control***

Program 2.01: TANF/Ohio Works First Cash Assistance

Program Description: Ohio Works First (OWF), established by Am. Sub. H.B. 408 of the 122nd General Assembly, is the financial assistance portion of the TANF program and provides time limited cash assistance to eligible families for up to 36 months. After 36 months, county departments of job and family services can approve hardship or good cause extensions for another 24 months.

Ohio is required to meet a minimum maintenance of effort (MOE) requirement of 80% of what it spent in FFY 1994 on the three eliminated programs (80% of that amount is approximately $417.0 million), through FFY 2005. The MOE can be lowered to 75% ($390.8 million) if the state meets its participation requirement. Ohio currently meets the participation rate requirements and the enacted budget directs that Ohio will maintain the 75% MOE level of $390.8 million for the next biennium.

Funding Sources: General Revenue Fund, General Services Fund, and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted appropriation level for the cash assistance program will support a recipient caseload of approximately 88,000 in each fiscal year and will permit a proposed increase in cash benefits levels per recipients as described below. According to the Department's TANF spending plan, after the expenditure of enacted appropriations for the FY 2006-2007 biennium, the total unspent TANF funds remaining at the end of FY 2007 will be approximately $250.0 million. At the end of FY 2005, Ohio's TANF balance was $1.143 billion, with $362.6 million reported as unliquidated obligations and $780.8 million as the unobligated balance.

As enacted, the budget bill allows ODJFS to increase TANF cash assistance payments up to 10% over FY 2005 levels, effective October 1, 2005. The average cash assistance benefit per OWF combined assistance group in FY 2005 has been just over $302 per month. LSC estimates that the increase will cost approximately $23.6 million in FY 2006 and $31.3 million in FY 2007 to implement over previous estimates. Total FY 2006 cash assistance will be approximately $338.6 million; FY 2007 cash assistance will be approximately $342.6 million. An increase in the funds dedicated to cash assistance thereby reduces funds available for noncash assistance, such as those provided by the PRC program.

The enacted budget also adjusts the maximum gross income an assistance group can earn to meet the income requirement for initial OWF eligibility. Currently, the income maximum is delineated in the Revised Code. The provision provides an alternative that the assistance group's gross income must not exceed the current gross income maximum *or* 50% of the federal poverty guidelines, whichever is higher. For all assistance groups larger than two persons, this change will increase the gross income threshold for initial OWF eligibility determination and will allow for automatic periodic adjustments in the eligibility threshold levels. In October 2004, the average size of an assistance group in Ohio was approximately 2.2 persons.

The enacted budget bill requires that $23,680,794, appropriated for Child Support Collections, appropriation item 600-658, be used by the Department to meet the TANF MOE requirement. Once the state reaches the MOE requirement, the funds can be used to support other public assistance activities. This is an ongoing MOE provision and no change in the fiscal effect is expected.

Other temporary and permanent law provisions affecting TANF and related programs are described below in Program 2.02, TANF Non-Assistance.

Program 2.02: TANF Non-Assistance

Program Description: The goal of the TANF Non-Assistance program is to help low-income families to overcome short term, nonrecurrent urgent programs that might otherwise cause them to need cash assistance, and help families on OWF overcome barriers to self-sufficiency. Among other activities, the TANF Non-Assistance program includes the PRC program, Help Me Grow, Disaster Relief Assistance, and funds the Early Learning Initiative, a replacement of state-funded Head Start and the Head Start Plus program.

Funding Sources: General Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: An increase in the funds dedicated to cash assistance, discussed above, will reduce funds available for noncash assistance, such as those provided by PRC. Additional program initiatives and legislative earmarks, outlined below, will utilize TANF funds.

As enacted, the budget bill provides that a county's share of expenditures for public assistance programs in calendar year (CY) 2007 will be the same as the county's share for those expenditures in

CY 2006. A formula outlined in the Revised Code governs the counties' share of the costs of certain public assistance programs, a portion of which is the expenditures related to the operation of the Disability Financial and Disability Medical Assistance programs. If that formula operated for CY 2007, a county's share of public assistance expenditures for 2007 would be calculated based on nine months of expenditures for the DMA program since the budget terminates DMA effective October 1, 2005. As enacted, the budget bill directs that a county's share of public assistance expenditures for CY 2007 must be an amount equal to the county's share of public expenditures for CY 2006 that will include 12 months of expenditures for the DMA program, thereby increasing the amount for which counties are responsible in CY 2007.

The enacted budget bill permits the transfer of up to $156 million from the GRF to reconcile the TANF Block Grant for the misallocation of funds described in the Department of Job and Family Services' Redbook under the heading, "TANF Block Grant Reimbursement and Consolidated Funding Allocation Elimination." These provisions will reduce the availability of GRF funds for other purposes, but are necessary to restore funds to the TANF Block Grant:

- Section 312.01 of the enacted budget permits the transfer of up to $60 million of any surplus remaining at the end of FY 2005 from the GRF to the Public Assistance Reconciliation Fund (Fund 5AX), created by the capital bill, H.B. 16 of the 126th General Assembly. This transfer occurred soon after the budget bill was enacted.

- Section 206.66.61 of the enacted budget permits the transfer of up to $96 million from the GRF to Fund 5AX by the Director of Budget and Management, if the Director determines that the balance in the GRF is greater than the amounts assumed in H.B. 66.

The Employment Retention Incentive (ERI) program, authorized in the enacted budget bill, will provide additional cash payments to assistance groups leaving the OWF program for work beginning in FY 2007. Details of the program's administration, such as the amounts and duration of the cash payments, the eligibility criteria, and the county departments' administrative responsibilities are to be determined by the Department. It is unknown at this time to what extent the costs of the ERI program will impact other programs and services in the Department. The Department's goal is to provide a periodic incentive payment of approximately $200 to assistance groups leaving OWF for work. The TANF spending plan indicates that ODJFS plans to spend approximately $8.6 million in FY 2007 on this new program.

As enacted, the budget bill earmarks up to $104,380,000 in FY 2006 and $125,256,000 in FY 2007 from the TANF Block Grant, appropriation item 600-689, for the Early Learning Initiative (ELI). Funds would reimburse Early Learning agencies for up to 10,000 children in FY 2006 and 12,000 children in FY 2007. Any excess funds are to be used for publicly funded child care. Up to $3 million per fiscal year may be used by ODJFS ($800,000) and the Department of Education (ODE) ($2.2 million) for administration of the program. Related permanent law eliminates state-funded Head Start and Head Start Plus programs and establishes ELI, paid for with TANF funds and jointly administered by ODE and ODJFS, to provide early learning programs and day care to TANF-eligible children.

The enacted budget bill also contains a number of legislative earmarks providing funds on a reimbursement basis to the following organizations and/or Department initiatives:

Program or Organization Title	FY 2006	FY 2007
Accountability and Credibility Together	$1,000,000	$1,000,000
Kinship Permanency Incentive Program	$10,000,000	$10,000,000
Ohio Alliance of Boys and Girls Clubs	$600,000	$600,000
Talbert House	$75,000	$75,000
Children's Hunger Alliance	$500,000	$500,000
Project GRAD	$185,000	$185,000

The enacted budget bill also eliminates the Department's option to create a consolidated funding allocation to the counties. The Department discontinued the consolidated allocation after the announcement last year that a thorough reconciliation of the separate funding streams had not been done. ODJFS had been performing only a reconciliation of the consolidated payment system as a whole to balance expenditures by counties that exceeded their allocation with those that had not. The failure to develop a system that would reconcile the different funding streams resulted in TANF funds being spent from FY 2000 through the first months of FY 2005 for administrative costs in the Medicaid and Food Stamps programs, when state funds should have been used instead.

The consolidated funding allocation was discontinued during FY 2005; this provision would eliminate the possibility that a consolidated allocation could be adopted in the future. TANF funds formerly used inappropriately for food stamp administration and Medicaid eligibility determinations must be replaced by other means. The "TANF Block Grant Reimbursement and Consolidated Funding Allocation Elimination" section of the ODJFS Redbook contains a fuller discussion of the concerns raised by the elimination of the consolidated allocation.

The enacted budget bill permits ODJFS to increase a county's share of public assistance expenditures by an amount equaling the amount of a reduction the county is responsible for in federal financial participation or in a federal grant or payment. This would allow the Department to shift the burden of penalties for federal spending errors to the counties in proportion to their responsibility for the error. Future reductions or sanctions will indicate the impact on counties this provision may have.

The enacted budget bill allows the funds received through the TANF Block Grant to be used for Title XX social services, as previously allowed, but excludes the TANF funds from Revised Code provisions applicable to Title XX social services. The Department requested this provision to clarify that TANF funds transferred to the Title XX Social Services Block Grant are to be used on social services eligible under Title XX and are exempt from Revised Code statutes apportioning Title XX funds among three agencies. The Department indicates that this language is necessary to manage up-front, rather than retrospective, transfer of TANF funds to the Title XX Social Services Block Grant, now being done by the state.

The Title IV-A demonstration project, authorized in the enacted budget bill, allows the Department to provide funding to government agencies and not-for-profit entities administering a project designed to meet one of the four purposes of the TANF Block Grant. The Department's TANF spending plan indicates that the intention is to use $10 million in each fiscal year for Title IV-A demonstration projects at the county level.

The enacted budget bill expands the authority of ODJFS to provide incentives under the Learning, Earning, and Parenting (LEAP) program. This program is a component of OWF under which participating teens must attend an educational program that is designed to lead to the attainment of a high school diploma or its equivalent. The Department is required to provide an incentive payment to teens who satisfy the LEAP program's education requirements and reduce a teen's OWF cash assistance payment for failure or refusal, without good cause, to meet the requirements.

The enacted budget bill authorizes ODJFS to provide, in addition to current incentive payments, a new incentive for teens who successfully complete the LEAP program's requirements and enroll in postsecondary education. The Director is also given flexibility to increase current incentive payments. The Department indicates that current incentives for LEAP for attendance and enrollment will increase from $62 to $200. Incentives for graduation will increase from $200 to $500. The new incentive for college enrollment will be $500. The Department's TANF spending plan indicates that approximately $200,000 will be spent on these increases.

Vetoed Provision

The Governor vetoed a provision that prohibited the Director of ODJFS, in adopting rules establishing the application process for the ERI program, from requiring that applications for the program be submitted to the county departments of job and family services.

Program 2.03: Disability Financial Assistance (DFA)

Program Description: The DFA program provides financial 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). A county contributes a mandated share of DFA costs based on DFA expenditures in each county.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The enacted funding level will be sufficient to provide a subsidy of $115 per month to approximately 14,600 individuals per month in the upcoming biennium, regardless of the number of eligible individuals applying for the program.

Program 2.04: Food Stamp and Food Stamp Employment and Training Program

Program Description: The goal of the Food Stamp and Food Stamp Employment and Training Program is to increase the nutritional intake of low-income persons by supplementing their income with food stamp benefits thereby eliminating hunger and malnutrition. Federal funds in this program are used to pay the state and county job and family services departments' costs of administering the food stamp program. The value of the food stamps is provided in full by the federal government through the process of redemption. The state and federal government split administrative costs 50/50; for certain other activities, such as fraud control, the federal government pays 75% and the state pays the remainder.

Funding Sources: General Revenue Fund, Federal Special Revenue Fund, and Agency Fund

Implication of the Enacted Budget: The enacted funding level will enable the Department to maintain current administrative levels for the Food Stamp and Food Stamp Employment and Training Program.

The enacted budget bill permits the Director of ODJFS to "redetermine" eligibility criteria for a number of programs, including the food stamp program, to realize administrative cost savings and efficiency. This provision could result in program savings depending on the programs for which the director determines a change in eligibility criteria is necessary.

Program 2.05: Emergency Food Distribution

Program Description: The Emergency Food Distribution program provides food products to low-income families to alleviate hunger. The program provides food assistance through the Temporary Emergency Food Assistance Program (TEFAP), the Commodity Supplemental Food Program (CSFP), and the Ohio Agricultural Surplus Production Alliance (OASPA) program. Products are purchased and distributed through the Ohio Association of Second Harvest Food Banks to eligible low-income households.

Funding Sources: General Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted funding level will allow emergency food programs to continue. Related temporary law in the enacted budget requires ODJFS to provide $5,500,000 in each fiscal year from the Social Services Block Grant, appropriation item 600-620, for use in funding a grant agreement with the Ohio Association of Second Harvest Food Banks to reimburse it for the costs incurred in the purchase of food products and the distribution of those products to agencies participating in the emergency food distribution program. The Ohio Association of Second Harvest Food Banks may use 5% of those funds for administrative costs.

Program 2.06: Child Care

Program Description: The Child Care program provides child care subsidies to low-income families, licenses and regulates the operation of child care settings, and administers the child care subsidy program.

State law creates the framework within which the publicly funded Child Care program operates. The county departments of job and family services perform eligibility determinations, provider development and recruitment, home provider inspections and certifications, and vendor payment functions. ODJFS contracts with nonprofit community organizations to perform customer outreach and provide information and referral services. State staff develop child care eligibility and benefit policy, maintain the information system that contains the program's eligibility and claims history, inspect child care centers, and enforce Ohio's child care licensing law.

In general, the state provides child care dollars to those families whose income levels fall below a certain threshold. Traditional beneficiaries of publicly funded child care services include children and families who are: 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 guidelines (FPG) ($29,025/year for a family of four). 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 FPG.

The number of children receiving subsidized child care was increasing steadily through July 2003. Ohio's Child Care subsidy program registered a 69% increase from January 1999 (62,654 children enrolled) to July 2003 (105,993 children enrolled). Due to changes in eligibility and other cost containment measures implemented by ODJFS (i.e., freezing provider reimbursement rates and increasing copayments), the number of children receiving subsidized child care began to decrease in July 2003. In January 2004, 89,634 children were enrolled and in FY 2005, the average monthly caseload is 88,828.

Publicly funded child care is funded with GRF, TANF, and other federal dollars. In FY 1999, the total cost of the Child Care program was approximately $234.3 million. By FY 2003, the total cost of the program had grown to over $470.6 million. The cost containment methods described above were successful in reducing the child care caseload and total cost. The Department estimates that the total cost of the child care program in FY 2005 will be approximately $393.6 million.

Funding Sources: General Revenue Fund, General Services Fund, and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow the Department to implement a number of policy changes that will increase both the caseload and total cost of providing publicly funded child care. The Department filed an administrative rule that became effective February 1, 2005 reducing family copayments. The Department is also planning to increase child care provider reimbursement rates. In addition, the Department is planning to increase eligibility for nonguaranteed child care to 185% of FPG. In FY 2006, the Department estimates that the average monthly caseload will be 95,947 at a total cost of approximately $497.7 million. In FY 2007, the Department estimates that the average monthly caseload will be 99,533 at a total cost of approximately $522.5 million. (Total cost includes direct services, administration of the Child Care program, dollars spent on quality, and other non-direct services.)

The enacted budget also includes provisions for the Early Learning Initiative. This initiative will replace state-funded Head Start and Head Start Plus. This initiative is a full day, full year early learning/child care program. The Ohio Department of Education is creating school readiness program guidelines, which this program will follow. The Early Learning Initiative will allow for the enrollment of up to 10,000 eligible children in FY 2006 and up to 12,000 eligible children in FY 2007. Family copayments for the Early Learning Initiative will be the same as for the publicly funded Child Care program.

Vetoed Provisions

The Governor vetoed a provision that would have statutorily prescribed mandatory rates to early learning agencies for a child's weekly attendance of 25 or more hours.

Program 2.07: Refugee Services

Program Description: The state of Ohio receives a grant from the U.S. Department of Health and Human Services to provide assistance to Refugees, Asylees, Cuban and Haitian entrants, victims of a severe form of trafficking and certain Amerasians from Vietnam for resettlement in the United States, as provided by the Refugee Act of 1980. Cash assistance, medical benefits, and social services are available through the Office of Refugee Resettlement and private nonprofit agencies.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted appropriation level reflects the federal award for this program. In FY 2006 the award will be 16.1% higher than the FY 2005 grant; the FY 2007 award increases another 7.5% over FY 2006.

Program 2.08: Client Registry Information System Enhanced (CRIS-E)

Program Description: The CRIS-E program, active since 1992, is a statewide system to coordinate caseworker activities such as application processing, benefits calculation, and client appointment scheduling. The system also distributes benefits to clients. The system supports over 18,000 users, issues hundreds of thousands of cash warrants, EBT transactions, and prints and mails Medicaid cards.

Funding Sources: General Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted appropriation level will allow the Department to begin building a CRIS-E replacement. The agency hopes to initiate an RFP process at the beginning of FY 2007 and testing of a new system by the end of FY 2007.

Program 2.09: Electronic Benefit Transfer (EBT)

Program Description: The EBT program meets federal mandates that require food stamp programs to allow for the electronic delivery of food stamp benefits. In Ohio, EBT is accomplished with the Ohio Direction Card, a "smart card" and Point of Sale (POS) technology system in grocery locations. The state is transitioning to an on-line system that would involve a magnetic strip card that automatically updates case data and card balances.

Funding Sources: General Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted appropriation level will allow the Department to implement the on-line food stamp benefit system in FY 2006 and phase out the "smart card" system in FY 2007.

Program 2.10: Integrated Client Management System (e-ICMS)

Program Description: The e-ICMS program is a web-based system designed to provide county departments of job and family services' caseworkers a means to track client visits and access caseload information from CRIS-E, described above. The system is currently deployed to 42 counties. Though no new expansion is planned, funding for this program is still needed to provide maintenance for current users.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted appropriation will allow the program to continue with limited modifications and maintenance. The Department does not expect this system to be implemented statewide, as originally planned, due to the expected functionality of the CRIS-E replacement system.

Program 2.11: TANF Quality Control

Program Description: The Temporary Assistance for Needy Families Quality Control program was created as a result of a settlement agreement between the state of Ohio and the U.S. Department of Health and Human Services. The Department has described the program as a "review process, which will focus on the dollar payment accuracy of the eligibility determination process for Ohio Works First

(OWF)." Hiring for eight positions began in 2004. The program will continue to function through SFY 2009 with a program need reassessment at that time.

Funding Source: State Special Revenue Fund

Implication of the Enacted Budget: The enacted appropriation level allows the program to continue as arranged with the federal government. The balance remaining to meet the settlement amount of $2,853,088 after the FY 2006-2007 biennium will be almost $1 million for use in the FY 2008-2009 biennium.

CHILD SUPPORT

OVERVIEW

The objective of the Child Support Enforcement program is to enable children in Ohio to receive the child support to which they are entitled from a noncustodial parent. The program is a cooperative venture between the federal, county, and state governments with the federal government paying 66% of the administrative costs to operate the program (90% of the cost of genetic testing is reimbursed by the federal government). The program is administered locally by the 88 county child support enforcement agencies providing services to the residents of that county, as well as any other counties and states over which the county court may have jurisdiction.

The enacted funding level for the Child Support program series is approximately $443.8 million in FY 2006 and approximately $443.6 million in FY 2007.

The enacted budget for FY 2006 and FY 2007 will allow the state to pass through to the counties the funds needed to carry out county responsibilities for child support enforcement. In addition, the state will be able to provide basic support services to the counties by maintaining contracts for paternity testing, operation and maintenance of the Central Paternity Registry, centralized collection and disbursement of child support payments, collections for the most difficult cases, and new hire reporting.

Analysis of the Enacted Budget

Program Series 3 — Child Support

Purpose: To provide funding for activities that enhance the ability of the local child support enforcement agencies to establish paternity in order to establish child support orders and to collect payments on those orders.

The following table shows the line items that are used to fund the Child Support program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	600-416*	Computer Projects	$16,834,414	$17,287,048
GRF	600-420*	Child Support Administration	$5,091,446	$5,091,446
GRF	600-502	Child Support Match	$16,814,103	$16,814,103
		General Revenue Fund Subtotal	**$38,739,963**	**$39,192,597**
State Special Revenue Fund				
5BE	600-693	Child Support Operating	$5,000,000	$5,000,000
		State Special Revenue Fund Subtotal	**$5,000,000**	**$5,000,000**
General Services Fund				
4A8	600-658*	Child Support Collections	$3,000,000	$3,000,000
		General Services Fund Subtotal	**$3,000,000**	**$3,000,000**
Federal Special Revenue Fund				
3S5	600-622	Child Support Projects	$534,050	$534,050
397	600-626*	Child Support	$270,479,633	$269,827,841
		Federal Special Revenue Fund Subtotal	**$271,013,683**	**$270,361,891**
Agency Fund **				
192	600-646	Support Intercept - Federal	$110,000,000	$110,000,000
583	600-642	Support Intercept - State	$16,000,000	$16,000,000
		Agency Fund Subtotal	**$126,000,000**	**$126,000,000**
Total Funding: Child Support			**$443,753,646**	**$443,554,488**

* Amount does not reflect total appropriation because the line item is used to fund other program series. The amounts shown here were calculated by LSC staff based on the percentage of the line item that was allocated to this program series in the As Introduced version of the bill.

**Appropriations for the line items supported by the Agency Fund Group are not used for administration of the program. The Agency Fund Group is a holding account for child support collected from the interception of state and federal income taxes of obligors who are in default. Once collected, the funds are disbursed to the obligee.

This analysis focuses on the following specific programs within the Child Support program series:

- ***Child Support Activities***
- ***Support Enforcement Tracking System***

Program 3.01: Child Support Activities

Program Description: The Child Support program involves federal, state, and local government. The federal government sets program standards and policy, evaluates state performance in conducting the program, and offers training and technical assistance to the state. Title IV-D of the Social Security Act of 1975 designates ODJFS as Ohio's Child Support Enforcement Agency. The Department of Job and Family Services provides state supervision and the local child support enforcement agencies administer the program. Within the Department, the Office of Child Support has the responsibility for overseeing local activity. The local child support enforcement agency is responsible for direct administration and the 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 federal government funds a major share of the cost of the program by reimbursing states 66% of their administrative expenses, with the exception of genetic testing expenses, which are reimbursed at 90%. State and local governments must provide the funding not reimbursed by the federal government. The state provides funds to the counties, which are then used to match federal funds.

There are over one million child support cases statewide. In federal fiscal year 2004, Ohio collected over $2.0 billion in child support and disbursed approximately $1.9 billion. Of the amount collected, 64.7% was current support obligations. Approximately $109.6 million was added to arrears.

Funding Sources: General Revenue Fund, State Special Revenue Fund, General Services Fund, Federal Special Revenue Fund, and Agency Fund

Implication of the Enacted Budget: Appropriations for the child support activities are used to pay the costs incurred by the state and county to administer the Child Support program. The Office of Child Support in the Department of Job and Family Services provides program support for the counties by maintaining statewide contracts for paternity testing, collection assistance, and collection and disbursement of child support payments. In addition, ODJFS maintains the Support Enforcement Tracking System (SETS). The enacted funding levels for the Child Support program will enable the Office of Child Support to maintain a staff of 185 full-time equivalents (FTEs), with 42 FTEs allocated to SETS. The county child support enforcement agencies are responsible for the direct administration and provision of establishment, enforcement, and case management services to all individuals in need of child support services.

The enacted budget for FYs 2006 and 2007 allows the state to pass through to the counties the funds needed to carry out county responsibilities for child support enforcement. In addition, the state will be able to provide basic support services to the counties by maintaining contracts for paternity testing, operation and maintenance of the Central Paternity Registry, centralized collection and disbursement of child support payments, collections for the most difficult cases, and new hire reporting. The Office of Child Support will continue to work with the federal government to enforce child support orders through multi-state financial institution data match, federal income tax offset, and passport denial. The Office of Child Support will also work with various state agencies to enforce child support orders through single state financial institution data match, state income tax offset, and suspension and denial of professional and driver's licenses.

The enacted budget also includes a provision in permanent law authorizing the Office of Child Support to distribute child support amounts by means of electronic disbursement. This electronic disbursement system, known as E-Quick Pay, will likely save the Office of Child Support at least $2.2 million a year.

Program 3.02: Support Enforcement Tracking System

Program Description: The Family Support Act of 1988 mandated that each state develop an automated system to manage child support enforcement by October 1, 1995. In Ohio, the automated system is called the Support Enforcement Tracking System (SETS). The system aids in the location of absent parents, and in the establishment and enforcement of child support cases. It is one of the largest statewide child support systems in the nation.

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 December 2003 to review a few outstanding issues with SETS. The Support Enforcement Tracking System is now fully certified. The Department is continuing to make changes to the system to enhance its usefulness in aiding in the administration of the Child Support program.

Funding Sources: General Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted funding level for SETS allows ODJFS to do all of the following:

- Improve and stabilize the flow of information between the child support system and the public assistance system;

- Enhance the delivery of information to the counties via a web-based reporting tool to add additional reporting functionality and financial data to the counties' reporting capabilities;

- Redesign the worker alert subsystem to enhance the information and features it delivers to the case worker;

- Change and enhance how SETS allows case workers to make modifications to financial data;

- Change and enhance how SETS processes court directed historical modifications to orders.

FAMILIES AND CHILDREN

OVERVIEW

The Department of Job and Family Services (ODJFS), Office for Children and Families 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 child abuse prevention, protection, foster care, and adoption. The services are provided directly by the county departments of job and family services and public children services agencies with ODJFS providing program planning, technical assistance, training, and monitoring.

The enacted funding level for the Families and Children program series is approximately $783.3 million in FY 2006 and approximately $783.9 million in FY 2007. This funding level will allow ODJFS to support and, in small part, fund child welfare services and activities provided by the counties. Due to increasing costs and flat funding, by the end of FY 2007, the child welfare dollars provided by the state to the counties will likely represent less than 7% of the statewide costs.

ANALYSIS OF THE ENACTED BUDGET

Program Series 4 **Families and Children**

Purpose: To support activities that assure prevention and protection services for children and adults, foster care services, adoption activities, social services, Family and Children First activities, and the technology that supports these programs.

The following table shows the line items that are used to fund the Families and Children program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	600-321*	Support Services	$101,822	$101,139
GRF	600-416*	Computer Projects	$2,859,905	$2,896,928
GRF	600-423*	Office of Children and Families	$3,941,306	$3,921,373
GRF	600-523	Children and Families Subsidy	$69,438,543	$69,438,543
GRF	600-528	Adoption Services	$74,030,105	$78,538,615
		General Revenue Fund Subtotal	**$150,371,681**	**$154,896,598**
State Special Revenue Fund				
198	600-647	Children's Trust Fund	$6,788,522	$6,788,522
4E7	600-604	Child and Family Services Collection	$1,237,500	$300,000
4F1	600-609	Foundation Grants/Child & Family Services	$61,420	$61,420
5U6	600-663	Children and Family Support	$4,929,717	$4,929,717
		State Special Revenue Fund Subtotal	**$13,017,159**	**$12,079,659**

Fund	ALI	Title	FY 2006	FY 2007
Federal Special Revenue Fund				
327	600-606	Child Welfare	$33,160,190	$33,090,786
393	600-620*	Social Services Block Grant	$105,853,775	$105,864,985
395	600-616	Special Activities – Child and Family Services	$4,567,112	$4,564,877
398	600-627*	Adoption Maintenance/Administration	$303,912,551	$303,479,020
3D3	600-648	Children's Trust Fund – Federal	$2,040,524	$2,040,524
3G5	600-655*	Interagency Reimbursement	$3,900,000	$4,000,000
3N0	600-628	IV-E Foster Care Maintenance	$153,963,142	$153,963,142
3V6	600-689*	TANF Block Grant	$5,069,389	$5,067,137
3W3	600-659*	TANF/Title XX Transfer	$7,500,000	$4,900,000
		Federal Special Revenue Fund Subtotal	**$619,966,683**	**$616,970,471**
Total Funding: Families and Children			**$783,355,523**	**$783,946,728**

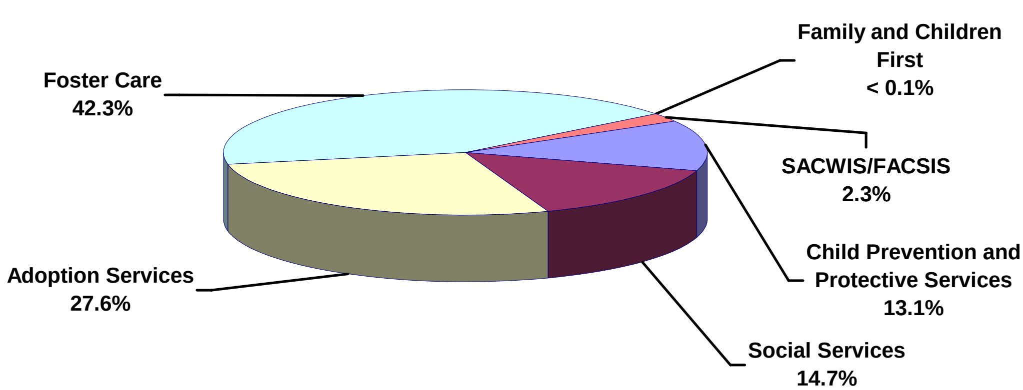
* Amount does not reflect total appropriation because the line item is used to fund other program series. The amounts shown here were calculated by LSC staff based on the percentage of the line item that was allocated to this program series in the As Introduced version of the bill.

This analysis focuses on the following specific programs within the program series:

- ***Child Prevention and Protective Services***
- ***Social Services***
- ***Adoption Services***
- ***Foster Care***
- ***Family and Children First***
- ***SACWIS/FACSIS***

The largest portion (42.3%) of the budget for the Families and Children program series is for the Foster Care program. The next largest portion is for the Adoption Services program, which primarily provides subsidies for families that adopt special needs children.

Total Budget by Program for the Families and Children Program Series
FY 2006 - 2007 Biennium



Program 4.01: Child Prevention and Protective Services

Program Description: The primary goal of this program is to decrease incidences of child abuse and neglect. The program supports child abuse prevention and investigation activities. Specifically, the program supports operating and grant costs of the Ohio Children's Trust Fund, the child welfare operating subsidy provided to the county child welfare agencies, and three federal child abuse grants that the state receives.

Funding Sources: General Revenue Fund, State Special Revenue Fund, and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget allows the Children's Trust Fund Board to support child abuse and neglect prevention services at the local level and provide for prevention programs that have statewide significance.

In FYs 2006 and 2007, the child welfare subsidy is funded at the FY 2004 level. This level will erode the subsidy's purchasing power over the course of the biennium as the total cost to provide these services increases. Due to increasing costs and flat funding, by the end of FY 2007, the child welfare subsidy will likely represent less than 7% of the statewide costs for child welfare services.

The enacted budget assumes that the annual award for the three federal child abuse grants will continue to be at the federal fiscal years' 2004-2005 levels. This level of funding will allow for maintenance of current activity levels for the grantees.

Program 4.02: Social Services

Program Description: The Social Services Block Grant (SSBG) is appropriated under Title XX of the Social Security Act. By federal statute, the delivery of SSBG services must be directed toward five goals:

- To prevent, reduce, or eliminate dependence on public assistance;
- To maintain self-sufficiency once it is achieved;
- To prevent or remedy the neglect, abuse, or exploitation of children and vulnerable adults;
- To reduce inappropriate institutionalization by providing community-based care;
- To provide quality institutional care when other forms of care are insufficient.

Funding Sources: General Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget assumes that Congress will maintain SSBG funding at the current levels. This should allow SSBG service levels to be generally maintained. The Department expects to receive approximately $48.0 million in SSBG funds in each fiscal year of the upcoming biennium. (The Department of Job and Family Services receives 72.5% of Ohio's SSBG award. The remaining amount is divided between the departments of Mental Health and Mental Retardation and Developmental Disabilities.) The Department may use up to 3% of the SSBG for administration and up to 2% for statewide training. The balance is allocated to the 88 county departments of job and family services.

Beginning in the FY 2004-2005 biennium, state funding specifically for adult protective services was eliminated. In FY 2004, counties spent approximately $15.6 million on adult protective services. During the FY 2006-2007 biennium, counties will have to continue to absorb the cost of adult protective services within their SSBG allocation or, where available, use local levy dollars to provide adult protective services.

Program 4.03: Adoption Services

Program Description: This program supports the state's adoption programs through subsidy payments to families that adopt special needs children, reimbursement for certain out-of-pocket costs incurred by families who adopt special needs children, services to families that have already adopted special needs children, and continued support for outreach and advertising campaigns to promote adoption and recruit adoptive families.

Funding Sources: General Revenue Fund, State Special Revenue Fund, and Federal Special Revenue Fund

Implication of the Enacted Budget: Most of ODJFS' function related to adoption is to provide subsidy payments to families that adopt special needs children and to set forth policies and best practices for counties to follow when conducting outreach and advertising campaigns to promote adoption and recruit adoptive families. The state does not provide any funding specifically for adoption activities to the counties. Counties may use state child welfare dollars, Title XX dollars, and various other federal funds to pay for their administrative costs associated with adoption.

The enacted budget will fully fund the anticipated costs for the Title IV-E adoption subsidy and the State Adoption Maintenance subsidy. The Department assumes that for the Title IV-E adoption subsidy there will be 21,738 recipients in FY 2006 and 23,274 recipients in FY 2007. For the State Adoption Maintenance subsidy, there will be approximately 1,400 recipients in each year of the biennium. The enacted budget provides flat funding at the FY 2005 level for the Post Finalization Adoption subsidy and nonrecurring payments. This funding will provide a Post Finalization Adoption subsidy to between 375 and 475 recipients in each year and nonrecurring payments to approximately 2,000 recipients in each year.

Program 4.04: Foster Care

Program Description: This program supports county child welfare costs including the investigation of complaints of child abuse and neglect, placement of children into foster care, training programs for county child welfare workers and foster parents, and the federal and nonfederal share of education and training vouchers available to persons who have "aged out" of the foster care system.

The Department of Job and Family Services is responsible for supervising, prescribing, and proscribing county child welfare practice through the formulation of policy, promulgation of regulations, and the promotion of best practices. The Department also provides support to the counties by providing training programs for county workers and foster parents, information systems, staff who license public and private providers of foster care services, and fiscal mechanisms for properly claiming federal reimbursement for allowable expenses.

Each county is responsible for creating, operating, and financing a child welfare program within the context of state and federal laws, regulations, and policies. State and federal laws require county child welfare agencies to investigate reports of child abuse and neglect, issue a finding concerning an investigation, and if necessary, intervene to protect children who are at risk of maltreatment.

Funding Sources: General Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget provides for the cost of foster parent and county staff training. It also provides the match needed for education and training vouchers for persons who have "aged out" of foster care. The enacted budget includes appropriations for the federal share of operating costs related to investigating complaints of child abuse and neglect and the placement of children into foster care.

The Department will continue to operate the ProtectOhio demonstration project (a managed care approach to foster care services). If allowed by the federal government to expand the demonstration, ODJFS will be able to do so within the enacted funding level.

The enacted budget does not include any increase in state aid to counties for their child welfare costs. This will have the affect of shifting a greater portion of the burden to finance child welfare to counties.

Program 4.05: Family and Children First

Program Description: The Family and Children First Cabinet Council coordinates the formulation of family and children services policies among various cabinet departments.

Funding Source: General Revenue Fund

Implication of the Enacted Budget: The enacted budget will fund ODJFS' share of the cost of funding the Family and Children First Cabinet Council. Total funding for this program is passed on to the Ohio Department of Mental Health, which hosts the state level Family and Children First Initiative.

Program 4.06: SACWIS/FACSIS

Program Description: The Family and Children Services Information System (FACSIS) maintains the statewide registry of child abuse and neglect reports, and investigation outcomes. The system allows county child welfare agencies to identify prior abuse and neglect incidents involving the alleged child victim or alleged perpetrator. It is primarily a data repository of basic information. It tracks decisions at key points within casework activity such as assessment findings, court findings, custody and placement status, and eligibility for Title IV-E.

According to ODJFS, FACSIS is outdated and inflexible. State and county efforts continue to work toward replacing the system with the Statewide Automated Child Welfare Information System (SACWIS). The system is designed to meet all federal and state-mandated child welfare reporting requirements; improve access to case and client information for intake, investigations, child protective and foster care services; and provide accountability for fiscal and service delivery. The Department began work on SACWIS during FY 2004.

Funding Sources: General Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow ODJFS to maintain current service levels to counties through FACSIS. The enacted budget will also allow ODJFS to finish development of SACWIS and begin implementation in the counties.

HEALTH CARE (MEDICAID)

OVERVIEW

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 (SCHIP) 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 the Hospital Care Assurance Program (HCAP), hospitals are reimbursed for some of their costs of providing medical care to persons below 100% of FPG. Disability Medical Assistance (DMA) is a state-funded program that provides limited medical coverage to persons who are not eligible for a federally funded program.

Medicaid and SCHIP provide health care coverage to 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). 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 ODJFS budget. Recognized by the federal government as Ohio's single Medicaid agency, ODJFS provides long-term care and basic medical services with state and federal moneys through General Revenue Fund (GRF) appropriation item 600-525, Health Care/Medicaid. Beginning in FY 2003, the 600-525 appropriation item is not only used to fund Medicaid, but also SCHIP, and DMA.[14] In addition to the GRF, several provider tax programs and other special revenues are used to pay for Medicaid services.[15]

[14] Prior to FY 2003, spending for part II of SCHIP was funded through appropriation item 600-426, Children's Health Insurance Program, and spending for Disability Medical Assistance was funded through appropriation item 600-511, Disability Assistance/Other Assistance.

[15] 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 states' cost of Medicaid at a matching rate known as the Federal Medical Assistance Percentage (FMAP). 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 appropriation item 600-525, Health Care/Medicaid, is reimbursed at the FMAP, a few items, primarily contracts, are reimbursed at 50%, and all family planning services are reimbursed at 90%. In addition, about 15% of Medicare buy-in premiums receive no federal reimbursement. Lastly, the State Children's Health Insurance Plan (SCHIP) is reimbursed at an enhanced FMAP of about 71%.

Summary of FY 2006-2007 Biennium Budget

The enacted budget provides $9.36 billion for appropriation item 600-525, Health Care/Medicaid (a 0.9% decrease from FY 2005 estimated spending levels), and $9.53 billion in FY 2007 (1.7% above the FY 2006 appropriation). The enacted budget also establishes a new appropriation item 600-526 to make "clawback" payments to the federal government for Medicare Part D. The appropriations are $155.3 million for FY 2006 and $339.6 million for FY 2007.

The enacted budget provides $51.3 million in FY 2006 for appropriation item 600-425, Office of Health Plans (a 41.0% increase from FY 2005 estimated spending levels), and $49.9 million in FY 2007 (2.9% below the FY 2006 appropriation) to support a variety of system and administration changes related to Medicaid.

The enacted budget makes many changes to the Medicaid program. The following table, compiled by ODJFS, shows a summary of the changes and the Executive's estimated fiscal impact. For a detailed description of each of the policy changes, please refer to the relevant topic in the Health Care (Medicaid) section of the Final Analysis.

Other special revenues include funds for the Disproportionate Share Hospital (DSH) offset and drug rebates.

	SFY06		SFY07	
	All Funds	**State**	**All Funds**	**State**
Baseline Subsidy Estimate (All Funds)	**$11,861,998,756**	**$4,789,043,681**	**$12,968,760,582**	**$5,230,049,432**
Non GRF Funding	($1,234,845,720)	($496,180,046)	($1,256,919,421)	($504,967,672)
SFY05 Encumbrance	($121,196,145)	($48,963,243)	$0	$0
Inpatient Hospital Recalibration	($65,664,787)	($26,344,713)	($170,245,917)	($68,302,662)
Subtotal: Baseline 525 Prior to Part D	$10,440,292,104	$4,217,555,680	$11,541,595,244	$4,656,779,098
Part D Impact 525	($428,360,269)	($171,858,140)	($707,631,385)	($283,901,712)
GRF 525 Baseline	**$10,011,931,835**	**$4,045,697,540**	**$10,833,963,859**	**$4,372,877,386**
Assumption Changes				
Active Treatment	$69,543,240	$27,900,748	$71,787,630	$28,801,197
Change FFY07 FMAP assumption to FFIS Estimate	$0	$0	$0	$54,763,132
Subtotal Assumption Changes	$69,543,240	$27,900,748	$71,787,630	$83,564,329
As Introduced (Executive Budget)				
Residual DMA Revenues re-spent for Medicaid Services (Oct '05)	($33,036,767)	($13,254,351)	($9,970,090)	($4,000,000)
Levy Fee on Managed Care Plans [net of capitation inc for business expense] (4.5%)	($8,903,902)	($3,572,246)	($143,714,545)	($57,658,275)
Supplemental rebates for behavioral health prescription drugs (Jan 06) (8% of MH Rx spend)	$0	$0	($29,633,270)	($11,888,868)
Expand ECM (expand current program in July '07)	$6,446,398	$2,586,295	($6,359,288)	($2,551,346)
Eliminate Adult Dental (Jan '06)	($43,006,667)	($17,254,275)	($99,179,398)	($39,790,774)
Eliminate Adult Vision (Jan '06)	($6,222,525)	($2,496,477)	($15,372,162)	($6,167,311)
Add $1 & $2 Co-Pays for Preferred Drugs [adjusted for Drug Part D] (Jan06)	($10,562,554)	($4,237,697)	($26,366,814)	($10,578,366)
Pharmacy Tablet Splitting	($9,888,728)	($3,967,358)	($11,571,061)	($4,642,310)
Home Care Reform (July 05)	($8,000,000)	($3,209,600)	($8,000,000)	($3,209,600)
Success Project (underway)	($245,000)	($98,294)	($491,000)	($196,989)
PACE to AGE (July '05)	($21,967,096)	($8,813,199)	($25,677,675)	($10,301,883)
Assisted Living Waiver (cost shift to AGE for 1800 people) [KF's est.] (July '06)	$0	$0	$0	$0
Expanded managed care strategy(reflects cost of claims lag, savings) (Jul05) (4% disc)	$69,812,561	$28,008,800	$139,917,232	$56,134,793
Reduce NF Rates by -3% in FY06, flat in FY07 (August '05 & '06)	($528,058,993)	($211,857,268)	($725,607,476)	($291,113,719)
Hold ICF/MR Rates flat in FY06 and FY07 (August '05 & '06)	($37,377,156)	($14,995,715)	($58,078,310)	($23,301,018)
Hold Hosp Inpatient Rates flat in FY06 and FY07 (Jan '06 & '07)	($20,758,420)	($8,328,278)	($76,036,492)	($30,505,841)
Change Hosp Inpatient Crossover Payments (Oct '05)	($22,500,000)	($9,027,000)	($30,000,000)	($12,036,000)
Change NF Crossover Payments (Aug '05)	($28,300,557)	($11,354,183)	($44,844,445)	($17,991,591)
Rx Tradename paid at WAC + 7% [adjusted for Part D] (Oct '05)	($15,500,983)	($6,218,994)	($25,048,039)	($10,049,273)
Eliminate DA Medical [15,000 adults < 33% FPL] (Oct '05)	($58,589,470)	($58,589,470)	($81,464,893)	($81,464,893)
Change FPL standard to 90% for HF Parent Expansion [25,000 will lose coverage] (Jan '06)	($8,385,840)	($3,364,399)	($81,302,520)	($32,618,571)
Subtotal As Introduced (Executive Budget)	($785,045,699)	($350,043,709)	($1,358,800,246)	($593,931,837)
House Budget Changes to Executive Budget				
Partial Dental Restoration	$24,901,269	$9,990,389	$57,409,288	$23,032,606
Vision Restoration	$6,501,796	$2,608,521	$15,456,861	$6,201,293
Assisted Living Waiver	$0	$0	($7,477,567)	($3,000,000)
Copay On All Services	($8,803,422)	($3,531,933)	($22,854,809)	($9,169,349)
Pharmacy E.D.	$0	$0	$0	$0
Daily Update to Pharmacy Prices (Numbers reflect weekly update)	$2,500,000	$1,003,000	$2,500,000	$1,003,000
Hold NF Rates Flat	$89,442,859	$35,884,475	$98,739,801	$39,614,408
Quarterly FF Reimbursement	$7,700,000	$3,089,240	$0	$0
Increase NF FF by $1.95	($80,913,449)	($32,462,476)	($121,672,599)	($48,815,047)
Surety Bonds	$200,000	$80,240	$280,000	$112,336
Chronically Ill Child Pilot		$0	$3,000,000	$1,203,600
Removal of ECM	($6,446,398)	($2,586,295)	$6,359,288	$2,551,346
House Subtotal	$35,082,655	$14,075,161	$31,740,263	$12,734,194
Senate Budget Changes to House Bill				
Quarterly FF Reimbursement Eliminated	($7,700,000)	($3,089,240)	$0	$0
Copay On Optional Services Only (Modification of House Proposal)	$7,923,080	$3,178,740	$20,569,328	$8,252,414
MCP Synagis	$3,000,000	$1,203,600	$6,000,000	$2,407,200
Surety Bond Increase	$400,000	$160,480	$560,000	$224,672
Elimination of Copay on Generic Drugs (Modification of Executive Proposal)	$7,567,546	$4,237,697	$16,509,629	$10,578,366
Transfers to ODA For Passport	$14,955,135	$6,000,000	$22,432,702	$9,000,000
Restoration of ECM	$6,300,956	$2,527,944	($6,215,812)	($2,493,784)
Senate Subtotal	$32,446,716	$14,219,220	$59,855,847	$27,968,868
Total Cost Containment/Assumption Change Impact 525	($647,973,088)	($293,848,580)	($1,195,416,506)	($469,664,445)
GRF 525 Estimated Total	**$9,363,958,747**	**$3,751,848,959**	**$9,638,547,353**	**$3,903,212,941**
Enacted Budget	**$9,363,958,747**	**$3,751,848,959**	**$9,527,633,251**	**$3,795,940,675**

ANALYSIS OF THE ENACTED BUDGET

Program Series 5 **Health Care (Medicaid)**

Purpose: To support several state and federally funded health care programs including: Medicaid, the State Children's Health Insurance Program (SCHIP), the Hospital Care Assurance Program (HCAP), the state Disability Medical Assistance (DMA) program, and Ohio's Best Rx program, and support the administration and technology that support these health care programs.

Funding Source and Line Items: The following table shows the line items that are used to fund the Health Care (Medicaid) program series, as well as the funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	600-425	Office of Ohio Health Plans	$51,343,175	$49,865,282
GRF	600-513	Disability Medical Assistance	$19,500,000	$25,500,000
GRF	600-525	Health Care/Medicaid	$9,363,958,747	$9,527,633,251
GRF	600-526	Medicare Part D	$155,349,266	$339,578,325
GRF	600-416*	Computer Projects	$27,479,708	$34,212,631
		General Revenue Fund Subtotal	**$9,617,630,896**	**$9,976,789,489**
Federal Special Revenue Fund				
3F0	600-623*	Health Care Federal	$614,760,825	$770,583,827
3F0	600-650	Hospital Care Assurance Match	$343,239,047	$343,239,047
3BB	600-635	Children's Hospitals - Federal	$9,000,000	$9,000,000
3G5	600-655*	Interagency Reimbursement	$1,360,902,369	$1,422,954,440
		Federal Special Revenue Fund Subtotal	**$2,327,902,241**	**$2,545,777,314**
State Special Revenue Fund				
4E3	600-605	Nursing Home Assessments	$4,759,914	$4,759,914
5P5	600-613*	Nursing Facility Bed Assessment	$33,663,665	$33,630,479
4J5	600-618	Residential State Supplement Payment	$15,700,000	$15,700,000
4K1	600-621	ICF/MR Bed Assessments	$20,074,255	$20,064,131
4Z1	600-625	Healthcare Compliance	$10,000,000	$10,000,000
5BG	600-653	Managed Care Assessment	$18,795,483	$99,410,121
5P5	600-692	Health Care Services	$828,587,776	$538,301,761
5Q9	600-619	Supplemental Inpatient Hosp Payments	$56,125,998	$56,125,998
5R2	600-608	Medicaid-Nursing Facilities	$160,192,055	$176,632,090
5S3	600-629	MR/DD Medicaid Administration & Oversight	$1,620,960	$1,620,960
5CR	600-636	Children's Hospitals - State	$6,000,000	$6,000,000
5U3	600-654*	Health Care Services Administration	$9,759,194	$15,106,363
651	600-649	Hospital Care Assurance Program	$231,893,404	$231,893,404
5AA	600-673	Ohio's Best Rx Administration	$5,000,000	$5,000,000
		State Special Revenue Fund Subtotal	**$1,402,172,704**	**$1,214,245,221**

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
5C9	600-671	Medicaid Program Support	$73,015,021	$63,947,536
		General Services Fund Subtotal	**$73,015,021**	**$63,947,536**
Total Funding: Health Care			**$13,420,720,862**	**$13,800,759,560**

* Amount does not reflect total appropriation because the line item is used to fund other program series. The amounts shown here were calculated by LSC staff based on the percentage of the line item that was allocated to this program series in the As Introduced version of the bill.

The final analysis focuses on the following subjects of interest within the Health Care (Medicaid) program series:

- ***Medicare Part D***
- ***Eliminating the Parent Expansion***
- ***ABD Medicaid Eligibility***
- ***Medicaid Look-Back Period***
- ***Medicaid Eligibility Fraud***
- ***Community-Based Providers***
- ***Medicaid Copayment***
- ***Medicaid Optional Services***
- ***Inpatient Hospitals***
- ***Medicaid Prescription Drug Services***
- ***Medicaid Managed Care***
- ***Enhanced Care Management (ECM)***
- ***Nursing Facilities (NFs)***
- ***Intermediate Care Facilities for the Mentally Retarded (ICFs/MR)***
- ***Medicaid Estate Recovery Program***
- ***Assisted Living Medicaid Waiver***
- ***Medicaid Voucher Pilot Program***
- ***Transfer of Funds to the Department of Aging***
- ***Ohio Home Care Program***
- ***Waivers for Autism or Developmental Delays or Disabilities***
- ***Disability Medical Assistance (DMA) Program***
- ***Ohio Access Success Project***
- ***Program of All-Inclusive Care for the Elderly (PACE)***
- ***Hospital Care Assurance Program (HCAP)***
- ***Institutions for Mental Disease/Disproportionate Share Hospitals (IMD/DSH)***
- ***Program Integrity***
- ***Single Audit of Medicaid During FYs 2006 and 2007***
- ***Medicaid Administrative Study Council***
- ***Joint Legislative Committee on Medicaid Technology and Reform***
- ***Client Registry Information System Enhanced (CRIS-E)***
- ***Medicaid Management Information System (MMIS)/Health Information Portability and Accountability Act (HIPAA)***
- ***Medicaid Data Warehouse System***
- ***Ohio's Best Rx Program***

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA): The MMA establishes "Part D" in Medicare that gives people access to a private Medicare prescription drug plan. The MMA requires state Medicaid programs to determine eligibility for new groups of low-income Medicare beneficiaries, and to contribute to the cost of federal prescription drug coverage for dual eligibles.

The mechanism through which the states will help finance the new Medicare drug benefit is popularly known as the "clawback" (the statutory term is "phased-down State contribution"). In brief, the clawback is a monthly payment made by each state to the federal Medicare program beginning in January 2006. The amount of each state's payment roughly reflects the expenditures of its own funds that the state would make if it continued to pay for outpatient prescription drugs through Medicaid on behalf of dual eligibles.[16]

Currently, outpatient prescription drug coverage is provided to dual eligibles through Medicaid; in Ohio, the federal government pays its financial share of about 59% (the FMAP), and the state pays the remaining 41% of the cost of this coverage. Approximately 180,000 low-income Medicare beneficiaries were enrolled in Medicaid in 2002 in Ohio for full coverage, including nursing home care and outpatient prescription drugs. Ohio spent approximately $500 million all funds ($204 million state share) on prescription drug coverage for dual eligibles in 2002. The $500 million represented more than 5% of total Medicaid spending and more than 40% of total Medicaid spending for drugs.[17] The actual clawback will be calculated using CY 2003 expenditures, inflated to 2006. States are required to pay the federal government 90% of their estimated state shares in 2006; over the following nine years, this proportion is reduced to 75%. Thereafter, the proportion remains at 75%.

The budget act permits the Director of ODJFS to (1) adopt rules, (2) assign duties to county departments of job and family services, and (3) make payments to the United States Department of Health and Human Services, as necessary for the Department to fulfill its duties under the MMA.

Impact on Appropriation Items: The enacted budget allows accounting changes to reflect the impact of Medicare Part D as follows.

- Prescription drug expenditures for dual-eligible individuals will no longer be paid out of GRF appropriation item 600-525, Health Care/Medicaid.
- A new GRF appropriation item, 600-526, Medicare Part D, will be used to make the clawback payment to the federal government.
- Since the federal government will be paying the drug costs for dual-eligible individuals, the federal reimbursement will no longer flow through the state's budget lowering the federal share of appropriation item 600-525, Heath Care/Medicaid.
- The state will not receive the drug rebates for dual eligibles, lowering the revenue in State Special Revenue Fund appropriation item 600-692, Health Care Services. There is no impact in FY 2006 because rebates are received two quarters after payment and Medicare Part D does not take effect until the third quarter of FY 2006.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of $155.3 million in FY 2006 and $340.0 million in FY 2007 for the clawback payment (state share only). The enacted budget also assumes the Executive's estimate of spending reduction on appropriation item

[16] "The 'Clawback:' State Financing of Medicare Drug Coverage," Andy Schneider, June 2004, The Henry J. Kaiser Family Foundation.

[17] These figures and percentages are computed based on data from (1) "The 'Clawback:' State Financing of Medicare Drug Coverage," Andy Schneider, June 2004, The Henry J. Kaiser Family Foundation, (2) the Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (Form CMS-64), Centers for Medicare and Medicaid Services, and (3) the Ohio Department of Job and Family Services' forecast document.

600-525, totaling $428.4 million all funds ($171.9 million state share) in FY 2006 and $707.6 million all funds ($283.9 million state share) in FY 2007 as a result of the Medicaid Part D impact and the new appropriation item.

Eliminating the Parent Expansion

In July 2000, income eligibility for parents was increased from between 70% and 90% FPG to 100% FPG.

Implication of the Enacted Budget: The budget act requires ODJFS to seek federal approval to reduce to 90% of the FPG the family income the parent of a child under age 19 may have and remain eligible for Medicaid.

It is estimated that approximately 25,000 parents are expected to lose coverage; however, in accordance with federal requirements, many of these Medicaid recipients will be eligible for Transitional Medicaid for a six-month period, and some could be eligible for another six-month period beyond that.

The enacted budget assumes the Executive's estimate of savings of $8.4 million all funds ($3.4 million state share) in FY 2006 and $81.3 million all funds ($32.6 million state share) in FY 2007 as a result of the reduction.

ABD Medicaid Eligibility

The budget act places in the Revised Code the administrative rule that specifies when a home becomes a countable resource for purposes of determining an aged, blind, or disabled individual's eligibility for Medicaid when the individual is institutionalized, but modifies it by extending from 6 months to 13 months the period of time during which the home is not a countable resource.

Implication of the Enacted Budget: Under this policy, residents' real properties are to be exempted as resources for a longer period of time when determining eligibility. The state could incur an increase in Medicaid costs if some individuals are determined eligible for Medicaid for an additional seven months and the state is unable to eventually recover some of those costs from the sale of the property. The enacted budget assumes no fiscal impact in the current biennium as a result of this policy.

Medicaid Look-Back Period

The budget act requires that ODJFS apply for a federal Medicaid waiver to expand to five years the look-back period for determining whether any assets, not just assets in a trust, have been transferred for less than fair market value.

Implication of the Enacted Budget: By extending the look-back period and broadening the assets that are to be examined, fewer individuals may be determined to be eligible for Medicaid or their eligibility may be delayed. If this occurs, then Medicaid cost savings could be realized. However, the enacted budget assumes no fiscal impact as a result of this policy.

Medicaid Eligibility Fraud

The budget act creates the offense of Medicaid eligibility fraud, prohibits making false or misleading statements, concealing an interest in property, or failing to disclose certain transfers of property in an application for Medicaid benefits or in a document that requires a disclosure of assets for the purpose of determining eligibility to receive Medicaid benefits. The budget act also authorizes the Attorney General and the prosecuting attorney to bring a civil action for the recovery of Medicaid benefits improperly paid as a result of Medicaid eligibility fraud.

Implication of the Enacted Budget: The enacted budget assumes no fiscal impact as a result of this policy. However, ODJFS could recoup some money through these civil actions, the magnitude of which is unknown at this time.

Medicaid Copayment

The budget act requires that ODJFS establish copayments for dental, vision, nonemergency emergency department services, and prescription drugs other than generic drugs, to the extent permitted by federal law. The budget act also provides that under the Medicaid copayment program, a provider whose routine business practice is to refuse service to an individual who has an outstanding debt may consider an unpaid copayment an outstanding debt. The provider may refuse service if a Medicaid recipient owes the provider an outstanding debt.

Implication of the Enacted Budget: The Executive estimates that the state could generate revenue totaling approximately $0.9 million all funds ($0.3 million state share) in FY 2006 and $2.3 million all funds ($0.9 million state share) in FY 2007 from the copayment on optional services.

Community-Based Providers

Many community-based Medicaid providers experienced no rate increase in the FY 2004-2005 biennium. The enacted budget allows that reimbursement rates for Medicaid providers would be held to no increase for FYs 2006 and 2007, except for a select number of provider types who may receive annual increases in accordance with federal policy mandates or contracts negotiated through non-ODJFS administrative systems.

The reimbursement rates for community-based providers are adjusted through administrative rules; no statutory change is necessary.

Medicaid Optional Services

H.B. 95 of the 125th General Assembly (the FY 2004-2005 biennial budget act) eliminated two optional services for adults: chiropractic care and psychologist services, effective January 1, 2004.

The enacted budget requires that the Medicaid program continue to cover adult dental services. However, the enacted budget, by allowing ODJFS to adopt, amend, or rescind rules applicable to dental coverage, provides only half funding for adult dental care.

The enacted budget also requires that the Medicaid program continue to cover adult vision services. However, the enacted budget explicitly states that the act does not limit ODJFS' ability to adopt, amend, or rescind rules applicable to vision coverage, including rules that limit or reduce services, reduce reimbursement levels, or subject covered services to copayments. The enacted budget does provide full funding for vision services.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of savings of approximately $18.1 million all funds ($7.3 million state share) in FY 2006 and $41.8 million all funds ($16.8 million state share) in FY 2007 for half-funding dental care. The enacted budget also assumes the Executive's estimate of spending for the adult vision services of $6.5 million all funds ($2.6 million state share) in FY 2006 and $15.5 million all funds ($6.2 million state share) in FY 2007.

Inpatient Hospitals

Inpatient Hospital Recalibration

The budget act allows ODJFS to update and provide a more current weighting of the relative weights for Diagnostic Related Groups used in the prospective payment system for hospital services, and to require annual recalibration updates thereafter.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of a decrease in reimbursement for hospital services totaling approximately $65.7 million all funds ($26.3 million state share) in FY 2006 and $170.2 million all funds ($68.3 million state share) in FY 2007 as a result of a recalibration.

Freezing Inpatient Hospital Reimbursement Rates

H.B. 95 of the 125th General Assembly allowed no increase in rates for inpatient hospital services provided by general hospitals until January 2005. However, the bill required ODJFS to pay each children's hospital participating in the Medicaid program an inflation adjustment.

The budget act allows freezing inpatient hospital reimbursement rates in FYs 2006 and 2007 at the FY 2005 level.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of savings totaling approximately $20.8 million all funds ($8.3 million state share) in FY 2006 and $76.0 million all funds ($30.5 million state share) in FY 2007 for holding hospital rates flat.

No Exceeding the Medicaid Maximum Reimbursement Level

The enacted budget allows ODJFS to ensure that inpatient hospital crossover payments for dual-eligible individuals, those who qualify for both Medicare and Medicaid, do not exceed the Medicaid maximum reimbursement level. The Medicaid maximum is a rate set by ODJFS. It is the amount that state Medicaid would pay a given facility for a given service.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of savings totaling approximately $22.5 million all funds ($9.0 million state share) in FY 2006 and $30.0 million all funds ($12.0 million state share) in FY 2007 as a result of changes in inpatient hospital crossover payments.

Supplemental Medicaid Payment Program for Children's Hospitals

The budget act requires that ODJFS implement, if federally approved, a program for making supplemental Medicaid payments to children's hospitals for qualifying inpatient services occurring in FYs 2006 and 2007. The amount used for the program cannot exceed $6.0 million (state share) plus the corresponding federal match, if available.

Implication of the Enacted Budget: The enacted budget establishes two new appropriation items: 600-635, Children's Hospitals – Federal, and 600-636, Children's Hospitals – State, to be used by the Department to make supplemental Medicaid payments to children's hospitals for inpatient services. The enacted budget provides $6.0 million in both FY 2006 and FY 2007 for appropriation item 600-636, Children's Hospitals – State, and $9.0 million in both FY 2006 and FY 2007 for appropriation item 600-635, Children's Hospitals – Federal.

The enacted budget also requires the Director of OBM to transfer from the Tobacco Master Settlement Agreement Fund (Fund 087) $6,000,000 cash in both FY 2006 and FY 2007 to the Children's Hospitals Fund (Fund 5CR in ODJFS) to fund the state share of the supplemental payments.

Medicaid Prescription Drug Services

Prescription Drug Reimbursement Rates

Medicaid presently pays 9% above the wholesale acquisition cost (WAC) for brand name drugs. The enacted budget includes a 2% reduction in FYs 2006 and 2007 to 7% above the WAC.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimates of savings of approximately $15.5 million all funds ($6.2 million state share) in FY 2006 and $25.0 million all funds ($10.0 million state share) in FY 2007 as a result of a reduction to WAC plus 7%.

Pharmacy Tablet Splitting

Effective October 1, 2004, ODJFS implemented "Pharmacy Tablet Splitting" under its Medicaid prescription drug program. ODJFS requires that Lexapro 10 mg, Paxil 20 mg, and Zoloft 50 mg tablets be unavailable without prior authorization. For these drugs, the prescriber must direct the patient to take one-half tablet of the higher strength. Prescribers and pharmacies are encouraged to educate patients on the proper technique to split tablets. Prior authorization for the restricted strengths is available for patients unable to split tablets due to physical or other limitations, or for patients requiring complicated dosing regimens during dose titration.

The enacted budget continues mandating tablet splitting for prescriptions for Zoloft 100 mg, Lexapro 20 mg, Paxil 40 mg, and Paroxetine (generic Paxil) 40 mg. The state is charged the same amount for a 100 mg or 50 mg dose. Therefore, the prescription can be filled with half as many 100 mg doses and then split and taken in 50 mg doses, cutting the cost in half.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimates of savings of approximately $10.0 million all funds ($4.0 million state share) in FY 2006 and $11.6 million all funds ($4.6 million state share) in FY 2007 by tablet splitting.

Supplemental Drug Rebates and Preferred Drug List (PDL)

S.B. 261 of 124th General Assembly authorized ODJFS 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. H.B. 95 of the 125th General Assembly continued this provision of the law and allowed the full implementation of the supplemental rebate program and a PDL.

The enacted budget eliminates a requirement that any drug product used to treat mental illness or HIV or AIDS be exempted from the supplemental drug rebate program. The enacted budget also authorizes ODJFS to receive a supplemental rebate in a provider's primary place of business.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of additional drug rebate revenue totaling approximately $29.6 million all funds ($11.9 million state share) in FY 2007 as a result of eliminating the exemption.

Copayments for Drugs on the PDL

H.B. 95 of the 125th General Assembly allowed ODJFS to establish copayments for prescription drugs that are not included on the PDL. Beginning January 1, 2004, certain Medicaid consumers are charged copayments for prescription drugs that are not found on the PDL. These copayments are 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. ODJFS does not actually collect the copayments. Instead the pharmacist's reimbursement is reduced by the amount of the copayments. The enacted budget allows copayments only on brand name drugs.

Implication of the Enacted Budget: The Executive estimates that the state could generate revenue totaling approximately $3.0 million all funds ($1.2 million state share) in FY 2006 and $9.9 million all funds ($4.0 million state share) in FY 2007 from the copayment of generic drugs.

Multiple-State Drug Purchasing

The budget act authorizes ODJFS to enter into an agreement with other states for multiple-state prescription drug purchasing to receive discounts or rebates from manufacturers.

Implication of the Enacted Budget: This policy could save the state money. However, the impact cannot be estimated at this time because the savings would be affected by unknown factors (e.g., which states Ohio would pool with, the impact of Medicare Part D). The enacted budget assumes no fiscal impact as a result of this policy.

State Maximum Allowable Cost Program for Medicaid Drug Reimbursement

The budget act requires ODJFS to establish a State Maximum Allowable Cost program for purposes of managing reimbursement for certain prescription drugs available under Medicaid. ODJFS must do all of the following with respect to the program:

- Identify and create a list of prescription drugs to be included in the program;
- Update the list of prescription drugs described above on a weekly basis;

- Review the state maximum allowable cost for each drug included on the list on a weekly basis.

Implication of the Enacted Budget: ODJFS currently updates the price of prescription drugs monthly. The Executive estimates that the weekly update to pharmacy prices will cost the state $2.5 million all funds ($1.0 million state share) in both FY 2006 and FY 2007. The enacted budget has assumed these costs.

Medicaid E-Prescribing

The budget act authorizes ODJFS to establish an e-prescribing system for the Medicaid program. Under the e-prescribing system, certain Medicaid providers must use an electronic system when prescribing a drug for a Medicaid recipient.

Implication of the Enacted Budget: The Department would incur costs developing an e-prescribing system, a portion of which may be reimbursed by the federal government. The enacted budget assumes no fiscal impact as a result of this policy.

Prohibition on Reimbursement for Erectile Dysfunction Drugs

The budget act prohibits the Medicaid program from providing reimbursement for prescription drugs for treatment for erectile dysfunction.

Implication of the Enacted Budget: This policy could reduce Medicaid prescription drug costs. The enacted budget assumes no fiscal impact as a result of this policy.

Medicaid Managed Care

Ohio Medicaid has incorporated the use of managed care since 1978. Although Ohio has contracted with managed care plans since the late 1970s to provide care for certain Medicaid eligibles, the use of capitated rates was not given major emphasis in Ohio's program until the state received an 1115 demonstration waiver in January 1995. As one initiative of the federally approved OhioCare proposal, the state was given the freedom to require mandatory managed care enrollment by Covered Families and Children (CFC) Medicaid eligibles.

Managed care offers an opportunity to assure access to a primary care provider. Primary care services include prescription drugs, inpatient hospital services, outpatient hospital services, and physician services. Ohio Medicaid Managed Care Plans (MCPs) cover Medicaid recipients in the CFC category. The Department of Job and Family Services currently contracts with 6 MCPs that serve 15 Ohio counties. MCP membership is mandatory for the CFC population in 4 counties (Cuyahoga, Stark, Lucas, and Summit) and optional in the other 11 (Butler, Clark, Franklin, Greene, Hamilton, Lorain, Montgomery, Pickaway, Warren, and Wood). In FY 2004, Medicaid provided health care coverage to approximately 500,000 Ohioans per month through managed care.

The Medicaid managed care program has three different enrollment categories: mandatory, voluntary, and preferred option. In FY 2001, the state introduced Preferred Option. Under Preferred Option, recipients are automatically enrolled in managed care if they fail to select the traditional fee-for-service option.

Care Management Annual Report

The budget act requires ODJFS to prepare an annual report on the care management system. Each annual report must be submitted to the General Assembly, with the first report due by October 1, 2007.

Implication of the Enacted Budget: The Department will likely incur some minimal costs preparing and distributing the report, beginning in FY 2008 and annually thereafter.

Mandatory Managed Care for Covered Families and Children

The budget act requires the care management system to be implemented in all counties and requires ODJFS to designate the CFC population for participation. ODJFS must designate the participants not later than January 1, 2006. Not later than December 31, 2006, ODJFS must ensure that all designated participants are enrolled in Medicaid-contracting health insuring corporations.

Implication of the Enacted Budget: The Executive expects to enroll 190,000 CFC in managed care in FY 2006 and an additional 500,000 in FY 2007. The enacted budget assumes the Executive's estimate of spending for the statewide expansion totaling approximately $69.8 million all funds ($28.0 million state share) in FY 2006 and $139.9 million all funds ($56.1 million state share) in FY 2007.

Medicaid Managed Care Franchise Permit Fee

The budget act requires each Medicaid health insuring corporation to pay a franchise permit fee for each calendar quarter occurring between January 1, 2006, and June 30, 2007 to help offset the statewide CFC managed care expansion. The fee is 4.5% of the managed care premiums the health insuring corporation receives in the applicable calendar quarter, unless (1) ODJFS adopts rules decreasing the percentage or increasing it to not more than 6%, or (2) the fee is reduced or terminated to comply with federal law or because the fee does not qualify for matching federal funds.

The money collected from the franchise permit fee is to be credited to the Managed Care Assessment Fund, and is to be used to pay for Medicaid services, administrative costs, and contracts with Medicaid health insuring corporations.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of the revenue through the managed care franchise permit fees totaling approximately $8.9 million all funds ($3.6 million state share) in FY 2006 and $143.7 million all funds ($57.7 million state share) in FY 2007.

Performance Bonds for Medicaid Health Insuring Corporations

The budget act requires each Medicaid health insuring corporation to post a performance bond in the amount of $3.0 million with the Superintendent of Insurance. The company may deposit securities worth an equivalent value with the Superintendent in lieu of posting a bond, with any interest on the securities paid to the company. The bond or securities must be payable to the Department of Insurance in the event that the health insuring corporation is placed in rehabilitation or liquidation. The Department is required to use the proceeds of any such payment to reimburse the company's creditors.

Implication of the Enacted Budget: The enacted budget assumes $0.6 million all funds ($0.2 million state share) in FY 2006 and $0.8 million all funds ($0.3 million state share) in FY 2007 for the performance bonds.

Care Management Reimbursement Rates for Noncontracting Hospitals

The budget act requires a hospital participating in the Medicaid program but not under contract with a Medicaid managed care organization to provide services to a care management system participant and requires the noncontracting hospital to accept from the organization, as payment in full, the amount derived from using Medicaid's fee-for-services reimbursement rate. An exception to the required acceptance of this "fee-for-service" reimbursement rate applies to a hospital, if all of the following are the case the hospital: (1) is located in a county in which Medicaid recipients are required to be enrolled in a health insuring corporation before January 1, 2006, (2) has entered into a contract before January 1, 2006, with at least one Medicaid health insuring corporation, and (3) remains under contract with at least one Medicaid health insuring corporation.

Implication of the Enacted Budget: This policy does not have direct fiscal impact on the state.

Behavioral Health Services

The budget act specifies that alcohol, drug addiction, and mental health services covered by Medicaid cannot be included in any component of the care management system when the nonfederal share of the cost is provided by a board of alcohol, drug addiction, and mental health services or a state agency other than ODJFS. The recipients of the services, however, may be designated as participants in the system for purposes of obtaining other Medicaid covered services.

Implication of the Enacted Budget: This policy would likely have no fiscal effect because it would not change how these services are currently provided.

Medicaid Payments for Graduate Medical Education (GME) Costs

The budget act, with certain exceptions, allows ODJFS not to make a Medicaid payment to a hospital for GME costs if the hospital refuses without good cause to contract with a managed care organization that provides health care services to Medicaid recipients. ODJFS must specify, in rule, what constitutes good cause.

Implication of the Enacted Budget: This policy could result in savings to the state if there are hospitals refusing without good cause to contract with a managed care organization. The enacted budget assumes no fiscal impact as a result of this policy.

Prompt Payment Requirements for Health Insuring Corporations Covering Medicaid Recipients

The budget act allows ODJFS to eliminate the exemption of the health insuring corporations providing coverage to Medicaid recipients from complying with prompt payments laws.

Implication of the Enacted Budget: Requiring health insuring corporations to make prompt payments may increase their costs. In turn, state Medicaid costs for managed care may increase. The enacted budget does not assume any fiscal impact as a result of this policy.

Mandatory Managed Care for the Aged, Blind, and Disabled (ABD)

The budget act requires ODJFS to implement in all counties the care management system for certain aged, blind, and disabled Medicaid recipients. The requirement does not apply to: (1) persons under age 21, (2) institutionalized persons, (3) persons eligible for Medicaid by spend-down, (4) dual eligibles, and (5) Medicaid waiver recipients. Not later than December 31, 2006, ODJFS must ensure that designated participants are enrolled in Medicaid-contracting health insuring corporations.

Implication of the Enacted Budget: The budget act requires the Director of Budget and Management to determine the amount necessary to implement the Aged, Blind, and Disabled Managed Care Program and transfer cash equal to the state share of the amount from the Tobacco Master Settlement Agreement Fund (Fund 087) to the newly created ABD Managed Care Program – State Fund (Fund 5BZ in ODJFS). The amount transferred is appropriated to appropriation item 600-698, ABD Managed Care Program – State. ODJFS must deposit federal reimbursement received for the Aged, Blind, and Disabled Managed Care Program into the newly created ABD Managed Care Program – Federal Fund (Fund 3AZ). Amounts deposited into Fund 3AZ are appropriated to appropriation item 600-699, ABD Managed Care Program – Federal.

Care Management Pilot Program for Chronically Ill Children

The budget bill required ODJFS to create a Medicaid care management pilot program for chronically ill children in at least three counties under which the children are to receive coordinated health care services through a "medical home" approach. OJDFS was to implement the program not later than October 1,2006, or later upon federal approval. The pilot program was to run until October 1, 2008, unless ODJFS determine that the care management system is not a cost-effective means of providing Medicaid services to chronically ill children or the combined state and federal cost of the program reached $3.0 million.

Implication of the Enacted Budget: The enacted budget assumes expenditure of $3.0 million all funds ($1.2 million state share) in FY 2007 for a care management pilot program for chronically ill children.

Vetoed Provisions

The Governor vetoed the provision that would have required ODJFS to create a Medicaid care management pilot program for chronically ill children. The Governor did not remove the funding for the pilot program from the Medicaid budget.

Mandated Coverage of Respiratory Virus Drugs

The budget bill required for FYs 2006 and 2007, Medicaid health insuring corporations to cover prescription drugs that protect against respiratory syncytial virus for Medicaid recipients who, as an infant born premature or other pediatric patient, are at risk for the respiratory syncytial virus.

Implication of the Enacted Budget: The enacted budget assumes expenditure of $3.0 million all funds ($1.2 million state share) in FY 2006 and $6.0 million all funds ($2.4 million state share) in FY 2007 for the coverage of respiratory virus drugs.

Vetoed Provisions

The Governor vetoed a provision that would have required ODJFS, when entering into a Medicaid contract with a health insuring corporation, to require the health insuring corporation to provide coverage of prescription drugs that protect against respiratory syncytial virus. The Governor did not remove the funding for the coverage of respiratory virus drugs from the Medicaid budget.

Enhanced Care Management (ECM)

Beginning October 1, 2004, the Medicaid Enhanced Care Management program was implemented to provide care coordination and case management services to Aged, Blind or Disabled (ABD) Medicaid recipients with specified chronic and high-cost health conditions. The Department has established contracts with various health care organizations to work with local providers to assist these recipients in managing their condition.

As planned for implementation in FY 2005, the first phase of the ECM program did not include people living in institutions, enrolled in a Medicaid waiver, or dual eligibles. The conditions covered under the Enhanced Care Management program were selected based on the existence of standard clinical best practice guidelines and the potential for improvements in quality of care over a relatively short period of time. Covered conditions for adults were: asthma, diabetes, congestive heart failure, coronary artery disease, nonmild hypertension, and chronic obstructive pulmonary disease. Children with persistent asthma were also included.

Implication of the Enacted Budget: For FYs 2006 and 2007, ODJFS will be discontinuing the ECM model and will begin to pursue a full risk model in its place.

Nursing Facilities (NFs)

The budget act substantially revises the statutory formula used to determine the Medicaid reimbursement rate for nursing facilities. However, because the uncodified sections of the act override the new statutory formula for FYs 2006 and 2007, the revisions will not fully take effect until FY 2008.

FY 2006 Reimbursement for NFs

A NF is to be paid the sum of (1) the rate the provider is paid on June 30, 2005, and (2) unless the facility is exempt from paying the nursing home franchise permit fee, $1.95. The rate may be adjusted for only certain reasons. A NF's 2006 rate may be adjusted pursuant to a process established in ODJFS rules to reflect a change in the facility's capital costs.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of savings totaling approximately $438.7 million all funds ($176.0 million state share) in FY 2006 by holding the reimbursement rate flat.

Vetoed Provisions

The Governor vetoed a provision that would have restricted the adjustment of a NF's 2006 rate to reflect a change in the facility's capital costs. The vetoed provision would have provided that such adjustment could be made only if, after all other Medicaid obligations have been met, there are appropriations in the appropriation item 600-525, Health Care/Medicaid. ODJFS would have been permitted to make such adjustments to the extent possible using the remaining appropriations that would otherwise lapse. The Executive estimates that the state would need to reimburse NFs at least $10.0 million (all funds) more in FY 2006 as a result of the adjustment for capital cost changes.

FY 2007 Reimbursement for NFs

The FY 2007 reimbursement rate for NFs is to be determined in accordance with the new statutory formula. However, the act provides that if a NF's rate as determined under the new formula is more than 102% of the rate the facility is paid on June 30, 2006 ODJFS must reduce the facility's 2007 rate so that the rate is no more than 102% of its June 30, 2006, rate. If a nursing facility's 2007 rate as determined under the new formula is less than 98% of its June 30, 2006 rate, ODJFS is required to increase the facility's rate so that the rate is no less than 98% of its June 30, 2006 rate.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of savings totaling approximately $626.9 million all funds ($251.5 million state share) in FY 2007 by holding the reimbursement rate flat, with potential adjustments.

NFs' Rates Subject to Franchise Permit Fee Changes

The budget act requires ODJFS to reduce NFs' FYs 2006 and 2007 rates if Center for Medicare and Medicaid Services (CMS) requires that the nursing home franchise permit fee be reduced or eliminated. The rates are to be reduced as necessary to reflect the loss to the state of the revenue and federal financial participation generated from the franchise permit fee.

No Exceeding the Medicaid Maximum Reimbursement Level for NFs

The executive budget allows ODJFS to ensure that NF crossover payments for dual-eligible individuals do not exceed the Medicaid maximum reimbursement level. The Medicaid maximum is a rate set by ODJFS. It is the amount that state Medicaid would pay a given facility for a given service.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of savings totaling approximately $28.3 million all funds ($11.4 million state share) in FY 2006 and $44.8 million all funds ($18.0 million state share) in FY 2007 as a result of this policy.

Franchise Permit Fees

ODJFS is required to assess an annual franchise permit fee on each long-term care bed in a nursing home or hospital. Until July 1, 2001, the amount of the fee was $1.00 for each bed multiplied by the number of days in the fiscal year for which the fee is assessed.

H.B. 94 of the 124th General Assembly (the FY 2002-2003 biennial budget act) raised the franchise permit fee to $3.30 for FYs 2002 and 2003. S.B. 261 of 124th General Assembly raised the franchise permit fee to $4.30 for FYs 2003 through 2005; a $1.00 per bed per day increase for FY 2003, and a $3.30 per bed per day increase for FYs 2004 and 2005.

In addition to the increase in the franchise permit fee raised by H.B. 94 for FY 2003, S.B. 261 specified that the additional money generated from the increase for FYs 2003, 2004, and 2005 be deposited into the Nursing Facility Stabilization Fund, which was newly created in H.B. 94. ODJFS is to use the money in the fund to do all of the following: (1) make payments to NFs under the law governing Medicaid payments to NFs, (2) beginning with payments made to NFs in August 2002, make payments to each NF for each Medicaid day in FYs 2003, 2004, and 2005 in an amount equal to 76.74% of the franchise permit fee the NF pays for the fiscal year the Department makes the payment divided by the nursing facility's inpatient days for the calendar year preceding the calendar year in which that fiscal year begins (in other words, reimburses NFs for the increase in the franchise permit fee on the basis of "Medicaid days"), and (3) make payments of $2.25 per Medicaid day to all NFs for FYs 2003, 2004, and 2005 to enhance quality of care.

The budget act increases the fee to $6.25 for FYs 2006 and 2007. It is reduced to $1.00 starting in FY 2008. The act also codifies the law governing the use of the money in the Nursing Facility Stabilization Fund and provides for that money to be used to make Medicaid payments to NFs.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of revenues totaling approximately $80.9 million all funds ($32.5 million state share) in FY 2006 and $121.7 million all funds ($48.9 million state share) in FY 2007 as a result of increasing the franchise permit fee by $1.95.

Intermediate Care Facilities for the Mentally Retarded (ICFs/MR)

Fiscal Years 2006 and 2007 Reimbursement for ICFs/MR

H.B. 95 of the 125th General Assembly established 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, was 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, was not to exceed $225.86.

The budget act provides that ICF/MR be paid at the rate the ICF/MR is paid on June 30, 2005.

The budget act also authorizes ODJFS to increase the rate paid to an ICF/MR for FYs 2006 and 2007 by an amount specified in rules to reimburse the ICF/MR for active treatment day programming because of the termination of the Community Alternative Funding System.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of savings totaling approximately $37.4 million all funds ($15.0 million state share) in FY 2006 and approximately $58.1 million all funds ($23.3 million state share) in FY 2007 by holding the reimbursement rate flat.

The enacted budget also assumes the Executive's estimate of spending totaling approximately $69.5 million all funds ($27.9 million state share) in FY 2006 and approximately $71.8 million all funds ($28.8 million state share) in FY 2007 for active treatment.

Franchise Permit Fees

The budget act provides that the franchise permit fee for ICFs/MR not change for FYs 2006 and 2007. The amount of the ICFs/MR franchise permit fee for FYs 2006 and 2007 remain the same as in FY 2005, which is $9.63 per bed per day.

ICF/MR Conversion Pilot Program

The budget act requires the Director of ODJFS to seek federal approval for a Medicaid waiver authorizing the ICF/MR Conversion Pilot Program under which no more than 200 individuals receive home and community-based services in lieu of the ICF/MR service. The pilot program is to be implemented not less than three years and cannot be implemented statewide unless the General Assembly enacts law authorizing the statewide implementation.

The act permits ODJFS to assign, by contract, the administration of the Medicaid waiver program to the Department of Mental Retardation and Developmental Disabilities (ODMRDD). ODJFS may also transfer funds to pay for the nonfederal share of the pilot program's costs to ODMRDD. If ODMRDD takes both of these actions, ODMRDD is to be responsible for paying the nonfederal share of the pilot program's costs.

The act provides that an ICF/MR that converts from providing ICF/MR services to providing home and community-based services under the pilot program is permitted to reconvert to providing ICF/MR services after the pilot program terminates. ODMRDD is to become responsible for a portion of the nonfederal share of Medicaid expenditures for ICF/MR services provided by an ICF/MR that reconverts to providing ICF/MR services. ODMRDD's responsibility is to begin not later than two and one-half years after the date the pilot program terminates.

Implication of the Enacted Budget: Any fiscal impact will depend on the design of the pilot program. The enacted budget assumes no fiscal impact as a result of this pilot program.

ICF/MR Conversion Advisory Council

The budget act creates the ICF/MR Conversion Advisory Council to provide consultation services regarding the ICF/MR Conversion Pilot Program. The Council is to cease to exist on the issuance of the final report of the evaluation of the pilot program.

Implication of the Enacted Budget: There may be some costs, although likely minimal, associated with the Council, and the issuance of a report. The budget act is silent on what entity will provide administrative support for the Council. The enacted budget assumes no fiscal impact as a result of this Council.

Medicaid Estate Recovery Program

The Medicaid Estate Recovery program recovers money paid for Medicaid services from a Medicaid recipient's estate after the recipient dies. Since Medicaid is a state-federal partnership program, ODJFS is required to return more than half of the money collected to the federal government for its financial share of the Medicaid services provided.

The budget act expands the Medicaid Estate Recovery program to include any real and personal property and other assets in which an individual subject to recovery has any legal title or interest at the time of death, including assets conveyed to a survivor, heir, or assign of the individual through joint tenancy, tenancy in common, survivorship, life estate, living trust, or other arrangement.

The enacted budget also revises Ohio Revised Code governing Medicaid estate recovery and liens to make it consistent with federal law.

Implication of the Enacted Budget: By broadening the base for Medicaid estate recovery the state may experience a gain in revenue. The enacted budget assumes no fiscal impact as a result of these changes.

Assisted Living Medicaid Waiver

The budget act gives authority to ODJFS for seeking federal approval for an Assisted Living Medicaid waiver. This waiver will expand community-based options for Medicaid recipients who require an intermediate level of care. This waiver will be targeted to three types of individuals:

(1) A participant in PASSPORT, Choices, or any other ODJFS waiver who would otherwise have to move to a nursing facility;

(2) A nursing facility resident seeking to move to a residential care facility;

(3) At the time of receiving services under the Assisted Living program, reside in a residential care facility or a county or district home.

Upon federal approval, ODJFS is required to contract with the Department of Aging (ODA) for the administration of the program and transfer funds to ODA. The enacted budget limits participation to 1,800 individuals with enrollment beginning in FY 2007.

The budget act requires ODJFS to provide results of the evaluation of the program's cost effectiveness not later than June 30, 2007.

Implication of the Enacted Budget: The enacted budget provides that once ODJFS enters into a contract with ODA to administer the Assisted Living program, ODJFS must submit quarterly reports to the Director of Budget and Management outlining the estimated costs of the program for the upcoming quarter, including the state and federal share of the costs. On receipt of the estimated costs, the Director of Budget and Management must make the necessary transfers out of GRF appropriation item 600-525 and increases to ODA's budget. The funds transferred and increased are appropriated under the enacted budget.

The enacted budget assumes savings of $7.5 million all funds ($3.0 million state share) in FY 2007 as a result of this waiver.

Medicaid Voucher Pilot Program

The budget act requires that ODJFS request a federal Medicaid waiver authorizing ODJFS to create a pilot program under which not more than 200 individuals receive a spending authorization to pay for the cost of medically necessary health care services the pilot program cover. The spending authorization is to be in an amount not exceeding 70% of the average cost under the Medicaid program for providing nursing facility services to an individual.

To be eligible for the pilot program, an individual must (1) need an intermediate level of care, (2) at the time the individual applies for the pilot program, be a nursing facility resident who is seeking to move to a residential care facility or county or district home and who otherwise remain in a nursing facility or a participant of certain home and community-based services Medicaid waiver programs who would otherwise move to a nursing facility, and (3) meet all other eligibility requirements established in rules.

Upon federal approval, ODJFS is required to contract with the ODA for the administration of the program. The budget act also requires ODA to certify to the Director of Budget and Management the pilot program's estimated costs. On a quarterly basis, on receipt of the certified costs, the Director of

Budget and Management must transfer the amount of estimated costs from appropriation item 600-525, Health Care/Medicaid to ODA.

Implication of the Enacted Budget: Assuming: (1) although not required, participants using the spending authorization would do so to avoid placement in a NF, (2) participants will be given spending authorization with a value of 70% of the NF costs, and (3) the per resident per month cost in NFs is approximately $3,700, approximately $2.7 million all funds ($1.1 million state share) in Medicaid costs could be avoided per year. In addition, unknown support service costs, for example, for fiscal intermediary and other case management services, could also be incurred. The enacted budget assumes no fiscal impact as a result of this pilot program.

Transfer of Funds to the Department of Aging

The budget act requires ODJFS to transfer, through intrastate transfer vouchers, cash from Fund 4J5, Home and Community-Based Services for the Aged, to Fund 4J4, PASSPORT, in the Department of Aging. The sum of the transfers is $33,268,052 in FY 2006 and $33,263,984 in FY 2007.

Ohio Home Care Program

The current Ohio Home Care program was developed and implemented in 1997 and evolved from Medicaid waiver programs and nonwaiver home care services that existed before. Ohio Home Care is Medicaid's integrated program of home care services, consisting of four benefit packages: Core, Core Plus, Ohio Home Care Waiver, and Transitions Waiver. All four packages include "core" services of nursing, daily living, and skilled therapies. Skilled therapies include physical and occupational therapy and the services of a speech/language pathologist.

H.B. 95 of the 125th General Assembly authorized the Director of Job and Family Services to request a new waiver from the United States Secretary of Health and Human Services under which ***two*** Medicaid programs for home and community-based services may be created and implemented to replace the Ohio Home Care program. ODJFS proposed changes to the Ohio Home Care program but the changes have not been taken. The Executive recommended implementation of the proposed changes.

Implication of the Enacted Budget: The budget act authorizes the Director of ODJFS to seek *two or more* Medicaid waivers under which home and community-based services are provided to individuals who need the level of care provided by a nursing facility or hospital. The act also permits ODJFS, after the first of any of the new Medicaid waivers begin to enroll eligible individuals, to seek federal approval to cease new enrollment in the Ohio Home Care program.

The enacted budget assumes the savings of $8.0 million all funds ($3.2 million state share) both in FY 2006 and in FY 2007 for the changes to the Ohio Home Care program.

Waivers for Autism or Developmental Delays or Disabilities

Prior law authorized the Director of ODJFS to apply to the federal government for one or more Medicaid waivers under which home and community-based services are provided in the form of either or both of: (1) early intervention services for children under age three that are provided or arranged by county boards of mental retardation and developmental disabilities and (2) therapeutic services for children who have autism and are under age six. The act provides instead that the Director of ODJFS may apply for one or more Medicaid waivers under which home and community-based services are provided in the form of: (1) early intervention and supportive services for children under age three who have developmental delays or disabilities the Director determines are significant, (2) therapeutic services for children of any age who have autism, and (3) specialized habilitative services for individuals who are age 18 or older and have autism.

Implication of the Enacted Budget: The budget act broadens the types of services for individuals with autism or developmental delays or disabilities that may be covered under a Medicaid waiver for which the Department may apply. Applying for the waiver is permissive under law and remains permissive under this budget act. Therefore, it has no apparent direct fiscal impact. The enacted budget assumes no fiscal impact as a result of this change.

Disability Medical Assistance (DMA) Program

The Disability Medical Assistance program provides a limited health care benefit package to non-Medicaid eligible individuals based on income, resources, and severity of disability. The program supports individuals while they are applying for long-term federal disability benefits. The benefit package is a limited version of the primary- and acute-care services offered to consumers through Medicaid, and all services are received through the fee-for-service delivery system. Services are limited to prescription drugs, physician, clinic, restricted dental service, and restricted durable medical equipment services. Hospital services for this population are provided through the Hospital Care Assurance Program (HCAP).

Expenditures for the DMA program are not eligible for federal reimbursement because the recipients are not Medicaid eligible.

Elimination of the DMA Program

H.B. 95 of the 125th General Assembly allowed the Director of ODJFS to enact reforms necessary to contain DMA costs. ODJFS froze enrollment beginning in July 2003. Under the freeze, ODJFS allowed no new enrollment and denied coverage to those who missed their eligibility re-determinations. Enrollment declined to less than half of what it was at the start of the biennium. Enrollment was open for a limited time early in FY 2005 and then closed again in order to keep costs within the $64.0 million GRF allocated to operate the program. ODJFS expected the DMA program to serve 15,000 in FY 2005 on an average monthly basis.

Implication of the Enacted Budget: The enacted budget provides funding of $19.5 million in FY 2006 and $25.5 million in FY 2007 in appropriation item 600-513, Disability Medical Assistance, to be used by ODJFS to operate a Disability Medical Assistance program before or after October 1, 2005. The Governor did not remove this funding.

Vetoed Provisions

The Governor vetoed provisions that would have terminated the DMA program. As a result, the budget act retains the DMA program. However, ODJFS has authority under continuing law to modify the program. The budget act continues to provide funding for the DMA program through appropriation item 600-513, Disability Medical Assistance, it also assumes the savings from the elimination of the DMA program, the vetoed provisions do not change the assumption.

Back Billing of the DMA Program

In FY 2005, ODJFS started back billing for DMA program claims that ODJFS can bill retroactively as Medicaid services. Approximately 25% of persons enrolled on the DMA program ultimately obtain Medicaid coverage and about 33% of DMA program spending is paid for services provided to those persons. Medicaid eligibility determinations for DMA recipients often take six months or more. Federal rules permit states to back bill for claims paid for up to two years for services rendered no more than three months before the recipient's initial date of application to Medicaid.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of revenue totaling approximately $33.0 million all funds ($13.3 million state share) in FY 2006, and $10.0 million all funds ($4.0 million state share) in FY 2007 if the state re-spends the residual DMA revenues for Medicaid services.

Ohio Access Success Project

H.B. 94 of the 124th General Assembly authorized the Director of Job and Family Services 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. H.B. 95 of the 125th General Assembly continued the Ohio Access Success Project. As of January 2005, five people have utilized the project.

The enacted budget allows the continuation of the Ohio Access Success Project. ODJFS is permitted to limit the number of persons who may participate in the project. The enacted budget also provides $350,000 in both FYs 2006 and FY 2007 to fund one-time transitional benefits. Fifty individuals are scheduled to move out of nursing homes in FY 2006 and 100 in FY 2007. The budget act eliminates an eligibility requirement that required a Medicaid recipient to have resided continuously in a nursing facility for not less than 18 months before applying to participate in the project. The act requires that ODJFS, if an application is received before six months, ensure that an assessment is conducted as soon as practicable to determine whether the applicant is eligible to participate in the project. To the maximum extent possible, the assessment and eligibility determination must be completed not later than the date that occurs six months after the applicant becomes a recipient of Medicaid-funded nursing facility services.

Implication of the Enacted Budget: Many individuals' homes are sold six months after entering a NF. The budget act allows ODJFS to provide help to Medicaid recipients making the transition from a NF to a community setting sooner than under current law by providing assistance with such things as moving expenses and rental deposits. If an individual can become eligible before their home is sold, moving back home may be possible. Medicaid expenditures would be reduced if more individuals are able to be moved to a less expensive setting under the Ohio Access Success Project.

The enacted budget assumes the Executive's estimate of savings totaling approximately $0.2 million all funds ($0.1 million state share) in FY 2006 and $0.5 million all funds ($0.2 million state share) in FY 2007 as a result of the project.

Program of All-Inclusive Care for the Elderly (PACE)

The Program of All-Inclusive Care for the Elderly (PACE) enables seniors who reside in nursing facilities to receive managed care services. The PACE sites provide participants with all of their needed health care. All PACE participants must be 55 years of age or older and qualify for a nursing home level of care. The PACE sites assume full financial risk for the care of the participants.

H.B. 95 of the 125th General Assembly permitted ODJFS to transfer the day-to-day administration of PACE to the Department of Aging, subject to federal approval. The transfer has not occurred.

The budget act allows the transfer of the day-to-day administration of PACE to the Department of Aging to occur in FY 2006.

Implication of the Enacted Budget: The enacted budget assumes the Executive's estimate of transferring approximately $22.0 million all funds ($8.8 million state share) in FY 2006 and $25.7 million all funds ($10.3 million state share) in FY 2007 to the Department of Aging.

Hospital Care Assurance Program (HCAP)

Ohio's program for making disproportionate share hospitals (DSH) payments, the HCAP, incorporates both intergovernmental transfer and provider tax funding mechanisms. The program 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 ODJFS. Assessments and intergovernmental transfers are made in periodic installments. ODJFS 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 line item 600-650, and the state funds (assessment revenues) are appropriated in 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.

Under current law, HCAP is scheduled to sunset October 16, 2005. The budget act delays the sunset of HCAP for two years until October 16, 2007. The total appropriation for HCAP through both appropriation items 600-650 and 600-649 is $575.1 million in both FY 2006 and FY 2007.

Institutions for Mental Disease/Disproportionate Share Hospitals (IMD/DSH)

In cooperation with the Ohio Department of Mental Health (ODMH), during FY 1996, ODJFS began to process IMD/DSH payments for psychiatric hospitals. Institutions for Mental Disease/Disproportionate Share Hospitals qualifies psychiatric hospitals as disproportionate share hospitals based upon financial and patient care data. Although ODMH provides the state match for IMD/DSH, ODJFS draws down the federal funds that support IMD/DSH and distributes them among state Medicaid agencies. These IMD/DSH funds can earn federal match again upon expenditure for Medicaid eligible purposes.

Implication of the Enacted Budget: The enacted budget requires ODJFS to transfer cash to ODMH for the administration of the IMD/DSH program.

Program Integrity

The budget act makes several changes to address the detection and recovery of Medicaid fraud or over-billing. The budget act:

- permits ODJFS to terminate or not renew a Medicaid provider agreement without an administrative hearing if the provider has not submitted claims for two or more years and cannot be located;

- permits ODJFS to recover overpayments made to Medicaid providers;
- allows the overpayments to be recovered at any time, including before or after a final fiscal audit or other finding has been adjudicated;
- specifies that subsequent audits or findings must be reduced by the amount of any overpayments collected;
- permits a state agency that administers a component of the Medicaid program to commence actions to recover overpayments;
- requires the agency to seek voluntary repayment by negotiating a settlement and, if voluntary repayment cannot be achieved, requires the agency to conduct administrative hearings;
- requires ODJFS to approve any negotiated settlement and to issue any final order resulting from an administrative hearing conducted by the other state agency;
- permits ODJFS to issue final administrative orders under the Medicaid program without a hearing when notice of an opportunity for a hearing has been provided but the notified entity does not request a hearing or timely make the request;
- applies the same provision to state agencies seeking recovery of overpayments identified in administering components of the Medicaid program;
- requires the Director of ODJFS to adopt rules establishing procedures for enforcing rules governing services included in the state Medicaid plan, including procedures for corrective action plans for, and imposing sanctions on, violators of the rules; and
- permits the Director to conduct reviews of the Medicaid program.

Implication of the Enacted Budget: By permitting ODJFS to terminate or not renew a Medicaid provider agreement without an administrative hearing could result in a reduction of the number of administrative hearings, and thus could reduce the Department's administrative costs associated with such hearings. The fiscal effect is expected to be minimal. In addition, allowing ODJFS to recover overpayments made to Medicaid providers could result in a gain in revenue to the state. The enacted budget assumes no fiscal impact on ODJFS' budget as a result of these policies.

Single Audit of Medicaid During FYs 2006 and 2007

The budget act requires that the Auditor of State may, during fiscal years 2006 and 2007, conduct a single performance audit of the Medicaid program, to determine ways of reducing or eliminating fraud, waste, and abuse in the program.

Implication of the Enacted Budget: Expenses incurred by the Auditor of State to conduct the performance audit must be reimbursed by ODJFS. However, the enacted budget assumes no fiscal impact on ODJFS' budget as a result of this policy.

Medicaid Administrative Study Council

The budget act creates the Medicaid Administrative Study Council to study the administration of the Medicaid program under the assumption that the General Assembly will enact by July 1, 2007, a law establishing a new cabinet level department to administer the program.

The Governor is required to appoint a member of the Council to serve as chairperson of the Council. The Council is permitted to hire staff, enter into contracts, and take other actions the Council deems necessary to fulfill its duties.

The Council is required to prepare quarterly reports on its progress. The first report is due 90 days after the effective date. A final report is due not later than December 31, 2006. The final report must include recommendations regarding the scope and structure of the new department.

Implication of the Enacted Budget: The enacted budget provides funding of $1,000,000 in fiscal year 2006 and $500,000 in fiscal year 2007 in appropriation item 600-321, Support Services, for the Medicaid Administrative Study Council to carry out the duties of the Council as specified in the law.

Joint Legislative Committee on Medicaid Technology and Reform

The budget act creates the Joint Legislative Committee on Medicaid Technology and Reform, with five members of the Senate and five members of the House of Representatives, and permits the committee to employ an executive director.

Implication of the Enacted Budget: The enacted budget provides funding of $100,000 in both FYs 2006 and 2007 in GRF appropriation item 035-321, Support Expenses, in the Legislative Service Commission's budget, to be used to employ the executive director.

Client Registry Information System Enhanced (CRIS-E)

The CRIS-E system is an automated eligibility and benefits calculation system. In 1992, the CRIS-E system became a statewide, automated system that assists county caseworkers as they determine OWF/Cash, Food Stamp, and Medicaid eligibility and provide benefits disbursements. CRIS-E supports over 18,000 users with on-line availability each day; it issues Medicaid identification cards and OWF cash benefits each month.

The CRIS-E is a computer-based software eligibility system that requires routine maintenance and system modifications when public assistance eligibility policy changes occur. State staff payroll and training, contractor costs for maintenance, and certain monthly service costs are driving cost factors for CRIS-E. The CRIS-E is funded by a combination of state and federal funds. The federal reimbursement comes from the Food Stamp grant, the Medical Assistance grant, the TANF grant, and the Child Care grant.

Implication of the Enacted Budget: The enacted budget includes funding the business plan for the replacement of the CRIS-E system in FY 2006, a request for proposal process in the beginning of FY 2007, and testing of the new system at the end of FY 2007. The new system is expected to better utilize the automated eligibility and case tracking system.

Medicaid Management Information System (MMIS)/ Health Portability and Accountability Act (HIPAA)

The MMIS supports the benefits administration of the Ohio Medicaid and Disability Assistance programs. It processes reimbursements to medical providers for services rendered to eligible recipients based on ODJFS' and federal policy. MMIS is a federally certified system for the processing of all Medicaid payments. It includes several subsystems. The MMIS was installed in 1984; ODJFS is completing work with CMS to serve as an early adopter of the new national enterprise - Medicaid Information Technology Architecture (MITA). The Medicaid Information Technology Architecture is eligible for up to 90% federal reimbursement for Medicaid IT system development.

The Health Insurance Portability and Accountability Act of 1996 contains several provisions designed to make health coverage more accessible, affordable, and portable. Passed in 1996, HIPAA is designed to protect confidential healthcare information through improved security standards and federal privacy legislation. It defines requirements for storing patient information before, during and after electronic transmission. It also identifies compliance guidelines for critical business tasks such as risk analysis, awareness training, audit trail, disaster recovery plans, and information access control and encryption.

As part of HIPAA, Medicaid programs are required to: improve efficiency in healthcare delivery by standardizing electronic data interchange; protect confidentiality and security of health data; and use standardized codes and fields for consumer's electronic health, administrative, and financial data. ODJFS is upgrading the existing MMIS so that it will be HIPAA compliant.

Implication of the Enacted Budget: The enacted budget includes funding to develop the new Medicaid information technology system (MITS) to replace the MMIS system. If approved by CMS, the state funds used to develop MITS will receive up to 90% federal match.

Medicaid Data Warehouse

The budget act requires that ODJFS enter into an agreement with the Ohio Department of Administrative Services (ODAS) for ODAS to contract with a vendor to perform an assessment of the Medicaid Data Warehouse System's data collection and warehouse functions, including the ability to link the data sets of all of the agencies serving Medicaid recipients.

ODJFS is required by the act to seek enhanced federal funding for 90% of the funds required to establish or enhance the data system. ODAS is prohibited from awarding a contract for establishing or enhancing the data system until ODJFS receives approval for the 90% federal match.

Implication of the Enacted Budget: The enacted budget requires ODJFS to fund the cost of the Medicaid Data Warehouse upon receipt of federal approval and assured 90% reimbursement.

Ohio's Best Rx Program

Ohio's "Best Rx" is a prescription drug discount card program designed to lower the cost of prescriptions for Ohio residents without prescription drug insurance coverage who are either aged 60 and over or any age with incomes less than 250% of the FPG. The Best Rx card is available at no charge to eligible participants and offers a mail order delivery option for ongoing medications. The program was established in FY 2004 by H.B. 311 (or the companion bill, S.B. 138) of the 125th General Assembly.

The intent of the Ohio's Best Rx program is to offer reduced prescription drug cost to participants. It is expected the program will become self-funding over time as the result of retaining a small portion (no more than 5%) of the voluntary rebates from drug manufacturers and the assessment of a nominal (no more than $1.00) administrative fee on each filled prescription. H.B. 311 appropriated $10,000,000 in FY 2004 in appropriation item 600-440, Ohio's Best Rx Start-Up Costs, to be used by ODJFS to pay for the administrative and operational expenses for the creation and operation of the Ohio's Best Rx program, including costs associated with the duties assigned by the Department to the Ohio's Best Rx program Administrator and making payments to pharmacies until sufficient cash exists to make payments from the Ohio's Best Rx program Fund and the Ohio's Best Rx Administration Fund. H.B. 311 also appropriated $5,000,000 in both FY 2004 and FY 2005 in appropriation item 600-673, Ohio's Best Rx Administration, to be used on an ongoing basis to cover expenses associated with the Ohio's Best Rx program.

Implication of the Enacted Budget: The enacted budget authorizes ODJFS to use the unencumbered funds in GRF appropriation item 600-440 for the administration of the Ohio's Best Rx program. The enacted budget also appropriates $5,000,000 in both FY 2006 and FY 2007 in state special revenue fund appropriation item 600-673, Ohio's Best Rx Administration, to be used on an ongoing basis to cover expenses associated with the Ohio's Best Rx program. In addition, the enacted budget requires ODJFS to calculate drug prices annually no later than March 1 of each year.

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 (FUTA). Benefits are paid through the Unemployment Compensation Trust Fund, which is funded through state insurance taxes that are paid by employers and collected by the Ohio Department of Job and Family Services (ODJFS).

The Office of Unemployment Compensation (OUC) within ODJFS administers the UI program. The primary goal of the OUC 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.

ANALYSIS OF THE ENACTED BUDGET

Program Series 6 — Unemployment Insurance

Purpose: To provide funds for payment of benefits to unemployed workers and to provide a counter-cyclical source of revenue to support the local economy in times of economic downturn.

The program series supports unemployment insurance activities, including benefit issuance, employer tax functions, Trade Program and NAFTA-related activities, funding for the Unemployment Compensation Review Commission (UCRC), and the related information technology support.

The following table shows the line items that are used to fund the Unemployment Insurance program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
4A9	600-607*	Unemployment Compensation Admin Fund	$8,863,925	$7,509,440
4A9	600-694	Unemployment Compensation Review Commission	$3,188,473	$3,188,473
4R3	600-687	Banking Fees	$800,000	$800,000
		State Special Revenue Fund Subtotal	**$12,852,398**	**$11,497,913**
Federal Special Revenue Fund				
331	600-686*	Federal Operating	$2,510,526	$2,547,037
3V4	600-678*	Federal Unemployment Programs	$134,113,463	$137,197,609
3V4	600-679	Unemployment Compensation Review Commission Federal	$3,829,430	$3,800,573
3V0	600-688*	Workforce Investment Act	$844,324	$868,833
		Federal Special Revenue Fund Subtotal	**$141,297,743**	**$144,414,052**
Total Funding: Unemployment Insurance			**$154,150,141**	**$155,911,965**

* Amount does not reflect total appropriation because the line item is used to fund other program series. The amounts shown here were calculated by LSC staff based on the percentage of the line item that was allocated to this program series in the As Introduced version of the bill.

This analysis focuses on the following specific programs within the Unemployment Insurance program series:

- ***Unemployment Insurance***
- ***Trade/NAFTA Dislocated Workers***
- ***Unemployment Compensation Review Commission (UCRC)***
- ***Employment Services***
- ***Ohio Job Insurance (OJI)***
- ***Employer Resource Information Center (ERIC)***
- ***UCRC-MIS***

Program 6.01: Unemployment Insurance

Program Description: The UI program will support two administration offices, the Office of Unemployment Compensation (OUC) and the Office of Local Operations.

The OUC is organized into three bureaus: Tax, Benefits, and Program Services.

- The Tax Bureau has the responsibility for collecting unemployment taxes, as well as wage information from all Ohio employers on a quarterly basis.
- The Benefits Bureau provides oversight and support services for the claims adjudication and benefit control processes, including issuance of monetary determinations for special claims, issuance of decisions on reconsideration of appeals of monetary and nonmonetary determination, and provision of technical assistance to local offices relative to policy, procedure, and state and federal law. The Benefits Bureau is also responsible for the automated benefits delivery system.
- The Program Services Bureau is responsible for research, legislation, and policy in support of the Unemployment Compensation Advisory Council and represents the Director before the UCRC. In addition to these general program administration responsibilities, the bureau is responsible for a number of special unemployment tax and benefit determinations in cases involving employer unemployment tax appeals or benefit eligibility during labor disputes.

The Office of Local Operations is responsible for six call centers and 16 processing centers for the intake and initial processing of unemployment claims. Structurally, it works with both the OUC and the OWD in providing local services to clients primarily through the One-Stop system.

Funding Sources: State Special Revenue and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget provides continuation funding for FY 2006 and FY 2007 for performance of all duties associated with this program, including the goal of the Office of Local Operations to transform all claims from in-person processing to Call Center and Internet-based processing by the end of FY 2006. Economic factors will affect the total number of claims processed through the FY 2006-2007 biennium.

Program 6.02: Trade/NAFTA Dislocated Workers

Program Description: The Trade/NAFTA Dislocated Workers program supports activities related to the Trade Act of 2002. Its goal is to administer and make benefit payments of individuals who have been dislocated due to the relocation of their employer or laid off due to foreign competition. Depending on their situation, workers can receive Trade Readjustment Allowances (TRA), Training, Reemployment Services, Job Search Allowances, Relocation Allowances, Health Coverage Tax Credit (HCTC), and/or Alternative Trade Adjustment Assistance (ATAA) services. Each program has its own eligibility criteria and compensation arrangement.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget provides continuation funding for FY 2006 and FY 2007 for performance of all duties associated with this program. The Department expects continued growth in the number of requests for training received for dislocated workers as requests for ATAA and HCTC claims begin to arrive.

Program 6.03: Unemployment Compensation Review Commission (UCRC)

Program Description: The UCRC handles appeals of unemployment insurance claims determinations. The UCRC and its hearing officers have the responsibility to conduct fair due process hearings and to issue well-reasoned decisions. The UCRC also has a responsibility to issue quality decisions in a prompt and efficient manner. The UCRC has two levels of appeal – a lower authority level (also known as Hearing Officer level) and higher authority level (also known as Request for Review level).

Funding Sources: State Special Revenue Fund and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow the Department to maintain adequate staffing levels for the anticipated workload.

Program 6.04: Employment Systems

Program Description: The Employment Systems are statewide information technology systems that administer the Unemployment Compensation Tax system, Unemployment Compensation Benefits system, and the Wage Record system. The systems include automated employer charging, automated overpayment processing, child support interception, IRS tax withholding, statistical reporting, and other functions.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: With the enacted appropriations, the Department intends to continue replacement of the legacy UC Tax and UC Benefits systems with Ohio Job Insurance and Employer Resource Information Center, respectively. Those programs are described below. The enacted budget will also allow the Department to hire and train state programming staff to replace contract staff; the Department intends to replace 17 contract employees with state employees for a total of 36 FTEs by FY 2007 for an estimated savings of $89,000 per contracted employee.

Program 6.05: Ohio Job Insurance (OJI)

Program Description: The OJI system is a replacement of the UC Benefits system, which pays benefits to unemployment recipients. The OJI is expected to offer better automation, integration, and extended self-service functions not currently offered. Electronic Funds Transfer (EFT) will eliminate costs associated with printed checks.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget allows for additional staff to continue system developments. Staff levels are expected to increase from 18 to 33 with this funding level. ODJFS indicates that the OJI system is operational and has replaced the functionality of the UC Benefits system. The enacted budget includes maintenance of the new system, development and enhancement of functionality, and any upgrades or changes needed for federal or state requirements.

Program 6.06: Employer Resource Information Center (ERIC)

Program Description: The Employer Resource Information Center (ERIC) is a replacement of the UC Tax and Wage Records systems. ERIC will provide a better technological platform to deliver on-line services to tax system users. The desired functionality will allow customers access to their accounts on-line or via telephone to customer representatives and will provide monthly statements to employers on all activity. Another objective is a paperless tax submission and management within ten years. The system will manage accounts, ledgers, and funds. Links with the Ohio Business Gateway and other statewide systems are also intended.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget allows the program to continue current development operations. Two FTEs are currently assigned to this program.

Program 6.07: UCRC-MIS

Program Description: The Unemployment Compensation Review Commission Management Information Systems supports the UCRC case management system. The system tracks unemployment appeal claims throughout the appeals process until it is assigned, heard, and a disposition issued.

Funding Source: Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted budget will allow UCRC-MIS staff to continue maintenance and technical support for the program, including routine programming on the system. The portion of the UCRC federal grant designated for the MIS system has not been sufficient to entirely run the program in the past. The appropriation to this program represents the share of the federal UCRC award allotted for this program. Additional expenses, estimated at $3.0 million per fiscal year will be paid for through the State Special Revenue Fund 4A9.

SUPPORT SERVICES

OVERVIEW

Support Services

Program Management of the Department of Job and Family Services (ODJFS) consists of the Director's Office and the offices of Legislation; Legal Services; Communications; Employee and Business Services; Research, Assessment and Accountability; Contracts and Acquisition; Chief Inspector; and Fiscal Services. Besides the leadership and direction-setting roles of the Director's Office, the component offices provide support services to the program offices. The enacted budget will enable ODJFS' component offices to maintain their current level of support services to the rest of the agency.

Through its Office of Management Information Services (MIS), ODJFS provides information systems to meet the Department's operational and managerial decision-making needs. The Office 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 for the Department's computer systems for Medicaid, public assistance, social services, child support enforcement programs, employment services, and workforce development. The enacted budget will ensure maintenance of existing enterprise business applications of the Office of MIS and management of network support to all ODJFS staff and county users.

ANALYSIS OF THE ENACTED BUDGET

Program Series 7 Support Services

Purpose: To provide administrative and operational support to agency programs to help accomplish the agency's mission.

The following table shows the line items that are used to fund the Support Services program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	600-321*	Support Services	$71,770,014	$68,878,507
GRF	600-416*	Computer Projects	$68,317,992	$71,799,235
		General Revenue Fund Subtotal	**$140,088,006**	**$140,677,742**
State Special Revenue Fund				
4A9	600-607*	Unemployment Compensation Admin Fund	$0	$1,629,799
4J5	600-613*	Nursing Facility Bed Assessment	$950,319	$983,505
5AX	600-697	Public Assistance Reconciliation	$60,000,000	$0
5F2	600-667	Building Consolidation	$250,000	$250,000
5F3	600-668	Building Consolidation	$1,000,000	$1,000,000
5U3	600-654*	Health Care Services Administration	$356,676	$368,346
		State Special Revenue Fund Subtotal	**$62,556,995**	**$4,231,650**
General Services Fund				
5N1	600-677	County Technologies	$1,000,000	$1,000,000
		General Services Fund Subtotal	**$1,000,000**	**$1,000,000**
Federal Special Revenue Fund				
3AW	600-675	Faith-Based Initiatives	$750,000	$750,000
3F0	600-623*	Health Care Federal	$1,250,959	$1,305,366
3H7	600-617*	Child Care Federal	$8,150,641	$8,474,074
3V0	600-688*	Workforce Investment Act	$7,219,069	$7,455,449
3V4	600-678*	Federal Unemployment Programs	$17,118,119	$18,384,983
3V6	600-689*	TANF Block Grant	$6,083,267	$6,080,564
331	600-686*	Federal Operating	$6,899,946	$7,083,902
384	600-610*	Food Stamps and State Administration	$11,049,007	$11,420,292
397	600-626*	Child Support	$16,988,943	$17,640,735
398	600-627*	Adoption Maintenance/Administration	$10,726,968	$11,160,499
		Federal Special Revenue Fund Subtotal	**$86,236,919**	**$89,755,864**

Fund	ALI	Title	FY 2006	FY 2007
Holding Account Redistribution Fund				
R12	600-643	Refunds and Audit Settlements	$3,600,000	$3,600,000
R13	600-644	Forgery Collection	$10,000	$10,000
		Holding Account Redistribution Fund Subtotal	**$3,610,000**	**$3,610,000**
Total Funding: Support Services			**$293,491,920**	**$239,275,256**

* Amount does not reflect total appropriation because the line item is used to fund other program series. The amounts shown here were calculated by LSC staff based on the percentage of the line item that was allocated to this program series in the As Introduced version of the bill.

This analysis focuses on the following specific programs within the Support Services program series:

- ***Program Management***
- ***Computer Projects (MIS Support)***

Program 7.01 – Program Management

Program Description: Program Management provides administrative support services across the entire agency. Services include budget development, management and monitoring; payroll projections; human resources processing; facilities management; responses to legislative, constituent, and media requests; performance management; contracting and acquisition procedures; accounting services, funding and auditing of counties and service providers; financial reporting; legal services; mail processing; quality control; and Internal Audit Compliance program implementation.

Funding Sources: General Revenue Fund, State Special Revenue Fund, Federal Special Revenue Fund, and Holding Account Redistribution Fund

Implication of the Enacted Budget: The enacted funding level will enable ODJFS to maintain its staffing levels in its support offices as well as acquire new technology, such as imaging, which will improve the ability of the support offices to provide services to the rest of the agency.

Over the FY 2006-2007 biennium, ODJFS will begin the process of consolidating and relocating its central campus. Currently, ODJFS offices operate from nine different locations in Columbus. The overall consolidation plan is that by some time in FY 2008 ODJFS will operate out of three locations: the Air Center, 145 Front Street, and the Lazarus building. To accomplish this consolidation, the 145 Front Street building and the Lazarus building must be renovated.

Renovation of the 145 Front Street building will cost $18 million. In H.B. 675 of the 124th General Assembly ODJFS received a capital appropriation of $16 million for renovation purposes. (This amount was reappropriated in S.B. 189 of the 125th General Assembly.) Funding for the renovation will come from the Special Administrative Fund, in which interest on delinquent contributions, fines, and forfeitures collected pursuant to the law governing unemployment compensation, and all court costs and interest paid or collected in connection with the repayment of fraudulently obtained unemployment compensation benefits are deposited. The Unemployment Compensation Advisory Council (UCAC) controls all spending from this fund. The UCAC is a 12-member body that was formed to recommend legislative changes to the law governing the Unemployment Compensation program to the Director of Job and Family Services, the Unemployment Compensation Review Commission, the Governor, and the General Assembly. The Department will have to go to the Controlling Board to seek a $2 million increase in the appropriation to fully fund the renovation.

The Lazarus building is owned by the Columbus Downtown Development Corporation, which will pay for the renovation. The Department of Administrative Services will work with ODJFS and the property owner to ensure that the design of the renovation meets the needs of ODJFS. Once renovations are complete, ODJFS will move in and lease the space.

Program 7.02 – Computer Projects (MIS Support)

Program Description: Through its Office of Management Information Services, ODJFS provides various computer 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 for the Department's computer systems for Medicaid, public assistance, social services, child support enforcement programs, employment services, and workforce development. The Computer Projects program includes the network, mainframe support, security, database maintenance, systems programming for all mainframe applications, client server support, standards, and configuration management for all of the MIS applications and business functions. Also included in this program is the Data Warehouse project, which is designed to provide easily accessible, comprehensive, and high-quality information in a timely manner using both standard and ad hoc reporting in an integrated environment.

Funding Sources: General Revenue Fund, General Services Fund, and Federal Special Revenue Fund

Implication of the Enacted Budget: The enacted funding level will ensure maintenance of existing enterprise business applications of the Office of Management Information Services and management of the ODJFS network support to all ODJFS staff and county users. The Department continues to replace Information Technology (IT) contractors with state staff. In March of 2003, ODJFS had 452 IT state employees and 273 time and materials contractors. As of December 31, 2004, ODJFS had 596 IT state employees and 162 time and materials contractors. Over the FY 2006-2007 biennium, ODJFS plans to continue this trend and hopes to increase IT staff who are state employees by 102, bringing the number of contractors down to 60. The Department may need to retain a certain number of contractors because as the IT industry changes there will always be needed skill sets that are in large demand and command greater compensation than the state can offer to pay a state employee.

Judicial Conference of Ohio

Jamie L. Doskocil, Budget Analyst

- Zero growth for GRF portion of budget
- Moneys earmarked for State Council of Uniform State Laws

OVERVIEW

Duties and Responsibilities

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 Conference consists of all 713 active judges in Ohio, as well as six judicial associations. The general charge and supervision of the administration of the Conference's affairs rests with judges who serve on the Executive Committee, which is comprised of approximately 50 judges.

The Conference has 11 staff members, including the executive director who is appointed by the officers of the Executive Committee. Conference staff provide administrative and research support for more than 20 permanent and *ad hoc* committees that involve over 200 judges. While judges serving on committees receive no compensation for services rendered to the Conference, judges may receive reimbursement for reasonable and necessary expenses.

Agency in Brief

The following table selectively summarizes Conference appropriations and staffing information.

Conference In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
11	$1.18 million	$1.18 million	$957,000	$957,000	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

State Council of Uniform State Laws

The Conference is obligated to pay the expenses associated with the State Council of Uniform State Laws, which consists of four commissioners appointed by the Governor and collects and digests data concerning the prevailing law in the United States and other countries, upon such subjects where uniformity is important. The Conference essentially acts as a pass-through funding conduit for the Council. According to the Conference, the earmark is primarily used for membership fees and travel reimbursements for Ohio's delegation in relation to the National Conference of Commissioners on

Uniform State Laws. Contained in the enacted budget is a temporary law provision earmarking GRF funds of up to $66,000 in FY 2006 and up to $68,000 in FY 2007 for this purpose.

Vetoed Provisions

The Conference is not directly affected by any of the items contained in Am. Sub. H.B. 66 that were vetoed by the Governor.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Judicial Conference of Ohio is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Education and Information

Purpose: To 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 following table shows the two line items that are used to fund the Conference's education and information activities, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	018-321	Operating Expenses	$957,000	$957,000
		General Revenue Fund Subtotal	**$957,000**	**$957,000**
General Services Fund				
GSF	018-502	Ohio Jury Instructions	$225,000	$225,000
		General Services Fund Subtotal	**$225,000**	**$225,000**
Total Funding: Education & Information			**$1,182,000**	**$1,182,000**

Program Description: The Conference was established by Am. Sub. H.B. 205 of the 105th General Assembly to promote fair and effective administration of justice and serve as an avenue for judges to exchange experiences and suggestions relative to the operation of the state's judicial system. This is accomplished by educating and informing judges through conferences, videos, mentoring programs, and numerous publications related to the state of the judiciary in Ohio.

Funding Sources: (1) GRF, and (2) annual membership dues, conference registration fees, royalties, and other miscellaneous sources, including various one-time grants**.**

Implication of the Enacted Budget: Under the enacted budget, the Conference is scheduled to receive GRF appropriations totaling $957,000 in each of FYs 2006 and 2007, which translates into a no-growth budget relative to its total actual FY 2005 GRF expenditures of $956,998. With that amount of GRF funding, the Conference anticipates being able to maintain current service levels and cover the payroll costs associated with its existing 11 full-time staff positions.

Judiciary/ Supreme Court

Jamie L. Doskocil, Budget Analyst

- Relocated to the Ohio Judicial Center in March 2004
- Budget includes operations, maintenance, and security costs associated with managing the Ohio Judicial Center
- Majority of GRF budget covers state share of Ohio judges' salaries

OVERVIEW

Budgetary Structure

Prior to FY 1998, the Judiciary (JUD) and the Supreme Court of Ohio (SUP) operated under separate budget structures, although the reality was that the Court, in effect, had control of and managed The Judiciary 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 operating appropriations act covering FYs 1998 and 1999, merged the two separate budget structures into a single "agency" budget known as The Judiciary/Supreme Court (JSC). The merger was undertaken, at the Court's request, in order to ease its administrative burdens.

Duties and Responsibilities of the Supreme Court

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.

Relocation to Ohio Judicial Center

In the spring of 2004, the Supreme Court and other judicial agencies relocated to the Ohio Judicial Center at 65 South Front Street in downtown Columbus. The Ohio Judicial Center, formerly known as the Ohio Departments Building, underwent an $85.6 million restoration that was completed at the beginning of calendar year 2004. The Supreme Court of Ohio manages all building operations and does not charge rent to the other judicial agencies occupying space in the building.

Agency in Brief

The JSC GRF budget has the following three readily identifiable components.

(1) ***Judicial salaries.*** This component, estimated at roughly two-thirds of the annual 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.

(2) ***Courts of appeals support staff.*** This component, estimated at around 15% of the annual GRF budget, funds the salaries for the support staff of the state's 12 courts of appeals.

(3) ***Supreme Court operations.*** This component, estimated at approximately 20% of the annual GRF budget, funds the salaries of the justices and staff, the operation and maintenance of the Ohio Judicial Center, and the provision of programs that benefit the trial and appellate courts.

Table 1 immediately below selectively summarizes JSC appropriations and staffing information.

Table 1: JSC In Brief

Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
254 full time 9 part time	$125.97 million	$129.19 million	$119.84 million	$122.88 million	Am. Sub. H.B. 66

*Employee count obtained from the Supreme Court's fiscal office as of August 2005. Number includes 3 full-time and 1 part-time staff positions dedicated to the Ohio Criminal Sentencing Commission.

On September 1, 2005, the Court reported that it had 254 full-time staff, 9 part-time staff, and approximately 8 vacant 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 600 local judges throughout the state, 88 county clerks of courts, and judges of the courts of appeals and their staff. The annual salaries paid from the state treasury by the Supreme Court are summarized in Table 2 immediately below.

Table 2: Annual Salaries Payable from the State Treasury

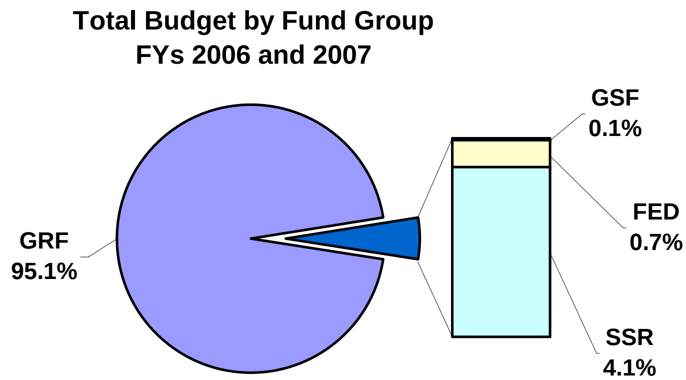
Office	Number of Positions	Portion of Annual Salary Payable from the State Treasury
Justices of the Supreme Court and Court staff	254 full-time employees 9 part-time employees 7 Justices	100% of salary
Judges of the courts of appeals and R.C. section 2501.16 employees	290 employees 68 judges	100% of salary in most cases (some R.C. section 2501.16 employees' salaries are split between the county and the state)
Common pleas, municipal, and county court judges	386 common pleas judges 208 municipal court judges 47 county judges	Varies; determined by statute
County clerks of courts	88 clerks	1/8 of salary for court of appeals-related services

Criminal Sentencing Commission

The annual operating expenses of the Ohio Criminal Sentencing Council are also contained in the JSC budget and are paid almost entirely from a GRF special purpose account (line item 005-401). The Council, created pursuant to section 181.21 of the Revised Code, is charged with, among other duties and responsibilities, studying the state's criminal laws, sentencing patterns, and juvenile offender dispositions, recommending comprehensive sentencing plans to the legislature, and advising legislative committees and members when bills that affect criminal sentencing are considered and enacted. Traditionally, the Council has been referred to as the Ohio Criminal Sentencing Commission.

FYs 2006-2007 Expense by Fund Summary

The pie chart immediately below shows the total appropriations (FYs 2006 and 2007) by fund group. This information is shown for the GRF and for all funds.



Vehicle Allowances (R.C. section 141.04)

The enacted budget amends section 141.04 of the Revised Code to provide a $500 vehicle allowance per month for the Chief Justice and six Justices of the Supreme Court. According to the Court, for over 30 years the Justices of the Supreme Court have been assigned Court-owned vehicles for travel purposes. By transitioning to a vehicle allowance method, the Court anticipates a cost savings of approximately $20,000 to $25,000 per year based on eliminating the costs of buying, maintaining, and fueling vehicles, as well as staff time in performing those tasks.

Vetoed Provisions

The Judiciary/Supreme Court is not directly affected by any of the items contained in Am. Sub. H.B. 66 that were vetoed by the Governor.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Judiciary/Supreme Court (JSC) is considered a single program series agency and its activities are not subdivided into separate programs

Program Series 1 — Operating Expenses

Purpose: To operate the state judicial system and to regulate the practice of law.

The following table displays the line items that are used to fund the operating expenses of the Judiciary/Supreme Court, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	005-321	Operating Expenses	$118,855,655	$121,441,259
GRF	005-401	State Criminal Sentencing Council	$328,676	$343,730
GRF	005-406	Law-Related Education	$216,131	$222,615
GRF	005-502	Legal Education Opportunity Commission	$435,000	$875,000
		General Revenue Fund Subtotal	**$119,835,462**	**$122,882,604**
State Special Revenue Fund				
4C8	005-605	Attorney Registration	$3,169,774	$3,264,867
5T8	005-609	Grants and Awards	$10,000	$10,000
643	005-607	Commission on Continuing Legal Education	$569,203	$586,261
6A8	005-606	Supreme Court Admissions	$1,410,718	$1,453,042
		State Special Revenue Fund Subtotal	**$5,159,695**	**$5,314,170**
General Services Fund				
GSF	005-601	Continuing Judicial Education	$130,000	$130,000
		General Services Fund Subtotal	**$130,000**	**$130,000**
Federal Special Revenue				
FED	005-603	Federal Grants	$848,070	$861,382
		Federal Special Revenue Subtotal	**$848,070**	**$861,382**
Total Funding: Operating Expenses			**$125,973,227**	**$129,188,156**

Program Description: The Supreme Court of Ohio: (1) adopts rules governing practice and procedure in Ohio's courts, (2) exercises superintendence over all state courts through its rule-making authority, (3) admits attorneys to the practice of law in Ohio, and (4) disciplines judges and attorneys for violation of their respective codes of conduct.

Funding Sources: (1) GRF, (2) admissions and registration fees, and (3) grants and awards.

Implication of the Enacted Budget: The enacted JSC annual operating budget, 95% of which is covered by moneys appropriated from the GRF, will essentially fund: (1) the salaries and fringe benefits of the judges of the Supreme Court of Ohio and the courts of appeals, (2) the state's share of the judge's salaries and fringe benefits in the courts of common pleas, municipal courts, and county courts, (3) the expenses of the state's judicial system, including supplements to the clerks of the courts of common pleas, (4) the operating expenses of the Supreme Court of Ohio, and (5) the operating expenses of the Ohio

Criminal Sentencing Commission. The GRF component of the JSC annual operating budget is increased: (1) by $8.3 million, or 7.4%, in FY 2006 relative to the total amount of GRF expended in FY 2005, and (2) by $3.0 million, or 2.5%, in FY 2007 relative to the amount of GRF appropriated for FY 2006. As of this writing, it appears that the total amount of funding appropriated in each of FYs 2006 and 2007 will be sufficient for JSC to maintain current service levels.

Lake Erie Commission

Ann Braam, Budget Analyst

- Implementation of the Balanced Growth Recommendations will be a major focus in the coming biennium
- The Lake Erie Commission expects to award a slightly lower number of grants until license plate revenue rebounds

OVERVIEW

Duties and Responsibilities

The Lake Erie Commission (LEC) is responsible for coordinating state policies and programs that are related to Lake Erie and its surrounding areas. The Lake Erie Commission's role is to preserve and protect Lake Erie's natural resources, protect and restore the quality of its waters and ecosystem, and promote economic development of Ohio's North Coast. The Commission comprises the directors of the Ohio Environmental Protection Agency and the departments of Agriculture, Development, Health, Natural Resources, and Transportation.

Commission staff work from the Lake Erie Office in Toledo, and together with the Commission, focuses on awarding research and implementation grants, providing public education programs, and representing the state of Ohio on many regional and international Great Lakes management organizations. Staff members advise the Governor and the Commission on the development, coordination, and implementation of Lake Erie programs; represent Ohio in regional, national, and international forums relating to the Great Lakes; assist in the Coastal Zone Management program; facilitate compliance with the Great Lakes Water Quality Agreement and Great Lakes Toxic Substances Control Agreement; and manage the distribution of funds from the Lake Erie Protection Fund. The Lake Erie Protection and Restoration Plan, a strategic action plan for the comprehensive and long-term enhancement of Lake Erie and its watershed, guides staff efforts in all of these initiatives.

The Commission maintains two accounts, both in the State Special Revenue (SSR) Fund Group. The Lake Erie Protection Fund (Fund 4C0), which was established to protect and enhance Lake Erie through research, restoration, and education, receives thousands of individual donations, primarily through the Lake Erie license plate program. It also receives some revenue from the Lake Erie credit card program. This Fund is used solely to award research grants and contracts through a competitive proposal process.

The Lake Erie Resources Fund (Fund 5D8) receives Ohio's share of the earnings from the Great Lakes Protection Fund, an interstate trust fund established in 1989 to protect and restore the Great Lakes. States contiguous to the Great Lakes deposit money into the fund for projects and programs related to the Great Lakes. One-third of the annual earnings are transferred to the states. Moneys in Fund 5D8 are used to support the operations of the Commission and its Office.

FYs 2006-2007 Budget Focus

Lake Erie Grants

Commission staff selects grant recipients through a competitive process. The Commission has a small grant cycle for research projects, and a large grant cycle for implementation projects. Once applications are received, they are reviewed by both outside researchers and state agency officials to determine the viability and applicability of each proposal. The LEC Grants Committee, which comprises one designee from each of the cabinet level agencies that serve on the Commission, conducts a final review prior to approval by the Commission. Proposals are reviewed and judged according to technical quality, relevance to the Commission's stated goals, and the degree to which the proposal will result in real improvements to the Lake Erie watershed. Grants are awarded to private organizations, nonprofit organizations, academic groups, and state/local government agencies. Grants are applicable for up to three years, and a 10% match is required. Examples of typical projects include: restoration of wetlands or habitat, ecology research, monitoring of manufacturing and/or chemical plants, and the implementation of Best Management Practices (BMPs). Over the FY 2004-2005 biennium, the Lake Erie Protection Fund was also used to further develop the Lake Erie Quality Index metrics that are used in the *State of the Lake Report*, the newest version of which was released in September 2004. During that biennium, approximately 36 grants were awarded totaling $1 million.

Lake Erie Protection and Restoration Plan/Balanced Growth Initiative

The *Lake Erie Protection and Restoration Plan* is a comprehensive and long-term plan that plots a course for the continued enhancement of Lake Erie and its watershed. This plan was created in response to the *1998 State of the Lake Report-Lake Erie Quality Index* containing quantitative metrics measuring the environmental, recreational, and economic quality of the Lake Erie watershed. The plan focuses attention on those remaining problems that continue to impair the full use and enjoyment of Lake Erie.

The plan called for strategic action on Balanced Growth. In FY 2002, the Balanced Growth Blue Ribbon Task Force was given the responsibility to recommend strategies to better integrate environmental and economic impacts into Ohio's land-use planning and future investments in Lake Erie. The Commission adopted these recommendations in April 2004 and committed their efforts for this biennium to move forward with managing the implementation of Lake Erie's Balanced Growth Initiative as a key program to help restore Lake Erie and its watershed. A major focus of the Commission in this biennium will be to work with local and state government to work toward integration of sustainable development practices into state development policies and development funding decisions.

Other specific *Lake Erie Protection and Restoration Plan* strategic actions assigned to the Commission that will continue to be pursued include:

- The Governor's Lake Erie Balanced Growth Awards, an incentive program awarded from the Lake Erie Protection Fund for innovative examples of balanced growth practices;
- The Lake Erie Lighthouse Designation to recognize those entities practicing sound balanced growth principles;
- Publishing and distributing the Lake Erie Model Zoning Ordinance and Building Code;

- The Lake Erie Watershed Monitoring Network to collaborate with federal, local, and private organizations to establish water monitoring stations and regular sampling schedules for water clarity, water chemistry, and biological sampling, providing a support system for science-based management decision; and

- Progress Reports on the progress of each commission agency's assigned strategic action outlined in the *Lake Erie Protection and Restoration Plan*.

Current Issues and Challenges

Declining License Plate *Revenue in the Lake Erie Protection Fund (Fund 4C0)*

The Lake Erie License Plate Sales Program, which supports the Lake Erie Protection Fund grants program, has experienced decreased revenue over the past several years as a result of increased competition in the specialty license plate market. As a result of decreased funds, the Commission expects a decrease in grants that may be issued. However, the Commission expects to at least maintain and possibly increase the amount of Lake Erie license plate sales revenue through several initiatives. In FY 2004 a marketing team was established representing the member agencies of the Commission to assist in revitalizing the Lake Erie License Plate Program and develop future revenue-generating ideas. The Commission issued a new Lake Erie license plate commemorating the 100-year anniversary of Toledo's Harbor Light. In addition, promotional packages have been sent to Deputy Registrars along the shoreline and to interest groups such as boat clubs. The Commission has taken steps toward utilizing cabinet agency members' Public Information Officers with press releases and poster designs. In the coming biennium, it is anticipated that new license plate initiatives aimed at reversing the decreasing sales trend will be launched.

Economic Impacts on the Lake Erie Resources Fund (Fund 5D8)

Operating funds for the Commission have also declined as the Great Lakes Protection Fund is dependent upon earnings from its endowment and the fund has been negatively impacted by the economic conditions of the past few years. As a result, the Lake Erie Commission adjusted its expenditures in FY 2005 by cutting operational expenses. The Commission indicates that revenue is expected to increase in the coming biennium and is working to secure grant funds from the Ohio Department of Natural Resources and the United States Environmental Protection Agency to help maintain programs while the Great Lakes Protection Fund rebounds.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
4	$1,361,072	$1,367,794	$0	$0	Am. Sub. H.B. 66

* Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

There are no vetoed provisions associated with the Lake Erie Commission.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Lake Erie Commission is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Lake Erie Commission

Purpose: To preserve Lake Erie's natural resources, protect the ecological quality of its watershed, and promote economic development on the North Coast through coordination of policies and programs of state government pertaining to such matters as water quality, habitat, recreation and tourism, and resource management within the Lake Erie Basin.

The following table shows the line items that are used to fund the Lake Erie Commission, as well as FYs 2006-2007 appropriations.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
4C0	780-601	Lake Erie Protection	$875,000	$875,000
5D8	780-602	Lake Erie Resources	$486,072	$492,794
Total Funding: Lake Erie Commission			**$1,361,072**	**$1,367,794**

Funding Sources: The Lake Erie Protection Fund (Fund 4C0), consisting of revenue generated from the sale of Lake Erie license plates and other donations, gifts, and bequests; and the Lake Erie Resources Fund (Fund 5D8), consisting of Ohio's share of the earnings from the Great Lakes Protection Fund (an interstate trust fund); and other donations, gifts, and bequests

Implication of the Enacted Budget: The enacted budget will permit the Lake Erie Commission to continue to focus on the Balanced Growth Initiative. Funding will also enable the Commission to cover cost of living pay increases. In addition to priorities mentioned in the Overview, the Commission will continue to pursue the following priority activities at current levels: release of program reports of the Lake Erie Protection and Restoration Plan; quarterly meetings of the Commission to coordinate state policies and management activities concerning Lake Erie and providing a forum for Ohio citizens and organizations to voice their concerns to state government officials; promotion of the annual Ohio Coastweeks program, an annual public outreach program to promote the preservation, protection, and enjoyment of Lake Erie through volunteer cleanup activities, exhibits related to Lake Erie conservation and development, and various recreational activities; promotion of the Ohio Lake Erie Awards and Photo Contest; and continued Ohio representation on regional Great Lakes management forums.

Ohio Legal Rights Service

Clay Weidner, Budget Analyst

- Enacted budget provides level GRF funding for FYs 2006-2007

OVERVIEW

Duties and Responsibilities

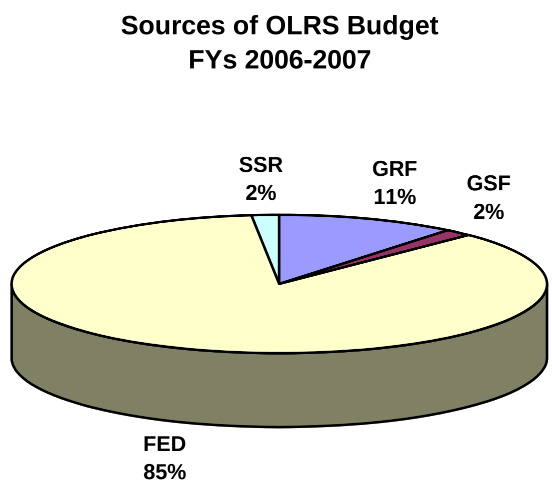
Revised Code section 5123.60 created the Ohio Legal Rights Service (OLRS) in 1975 as Ohio's federally mandated protection and advocacy (P&A) agency. The federal government requires every state to designate a P&A organization to protect and advocate for the rights of people with disabilities. Ohio Legal 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. 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. Ohio 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. Ohio Legal Rights Service provides legal representation, information and referral, professional assistance, negotiation and mediation, education, and training.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
49	$4.58 million	$4.58 million	$489,322	$489,322	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

The following chart shows the funding sources of OLRS' budget for fiscal years (FYs) 2006-2007:



ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Ohio Legal Rights Service is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Ohio Legal Rights Service

Purpose: To protect and guarantee the human, civil, and legal rights of people with disabilities.

The following table shows the line items that are used to fund the Ohio Legal Rights Service.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	054-100	Personal Services	$162,281	$162,281
GRF	054-200	Maintenance	$33,938	$33,938
GRF	054-300	Equipment	$1,856	$1,856
GRF	054-401	Ombudsman	$291,247	$291,247
		General Revenue Fund Subtotal	**$489,322**	**$489,322**
State Special Revenue Fund				
5AE	054-614	Grants and Contracts	$75,000	$75,000
		State Special Revenue Fund Subtotal	**$75,000**	**$75,000**
General Services Fund				
416	054-601	Gifts and Donations	$1,352	$1,352
5M0	054-610	Settlements	$75,000	$75,000
		General Services Fund Subtotal	**$76,352**	**$76,352**
Federal Special Revenue Fund				
3AG	054-613	Protection and Advocacy – Voter Accessibility	$114,089	$114,089
3B8	054-603	Protection and Advocacy – Mentally Ill	$1,059,041	$1,059,041
3N3	054-606	Protection and Advocacy – Individual Rights	$550,283	$550,283
3N9	054-607	Assistive Technology	$141,686	$141,686
3R9	054-604	Family Support Collaborative	$50,000	$50,000
3T2	054-609	Client Assistance Program	$400,553	$400,553
3X1	054-611	Protection and Advocacy – Social Security	$187,784	$187,784
3Z6	054-612	Traumatic Brain Injury	$65,138	$65,138
305	054-602	Protection and Advocacy – Developmentally Disabled	$1,369,082	$1,369,082
		Federal Special Revenue Fund Subtotal	**$3,937,656**	**$3,937,656**
Total Funding: Ohio Legal Rights Service			**$4,578,330**	**$4,578,330**

The specific programs that this analysis will focus on include:

- ***Ombuds/Legal Section***
- ***Federal Protection and Advocacy***

Ombuds/Legal Section

Program Description: The Executive Director appoints ombudsman, disabilities rights advocates, and attorneys who advocate for individual and systemic change through individual, group and class action cases, monitoring policies, legislative activity, and education and training. Ohio Legal Rights Service represents large numbers of clients through investigation, negotiation, and policy development. Legal action is taken only as a last resort. Under law, OLRS is required to facilitate the resolution of complaints through nonlegal means whenever possible.

Ombuds Section: The Ombuds program provides investigation, advocacy, mediation, and information and referral to individuals with a mental illness, mental retardation, or developmental disabilities. The Ombuds section also acts on complaints from mentally retarded and other developmentally disabled (MR/DD) and mentally ill persons, their relatives or guardians, public officials, or interested citizens regarding health and safety, abuse and neglect, and rights violations.

Revised Code section 5123.604(C) also requires the Ombuds section to receive and monitor all Major Unusual Incident (MUIs) reports from public, private, and community providers. The Ohio departments of Mental Retardation and Developmental Disabilities (ODMR/DD) and Mental Health (ODMH) are required by statute to notify OLRS of all investigations of MUIs and furnish all relevant reports within 48 hours. Ombudsman notify ODMR/DD, ODMH, or any other appropriate governmental agency of the complaint. If the situation cannot be satisfactorily resolved, the Ombuds section can recommend action to the appropriate authorities. If the complaint involves the commission of a crime or the violation of standards of professional conduct, the section may notify the Attorney General, county prosecuting attorney, or other appropriate law enforcement agency. In federal fiscal year (FFY) 2003, 26,880 MUI reports were received by OLRS. Of that total, approximately 62% occurred in MR/DD community settings. In FFY 2003, the Ombuds section served 765 people through individual or group cases.

Legal Section: The OLRS Legal section investigates and acts upon allegations of rights violations in cases that do not fit in any of the federal protection and advocacy programs (see below). The Legal section seeks settlements through advocacy and negotiation and provides legal representation in individual and class actions when necessary. Ohio Legal Rights Service continually monitors individuals involved in these cases and provides them with the necessary advocacy services.

Implication of the Enacted Budget: The enacted budget provides level funding in FY 2006 and FY 2007 for all of the Department's GRF line items, totaling $489,322 in each fiscal year. The enacted budget will cover the nonfederal match required to receive federal grant dollars. The level of funding will not have any implications on the agency's ability to seek federal grants that fit the agency's statutory mission. However, external factors and available funding cause OLRS to constantly reprioritize resources to focus on emergency situations. For example, during the previous biennium, the announced closure of two state developmental centers immediately became the top priority.

In FY 1998, OLRS expended $726,196 in GRF dollars. The funding level in the enacted budget represents a 32.6% decrease from FY 1998 levels. When adjusted for inflation, GRF funding for OLRS has decreased by 47.6% since FY 1998.[18] In contrast, the number of MUIs received by OLRS has increased 457% from 4,826 to 26,880 during that time. According to OLRS, budget reductions and level GRF funding have significantly affected OLRS' service levels. OLRS served approximately 9% fewer individuals in FFY 2003 than in FFY 2002. OLRS expects a decrease in the number of individuals served to occur during the current biennium.

Federal Protection and Advocacy

Program Description: Ohio Legal Rights Service receives grants for nine federal protection and advocacy programs. They are as follows:

Protection and Advocacy for Individuals with Developmental Disabilities (PADD) – This federal program protects and advocates for the human and civil rights of people with developmental disabilities in developmental centers, schools, and in Ohio communities. This program served a total of 3,408 individuals in FFY 2003 and made up approximately 19% of OLRS' individual cases.

Protection and Advocacy for Individuals with Mental Illness (PAIMI) – The PAIMI program serves Ohio's mentally ill adults, children, and youth in psychiatric hospitals and communities. This program served a total of 3,200 individuals in FFY 2003 and made up approximately 33% of OLRS' individual cases.

Protection and Advocacy for Individual Rights (PAIR) – The PAIR program serves individuals with any significant disability other than those served by the PADD, PAIMI, or Client Assistance Programs. For example, PAIR eligible individuals include persons with chronic or serious medical conditions, people with physical disabilities, and people with traumatic brain injury who received the disabling injury after age 22. The PAIR program advocates for people who have been discriminated against or whose rights have been violated. This program served a total of 2,774 individuals in FFY 2003 and made up approximately 30% of OLRS' individual cases.

Protection and Advocacy for Assistive Technology (PAAT) – This federal grant helps provide protection and advocacy services to individuals in need of assistive technology devices. OLRS uses this money to provide legal representation or mediation and negotiation services to those who need these devices.

Protection and Advocacy for Beneficiaries of Social Security (PABSS) – This federal grant is used to assist SSI or SSDI beneficiaries who seek vocational rehabilitation services, employment services, and other support services from employment networks and other service providers under the Ticket to Work Improvement Act of 1999. Under the program, the Social Security Administration tickets are issued to SSI and SSDI beneficiaries for vocational and employment services. This program served a total of 142 individuals and made up approximately 3.2% of OLRS' individual cases.

Client Assistance Program (CAP) – The purpose of CAP is to establish a system to ensure the rights of individuals seeking from, or receiving services through, the Rehabilitation Service Commission's Bureau of Vocational Rehabilitation (BVR), or Bureau of Services for the Visually Impaired (BSVI).

[18] The JPGSLCWSS chained price index for state and local government personnel costs was used to adjust for inflation since approximately 88% of OLRS' expenditures are personnel costs.

The Client Assistance Program informs, advises, and can pursue legal, administrative, or other appropriate remedies for clients and client applicants experiencing employment-related problems. The Client Assistance Program also provides information on Title I of the Americans with Disabilities Act. This program served a total of 328 individuals in FFY 2003, approximately 8% of OLRS' individual cases.

Family Support Collaborative (FSC) – Ohio Legal Rights Service receives this federal grant through the Ohio Developmental Disabilities Council. The purpose of the FSC grant is to identify children and youth with disabilities in out-of-home placements, to identify barriers that keep children from living with a family, to plan for coordinated, efficient supports and services that assist children with disabilities to live with birth, adoptive, or foster families, and to bring together stakeholders to develop policy toward this end.

Traumatic Brain Injury (TBI) – In FY 2003, OLRS received a three-year grant from the Health Resources and Services Administration to advocate for children with traumatic brain injuries and special education services. This program served a total of 36 individuals in FFY 2003 and made up approximately 1% of OLRS' individual cases.

Protection and Advocacy for Voting Assistance (PAVA) – Ohio Legal Rights Service receives this federal grant to implement the federal Help America Vote Act. The Act provides for protection and advocacy services to advance the voting rights of people with disabilities.

Implication of the Enacted Budget: Federal funding in these programs may allow for continued levels of service. However, the appropriation levels are based on estimated federal funding levels and do not represent actual funding levels. During the budget process, OLRS usually does not know the amount of each grant because the federal budget is not finalized. Based on their estimates, OLRS expects federal revenue to slightly decrease from current levels.

Joint Legislative Ethics Committee

Sara D. Anderson, Budget Analyst

- Monitors ethics compliance; investigates complaints; sanctions as appropriate
- Administers mandatory lobbyist registrations and filings
- Handles annual legislative financial disclosure statement filings

OVERVIEW

Duties and Responsibilities

The duties and responsibilities of the Joint Legislative Ethics Committee (JLEC), which was created to serve the General Assembly, include the following:

- Establishing and enforcing a standard code of ethics;
- Receiving and hearing complaints alleging breaches of privilege, misconduct, or ethics violations;
- Obtaining information with respect to any complaint;
- Recommending appropriate sanctions;
- Acting as an advisory body on questions relating to ethics, conflicts of interest, and financial disclosure;
- Administering the annual financial disclosure forms of legislative officials and staff; and
- Administering legislative, retirement system, and executive agency lobbyist registrations and filings.

This legislative agency consists of two components: (1) a 12-member legislative committee, and (2) the Office of the Legislative Inspector General, which employs an executive director and a staff of five for the purpose of assisting the legislative committee in exercising its powers and duties. The Speaker of the House of Representatives and the President of the Senate appoint six of the legislative committee members each, and not more than three can be from the same political party.

Agency in Brief

The following table selectively summarizes JLEC appropriations and staffing information. JLEC's annual operating expenses are financed entirely by moneys appropriated from the GRF.

JLEC In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
5	$550,000	$550,000	$550,000	$550,000	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

JLEC is not directly affected by any of the items contained in Am. Sub. H.B. 66 that were vetoed by the Governor.

Analysis of the Enacted Budget

For budget purposes, as detailed below, the Joint Legislative Ethics Committee is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Legislative Inspector General

Purpose: To enable the Office of the Legislative Inspector General to assist JLEC in exercising its powers and duties.

The following table shows the lone line item that is used to fund the Office of the Legislative Inspector General, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	028-321	Legislative Ethics Committee	$550,000	$550,000
	General Revenue Fund Subtotal		**$550,000**	**$550,000**
Total Funding: Legislative Inspector General			**$550,000**	**$550,000**

Legislative Inspector General

Program Description: The program supports JLEC and the Office of the Legislative Inspector General in performing various duties and responsibilities, including, but not limited to: (1) establishing and enforcing a standard code of ethics to govern all members and employees of the state legislature and all candidates seeking election to the state legislature, (2) receiving and hearing complaints alleging breaches of privilege, misconduct, or ethics violations, (3) acting as an advisory body on questions relating to ethics, conflicts of interest, and financial disclosure, (4) administering the annual financial disclosure forms of legislative officials and staff, and (5) administering legislative, retirement system, and executive agency lobbyist registrations and filings.

Funding Source: GRF

Implication of the Enacted Budget: The enacted funding levels appear to be sufficient to allow JLEC and the Office of the Legislative Inspector General to carry out statutorily mandated duties and responsibilities.

Legislative Service Commission

Sarkis Mahdasian, Budget Analyst

- LOEO is funded only until December 31, 2005
- Additional funding is provided for revenue forecasting, as well as Medicaid caseload projections and reform issues

OVERVIEW

Duties and Responsibilities

The Legislative Service Commission (LSC) is a nonpartisan agency providing drafting, fiscal, research, training, and other technical services to the Ohio General Assembly. LSC is governed by 14 members of the General Assembly, including the Speaker of the House and the President of the Senate. The Speaker and the President each appoint six additional members, with no more than four from each chamber belonging to the same political party.

Some of the specific services provided by LSC include:

- Drafting bills, amendments, and resolutions;
- Preparing bill analyses, local impact statements, and fiscal notes;
- Providing legal and fiscal staff persons for each of the standing committees and subcommittees of the General Assembly, and for various joint, select, and ad hoc committees;
- Preparing analyses of state operating and capital budgets;
- Preparing tax revenue and welfare caseload forecasts;
- Performing long-term research studies and spot research services in both legal and fiscal areas;
- Assisting the state Controlling Board in analyzing spending requests;
- Operating a nationally recognized legislative research library;
- Distributing legislative documents to the public;
- Providing continuous technical and revisory review of the Ohio Revised Code;
- Publishing various resource documents, such as the Register of Ohio, Digest of Enactments, Members Only briefs, Ohio Facts, and Budget Footnotes;

- Administering a legislative internship program involving the recruitment, selection, training, and assignment of college-graduate interns to work as legislative staff for 13 months; and

- Training newly elected or appointment members and partisan staff in the legislative process.

Three additional offices have line item appropriations within the LSC budget: the Legislative Information Systems Office (LIS), the Correctional Institutions Inspection Committee (CIIC), and the Legislative Office of Education Oversight (LOEO). LIS provides network computer development and services for the General Assembly. CIIC is statutorily required to inspect and evaluate Ohio's prisons, and may inspect local jails. CIIC also has permissive authority to inspect and evaluate Department of Youth Services (DYS) correctional facilities. LOEO evaluates education and school-related programs in elementary and secondary schools and in state-assisted colleges and universities. The enacted budget eliminates LOEO after December 31, 2005.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
221	$21.66 million	$21.69 million	$21.48 million	$21.51 million	Am. Sub. H.B. 66

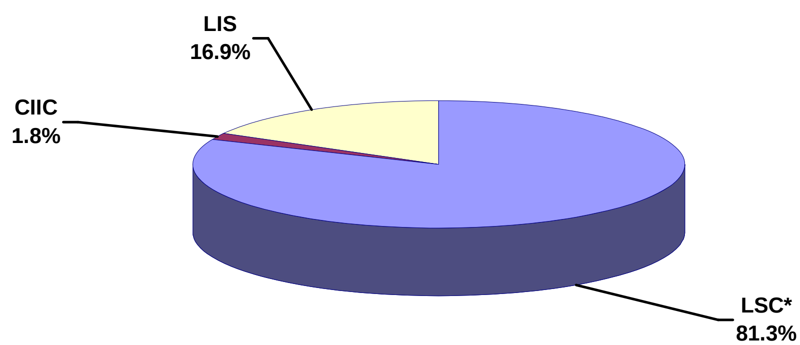
*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005 and includes all legislative staff agencies and 24 legislative interns.

ANALYSIS OF THE ENACTED BUDGET

LSC's primary source of funding is the General Revenue Fund (GRF), which accounts for approximately 99% of total funding. General Services Fund (GSF) money provides the remaining 1% of funding. The GSF receives money from the sale of publications and the Hospital Care Assurance Program. Funds from the Hospital Care Assurance Program are used to fund health-care analysis by LSC fiscal staff.

Chart 1 shows LSC's FY 2006-FY 2007 GRF funding by the offices that have line item appropriations within the LSC budget. As can be seen from the chart, the majority of GRF funds (81.3%) is appropriated to LSC, with LIS and CIIC receiving approximately 16.9% and 1.8%, respectively. GRF

Chart 1. Legislative Service Commission FY 2006-2007 GRF Budget by Office



* Includes $628,214 in GRF funds appropriated to LOEO for FY 2006.

funding for LSC is appropriated for operating expenses (including payroll, equipment purchases, and maintenance), the internship program, and membership in national associations.

Elimination of the Legislative Office of Education Oversight

The enacted budget eliminates LOEO after December 31, 2005. It requires LOEO to complete all statutorily required studies by that date and transfers any unencumbered funds appropriated to LOEO to LSC's operating expense line item (035-321) on January 1, 2006.

Reconstitution of the Legislative Budget Office

The enacted budget states that it is the intent of the General Assembly to reconstitute a Legislative Budget Office within the Legislative Service Commission to focus on revenue forecasting. LSC is required to employ a Legislative Budget Officer. LSC is also required to employ a person to focus on Medicaid, TANF, and other federally funded caseload-driven programs. The enacted budget further states that it is the intent of the General Assembly to retain current fiscal staff within LSC.

Joint Legislative Committee on Medicaid Technology and Reform

The enacted budget creates the Joint Legislative Committee on Medicaid Technology and Reform that consists of five House members appointed by the Speaker of the House and five Senate members appointed by the Senate President. The Committee will be responsible for reviewing or studying any matter it considers relevant to the operation of the Medicaid program, with priority given to mechanisms to enhance the program's effectiveness through improved technology systems and program reform. The Committee is authorized to hire an executive director. The enacted budget earmarks $100,000 in each fiscal year of GRF appropriation item 035-321, Operating Expenses, for costs associated with employing the executive director.

Electronic Database for School District Revenue and Expenditure Data

The enacted budget requires LSC, in conjunction with LIS, to establish and maintain an electronic database containing current and historical revenue and expenditure data for each school district in the state that is easy to use and readily accessible through the Internet.

State Library Board

Ann Braam, Budget Analyst

- The State Library's planned staffing level for this biennium represents an approximate 12% decrease from FY 2002 levels
- The enacted budget earmarks $100,000 per year in the OPLIN program to be used for Internet filtering technology

OVERVIEW

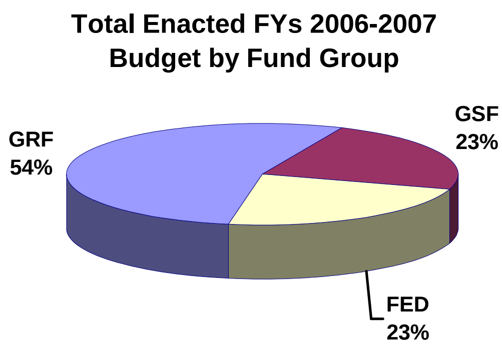
Duties and Responsibilities

The State Library Board was established in 1817 by the General Assembly to provide information and reading materials to legislators and state officials. Throughout the years, the mission of the State Library has expanded to include the following goals: collect, disseminate, and provide access to information for Ohio's state government; be an advocate for all libraries in Ohio; be a leader and partner in the development of library services throughout Ohio; promote resource sharing among libraries and library networks; and to provide specialized services to Ohio's citizens. A five-member board that is appointed by the State Board of Education for a five-year term governs the State Library.

The State Library is a reference library as well as the depository for the publications of state and federal agencies. To carry out its mission, the State Library Board operates a service program with two major program series: State Library Services and Library Grants. All State Library staff positions are funded through the State Library Services program series. Funding within the Library Grants program series supports grants to libraries.

Enacted Budget by Fund Group

The following chart display the enacted FYs 2006-2007 budget by fund group. Fifty-four percent of the State Library's budget consists of General Revenue Fund (GRF) dollars. An additional 46% of funding is derived from federal and General Service Fund (GSF) moneys generated from fees paid by state agencies using the State Library's services, other libraries and units of local governments using the State Library's services, and E-rate reimbursements.



Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
91	$24,228,021	$24,466,188	$13,105,191	$13,105,191	Am. Sub. H.B. 66

* Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

There are no vetoed provisions affecting the State Library.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 State Library Services

Purpose: To provide access to information for Ohio state government employees, Ohio libraries, and Ohio citizens; to lead and partner in the development of library services throughout Ohio; and to enable and facilitate resource sharing among libraries and library networks throughout the state.

The following table shows the line items that are used to fund State Library Services.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	350-321	Operating Expenses	$6,298,677	$6,298,677
GRF	350-400	Ohio Public Library Information Network	$4,330,000	$4,330,000
GRF	350-401	Ohioana Rental Payments	$124,816	$124,816
		General Revenue Fund Subtotal	**$10,753,493**	**$10,753,493**
Federal Special Revenue Fund				
313	350-601	LSTA Federal	$2,418,588	$2,403,644
		Federal Special Revenue Fund Subtotal	**$2,418,588***	**$2,403,644***
General Services Fund				
139	350-602	Intra-Agency Service Charges	$9,000	$9,000
459	350-602	Interlibrary Service Charges	$2,469,925	$2,708,092
4S4	350-604	OPLIN Technology	$3,000,000	$3,000,000
		General Services Fund Subtotal	**$5,478,925**	**$5,717,092**
Total Funding: State Library Services			**$18,651,006**	**$18,874,229**

* Amount does not reflect total funding. Line item is also used to fund the LSTA Grants program in Program Series 2.

Included in the program series are five specific programs:

- ***State Library Services***
- ***Ohio Public Library Information Network (OPLIN)***
- ***Southeast Ohio Consortium***
- ***Statewide Resource Sharing***
- ***Ohioana Library Lease***

State Library Services

Program Description: State Library Services develops and provides information and library materials and services for Ohio's state government and its citizens. This program also provides research, information, and consulting services to the legislative and executive branches of state government. Through this program, access is provided to more than 2 million items on site, more than 300 on-line databases, and almost 8 million unique titles held by OhioLINK libraries.

Staff in the State Library Services program answers reference questions, compiles bibliographies, assists state agencies in developing materials for internal training programs, works with state agencies in researching background information for special projects, and assists state employees in their work-related research. Staff members also provide training on Internet/on-line database usage and provide meeting space for state agencies. The State Library Services program also responds to requests for information or assistance from local library staff or trustees, particularly in the area of library development.

Operation of the Southeast Ohio (SEO) Library Center also falls under the State Library Services program. The SEO Library Center houses a collection of 190,000 items that are loaned to all public libraries in Ohio, state correctional institutions, and state parks. The Center's annual circulation is approximately 200,000. In addition, the mobile computer-training lab runs out of the SEO Library Center.

Catalog Services maintains the book collection and furnishes loan services to state agencies and Ohio libraries. Materials that are needed by state agencies but are not available in the State Library's collection are made available by interlibrary loan. The State Library has special loan relationships and telecommunications agreements with libraries across the state. Through OhioLINK, State Library patrons have access to 79 Ohio universities and college libraries to meet their reference, research, and information needs. As a member of the On-line Computer Library Center (OCLC), a national computerized library network, the State Library also has access to and acquires materials from the collections of libraries throughout the United States. All of these loan services are available free of charge to state agencies for work-related research through the State Library.

State Library Services also administers the federal funds that assist state and local libraries. Funds from the Library Services and Technology Act (LSTA) are used to emphasize technological innovation and outreach services and are distributed via grant to small local libraries and school libraries.

The Library Programs and Development department provides consultant and information services to librarians across the state, including assisting individual libraries in addressing local library development needs and in meeting local library service goals. The department works with all types of libraries in the areas of strategic planning; building community coalitions; and providing specialized services to diverse populations in the community, such as senior citizens and those with disabilities.

Funding Sources: GRF, GSF (fee revenue from state agencies that use state library services as well as funds from local libraries and other local units of government), and Federal Special Revenue (LSTA funds)

Implication of the Enacted Budget: The enacted budget will allow the State Library to continue its core services at FY 2005 levels. The State Library continually evaluates all purchases that are made in this area. Much of the funding in this area will be used for "library continuations," which are those commitments for subscriptions, etc. that come due on an annual basis. When these items consume a large portion of the budget, limited funds are available for new purchases. While renewing these subscriptions/continuations, the State Library will evaluate their need and usage and cancel some of those items if necessary to free up funds for new purchases.

Ohio Public Library Information Network (OPLIN)

Program Description: The Ohio Public Library Information Network (OPLIN) strives to provide fast, free network access to all Ohio residents through their local libraries at over 700 locations in all 88 counties. OPLIN provides network access to Ohio's 250 public libraries to ensure equity of access to the Internet and electronic information for all Ohio residents; provides in-library and remote access to subscription databases and access to Ohio government services; and provides tools to maintain effective use of the network and subscription databases. Ohio's libraries continue to develop statewide sharing of books and other materials through a variety of consortia and projects using OPLIN. OPLIN collaborates extensively with INFOhio and OhioLINK to strengthen services provided.

Am. Sub. H.B. 117 of the 121st General Assembly appropriated $12.8 million to create OPLIN, an electronic information network that links Ohio's public library systems to the state's SONET network and the Internet. An 11-member board that is responsible for all ongoing policy decisions governs OPLIN, while the State Library acts as OPLIN's fiscal agent.

The largest portion of OPLIN's budget is telecommunications. This part of the budget is more or less fixed, with GRF funds budgeted to meet monthly commitments for circuits, router support, Internet bandwidth, and other associated expenses. Commercial databases make up the second largest part of OPLIN's budget. The smallest portion of the budget is support and training.

The other funding source for OPLIN, the OPLIN Technology Fund (Fund 4S4), consists largely of E-rate reimbursements. E-rate is a federal program that provides discounted telecommunications services to schools and libraries. Historically, revenue from this source has been unpredictable. In addition, timing of reimbursements does not closely match the state accounting cycle, making its availability for specific commitments problematic.

Funding Sources: GRF, GSF (E-rate reimbursements and funds from libraries that agree to participate in group contracts for databases managed by OPLIN)

Implication of the Enacted Budget: During the current biennium, OPLIN will be hiring a new executive director, evaluating its relationship with the State Library, and determining a plan for spending the $100,000 earmarked in the budget for filtering. At this point, OPLIN does not have a specific plan for the earmark, but has discussed possible grants to public libraries for purchasing filtering software as well as some other uses related to the earmark. If grants would be given to libraries, this would be done in conjunction with the State Library Board.

While the majority of telecommunication costs will be paid from GRF, due to the funding reduction from FY 2005 in GRF appropriation item 350-400, Ohio Public Library Information Network, a larger portion of the Libraries Connect Ohio databases will be funded from the OPLIN Technology Fund (Fund 4S4). All moneys for network upgrades will come from this fund.

A portion of OPLIN comes from annual E-rate reimbursements from the federal government. OPLIN expected to receive approximately $700,000 in both fiscal years of the biennium from E-rate reimbursements; however, the amount to be received in FY 2006 will actually be close to $1 million, while no funds will be received in FY 2007 due to a technicality with the FY 2007 application for these funds. This will result in a total decrease of $400,000 for the biennium, which will result in fewer funds being available for network upgrades. E-rate reimbursements historically have been unpredictable, so this decrease, while limiting the funds available for network upgrades, will not severely impact OPLIN.

Despite the reduced GRF funding level compared to FY 2005 and the reduced revenue from E-rate reimbursements, there is not likely to be a significant loss in services or employment.

Temporary Law Provisions: ***Ohio Public Library Information Network (Section 206.90)*****.** Temporary language is included that earmarks $100,000 each fiscal year in GRF appropriation item 350-400, Ohio Public Library Information Network, for assisting local libraries in purchasing and maintaining filters to screen out obscene and illegal internet materials. The provision specifies that at least 50% of the funds used for these purposes in each fiscal year must be used for the purchase of filters. In conjunction with this earmark, the State Library received an additional appropriation of $100,000 each fiscal year in appropriation item 350-400, Ohio Public Library Information Network.

Southeast Ohio Consortium

Program Description: The Southeast Ohio Consortium offers a cost-effective program that allows small libraries across the state, which may not otherwise have the technical expertise to automate card catalog and circulation functions, to automate and also join a resource sharing consortium, thus enabling small libraries to offer many of the same services offered in larger suburban and urban libraries. This program is housed at the State Library's Southeast Ohio Library Center in Caldwell. From a consortium of 12 libraries in the early 1990s, the Consortium has grown to 67 library systems providing service to more than 150 library buildings throughout the state. According to the State Library, only 2 of Ohio's 250 public libraries are not automated. The Consortium circulates over 10 million items annually with approximately 650,000 Ohio citizens listed as registered borrowers in the system. The Consortium also provides original cataloging and database maintenance services for its members.

Members of the Consortium borrow materials heavily from each other. If a customer is unable to find a desired item at the local library, a search of the collection of the other members of the Consortium often locates the needed item. There is a statewide delivery service in place that provides the customer with the item by the next business day. The Consortium's operating expenses and upgrades are supported by revenue received from Consortium membership fees paid into the Interlibrary Service Charges Fund (Fund 459).

Funding Source: GSF (Consortium membership fees paid by member libraries)

Implication of the Enacted Budget: Funding provided in the enacted budget will allow the Southeast Ohio Consortium to maintain current service levels. In recent years the Consortium has grown significantly, resulting in greater customer demand for Southeast Ohio Consortium services. The workload associated with the Consortium has more than tripled, while the staffing level has increased from six positions in FY 2001 to ten positions currently. The Consortium completed a migration from Dynix Classic to Dynix Horizon in June 2005. Now that the migration has been completed, there are still some items to be addressed in the new system. The State Library expects this fiscal year to be a period of working out any refinements with the vendor and providing additional assistance to the libraries in the Consortium as well as prioritizing items with the libraries. Funding provided in the budget should allow the State Library to meet the increased customer demand for Consortium services. At this point, there are no new upgrades planned for the Consortium in the current biennium.

Statewide Resource Sharing

Program Description: Implemented in 2001, the Statewide Resource Sharing program provides library patrons of participating school and public libraries with access to library materials throughout the state of Ohio. This program coordinates the technology and delivery components of the Moving Ohio Resources Everywhere (MORE) system by enabling patrons to search and request materials from the on-line catalogs of one of the 141 participating public and school libraries in Ohio. It also provides the delivery mechanism to move library materials throughout Ohio. The technology costs are supported by a portion of the Library Services and Technology Act (LSTA) funds allocated to the State Library, while the delivery costs are paid for by the libraries that receive the services.

MORE software allows patrons to conduct a search of all participating libraries and request materials in one transaction. Participants range from very small libraries such as school media centers to large metropolitan libraries with many branch libraries.

Funding Sources: GRF, Federal Special Revenue (LSTA funds), and GSF (funds from local libraries and other local units of government for services provided by the State Library)

Implication of the Enacted Budget: Funding in the enacted budget will allow additional school and public libraries to join the program. The Statewide Resource Sharing program can continue to support the software, hardware, and staffing costs to provide a statewide requesting and delivery system throughout the state. The program will continue to implement upgrades to the software as they are released by the vendor, which will result in improvements in processing and reduced delivery time for the patrons.

Ohioana Library Lease

Program Description: The Ohioana Library Association and the State Library work closely together but have different missions and legal authority. In order for the Ohioana Library to administer its programs, serve its customers, and house its library collection, the State Library's budget provides for the payment of rental expenses for the Ohioana Library, which is located in the same building as the State Library. No other costs are associated with this line item.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget will allow the State Library to cover Ohioana's rental payments, which are $120,972 per year, as well as the additional fee assessed to the State Library for services provided by the Department of Administrative Services (DAS)/Real Estate. This fee of $2,199 was paid in July 2005.

Program Series 2 Library Grants

Purpose: To administer LSTA funds through competitive and special grants; to provide support for Ohio's Regional Libraries for the Blind and Physically Handicapped; and to help coordinate resources and services for libraries within specific geographic areas by supporting Regional Library Systems.

The following table shows the line items that are used to fund the Library Grants program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	350-501	Library for the Blind -- Cincinnati	$535,615	$535,615
GRF	350-502	Regional Library Systems	$1,010,441	$1,010,441
GRF	350-503	Library for the Blind -- Cleveland	$805,642	$805,642
		General Revenue Fund Subtotal	**$2,351,698**	**$2,351,698**
Federal Special Revenue Fund				
313	350-601	LSTA Federal	$3,225,317	$3,240,261
		Federal Special Revenue Fund Subtotal	**$3,225,317***	**$3,240,261***
Total Funding: Library Grants			**$5,577,015**	**$5,591,959**

* Amount does not reflect total funding. Line item is also used to fund programs in Program Series 1.

Included within this program series are the following programs:

- ***Library Services and Technology Act (LSTA) Grants***
- ***Regional Library Systems***
- ***Regional Libraries for the Blind and Physically Handicapped***

Library Services and Technology (LSTA) Grants

Program Description: Under federal law there are two broad purposes to LSTA: technological innovation and electronic linkages and services to underserved populations. The State Library receives LSTA funds on an annual basis and reallocates these funds to eligible libraries throughout the state using a competitive grant process.

In order to receive federal funds, the State Library is subject to matching and maintenance-of-effort (MOE) requirements. For the competitive grant program, the State Library requires a 25% cash match of the total project amount. The State Library provides the remainder of the match through partial expenditures in programs that qualify under LSTA guidelines. The State Library accomplishes this through expenditures in a combination of line items used to fund State Library Services, OPLIN, Regional Libraries for the Blind and Physically Handicapped, and Regional Library Systems.

Aside from the competitive grant program, the State Library uses some federal LSTA funds for special statewide grants such as core electronic databases and 24/7 reference services. These programs have been identified by the State Library Board and the LSTA Advisory Council as primary needs that will benefit a majority of citizens in Ohio.

There are no full-time equivalents (FTEs) associated with this program, as staff within the State Library Services program is responsible for the administration and coordination of LSTA grant awards.

Funding Source: Federal Special Revenue Fund (LSTA funds)

Implication of the Enacted Budget: The enacted budget will allow the State Library to continue to award the same number of grants that have been awarded in the past. Specifically, the State Library expects to continue to award a grant for the Libraries Connect Ohio databases through Wright State University and to grant moneys to 24/7 services through the Cuyahoga County Public Library. The State Library also plans to continue to provide a small amount of federal funds to the Cleveland Public Library and the Public Library of Cincinnati and Hamilton County for the blind and physically handicapped program. Other than those specific grants, the State Library also expects to award grants in categories such as automation, innovative technology, resource sharing, staff development and training, services to targeted populations, and services to youth. The actual number of grants will vary depending on the federal funds available and depending on the amount awarded to a specific library.

Regional Library Systems

Program Description: Ohio's Regional Library Systems (which are separate from both the Southeast Ohio Library Center and the Regional Libraries for the Blind and Physically Handicapped) were created in the early 1970s to assist libraries of all types to improve the quality of services delivered to library users by coordinating resources and services for libraries within a geographic area in the most cost-effective manner. Currently, 316 libraries (including 165 of Ohio's 250 public libraries and 151 school, academic, and special libraries) are members of Regional Library Systems. These libraries serve an estimated 7 million citizens in 64 counties.

Regional Library Systems collaborate with each other to provide training programs with nationally recognized presenters and share expenses, expand regional programs to other portions of the state, and avoid duplication of service. The Regional Library Systems program also delivers continuing education and technology training opportunities for staff at all levels of the library. The Regional Library Systems' funding is comprised primarily of state funding (between 40% to 50% of their budgets) and member dues from the individual libraries.

Funding Source: GRF

Implication of the Enacted Budget: The state subsidy amount has been reduced 47% between FY 2001 and FY 2006, from approximately $1.9 million to $1 million. Regional Library Systems have responded to the continuing reduction in state subsidy amounts by reducing the number of workshops they provide, eliminating or combining staff positions, renegotiating facility leases and/or relocating to cheaper space, and reducing their equipment budgets for supporting the technology infrastructure that libraries depend upon. Because each Regional Library System receives different amounts of the total state subsidy, reductions are passed on proportionately.

At the appropriated funding levels of $1,010,441 in each year of the FY 2006-2007 biennium, the ability of the Regional Library Systems to continue carrying out their services at currently reduced levels will be threatened. As state funding reductions are passed on proportionately, the seven Regional Library Systems will most likely face additional reductions in personnel and continuing education.

There is a committee currently reviewing services and funding as they relate to the Regional Library Systems. During this fiscal year, the State Library and the Regional Library Systems hope to come up with a new model for funding and to determine the number of Regional Library Systems that will exist and be funded by the state GRF subsidy.

Regional Libraries for the Blind and Physically Handicapped

Program Description: Regional Libraries for the Blind and Physically Handicapped in Cincinnati and Cleveland receive a subsidy from the State Library. This program provides the reading and information services (recorded and Braille books and magazines and audio-described videos) to blind, visually impaired, and physically handicapped Ohio citizens in the 55 northern counties via the Cleveland Public Library and the 33 southern counties via the Public Library of Cincinnati and Hamilton County. The State Library serves as the machine-lending agency for the Talking Book Program, working in conjunction with the Regional Libraries for the Blind and Physically Handicapped. No staff members are paid from this program via the State Library payroll system.

Funding Source: GRF

Implication of the Enacted Budget: This program is flat-funded in the current biennium. Funding will allow the Regional Libraries for the Blind and Physically Handicapped to operate at a maintenance level. According to the State Library, as a result of rising personnel and maintenance expenses along with higher demands from their clientele, the Regional Libraries for the Blind and Physically Handicapped may have to restructure staff in order to continue offering their core services.

It is difficult to predict the specific impact this budget will have on the Regional Libraries for the Blind and Physically Handicapped, but the State Library has indicated that the following actions may need to be taken to reduce expenses: reduction in needed hardware and software purchases; reduction or elimination of the printing of newsletters and other informational documents for users; reduction in the inspection of incoming materials, resulting in possible damaged or unusable cassettes being sent to users; reduction in hours of operation; elimination of local recorded magazine service; and adding no new titles to the audio-described videos.

Liquor Control Commission

Jason Phillips, Budget Analyst

- Docketed and heard more than 2,700 hearings in FY 2004
- $1.67 million in forfeitures collected in FY 2004, with proceeds deposited in the GRF

OVERVIEW

Duties and Responsibilities

The Liquor Control Commission (LCO) is the 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 Liquor Control Commission works jointly with the Division of Liquor Control in the Department of Commerce, the Attorney General's office and the Department of Public Safety. The Division of Liquor Control issues and renews all 45 types of liquor permits and maintains the spirituous liquor warehouse. The Department of Public Safety is the enforcement agency that issues citations for any liquor permit violations. The Liquor Control Commission's activities include: (1) making and interpreting rules regarding liquor production, sales, 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 nonrenewals due to tax delinquency. The Liquor Control Commission receives its funding from the Liquor Control Fund (Fund 043), which is administered by the Division of Liquor Control within the Ohio Department of Commerce and supported through the sale of spirituous liquor. Less than 1% of the revenues received from the sale of spirituous liquor went to fund Liquor Control Commission operations in FY 2004.

Agency in Brief

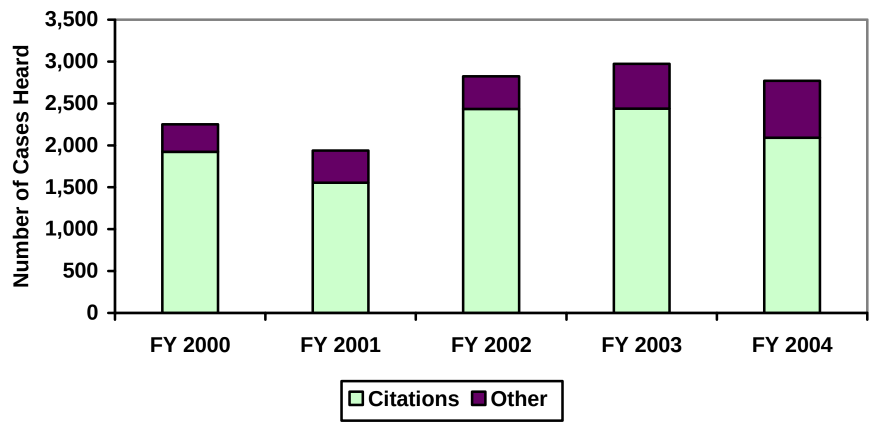
Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
8	$781,181	$803,348	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Adjudication Hearings

The bulk of Commission activities are adjudication hearings. Commission staff prepares paperwork prior to hearings and then produces decisions, collateral correspondence, and reports. During FY 2004, more than 2,700 hearings were docketed and heard. The number of violations issued by law enforcement authorities primarily drives the Commission's caseload. For example, the Commission believes that the continued success of local law enforcement programs such as Stop Teenage Opportunity to Purchase (STOP) will slightly decrease the caseload over the biennium. The chart below illustrates that citation cases comprise the vast majority of the Liquor Control Commission's caseload. In the chart, "Other" includes Division of Liquor Control appeals, sales tax appeals, sales tax complaints, unemployment compensation cases, and Bureau of Workers Compensation payment issues involving permit holders. In FY 2004, the Commission was able to exceed its goal to issue decisions within 45 days and was able to issue the vast majority of decisions within two weeks.

LCO Case Load by Type FY 2000 to FY 2004



Certified Records

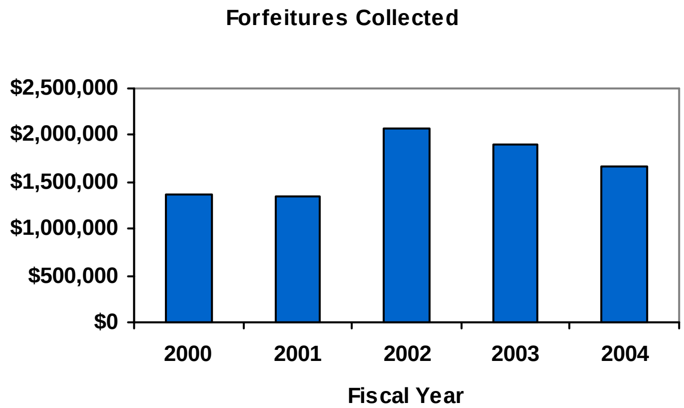
In addition to lower amounts of forfeitures resulting from better adherence to the law, the Commission has provided fewer numbers of certified records to courts of common pleas. In FY 2004, the Commission provided certified records for 66 appeals to the common pleas courts, a decrease from 138 records in FY 2003 and 165 records in FY 2002. This decrease reflects a reduction in the number of revocations ordered by the Commissioners and increased compliance with Ohio's liquor laws by permit holders and their employees.

New Dockets

As stated previously, adjudication hearings account for most of the Commission's activities. As such, the Commission staff prepares extensive amounts of paperwork prior to hearings to assist the Commissioners in conducting the hearings and issues decisions upon completion of the hearing. Though the locally administered STOP program and a change in gambling laws have decreased slightly the number of citation hearings, the Commission now has two new dockets: one for corporate franchise taxes and another for workers' compensation payments owed by permit holders. The Commission expects the new tax dockets to increase over the biennium, due in part to the additional tax deficiencies referred to the Commission for hearing. However, the Commission is unsure whether there will be a net increase or decrease in the total number of cases docketed.

Forfeiture Collections

Forfeitures, which are collected as a result of Commission orders and deposited in the General Revenue Fund (GRF), amounted to $1,668,600 in FY 2004. While the Commission states that it cannot predict the amount of forfeitures ordered or collected, recent experience suggests they may continue to decline. The Commission cited better adherence to the prohibition of selling to underage persons by permit holders and recent legislation that allowed for some permit holders to get licenses for charitable gambling. As long as the permit holders licensed for charitable gambling adhere to the law, the Commission anticipates a corresponding reduction in gambling cases and resulting forfeitures.



Vetoed Provisions

There were no vetoed provisions for the Liquor Control Commission.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Liquor Control Commission is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 State Liquor Law Hearings

Purpose: To provide fair and impartial hearings for the protection of the public and permit holders, and to ensure compliance with the liquor laws and regulations of the Revised Code.

The following table shows the line items that are used to fund the Liquor Control Commission, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
Liquor Control Fund				
043	970-321	Operating Expenses	$781,181	$803,348
Total Funding: Liquor Control Commission			**$781,181**	**$803,348**

Liquor Control Hearings

Program Description: The Commission hears cases related to violations of state liquor laws that could result in fines or the suspension or revocation of liquor permits. The Commission also hears appeals from either permit holders or communities that object to decisions made by the Department of Commerce's Division of Liquor Control concerning the renewal and/or distribution of liquor permits. In addition, the Commission hears appeals on the revocation of liquor permits and nonrenewals based on failure to pay taxes.

Funding Source: Fund 043, Liquor Control - primary sources of revenue include retail and wholesale spirituous liquor sales

Implication of the Enacted Budget: The Commission received funding of $781,181 in FY 2006 and $803,348 in FY 2007. The enacted budget allows the Liquor Control Commission to fulfill its statutory duties. However, it does not allow the Commission to fund one of its six administrative staff positions, which is currently a vacant hearing bailiff. While the Commission is not able to afford to fill the vacant hearing bailiff position, it is still attempting to reclassify the remaining three bargaining unit staff members to a slightly higher pay range in order to replace the vacant hearing bailiff duties and to add other additional administrative tasks.

Ohio Lottery Commission

Jean J. Botomogno, Economist

- The Ohio Lottery is self-sustaining and funded through the State Lottery Fund
- Am. Sub. H.B. 66 creates the Charitable Gaming Oversight Fund

OVERVIEW

The Ohio Lottery operates primarily 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 amount transferred comes from net operating profits. In FY 2005, the Ohio Lottery started the oversight of charitable gaming, taking over certain duties previously performed by the Attorney General. This new activity will continue in FY 2006 and FY 2007.

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.

The Lottery operates a variety of on-line and instant ticket games. The on-line games are Pick 3, Pick 4, Rolling Cash 5, Super Lotto, Kicker, and Mega Millions.[19] These games generated approximately 43.6% of total sales in FY 2005. The Lottery sells a wide variety of instant games, including special games that coincide with major holidays. Instant games receipts were approximately 56.4% of total sales revenue in FY 2005. Of the $2.15 billion of total ticket sales generated in FY 2005, 58.6% was awarded to players as prizes, 29.8% was transferred to the Ohio Department of Education, 6.2% was paid to agents as commissions and bonuses, 4.6% was spent on operations, and 0.8% was transferred to the Deferred Prize Trust Fund.

The enacted budget transfers $1.28 billion to the LPEF in the next biennium, $637.9 million each year. These transfers are based on estimated sales of $2.2 billion in each year of the biennium. The appropriation for all budget fund groups for FY 2006 is $416.82 million. This amount is $12.47 million higher than FY 2005 appropriations, a 3.08% increase. Funding for FY 2007 is $404.10 million. This amount is $12.72 million lower than FY 2006, a 3.05% decrease. The Ohio Lottery is self-sustaining and funded through the State Lottery Fund, except for the charitable gaming oversight activities. Funds for the oversight of charitable gaming are transferred from appropriations of the Attorney General.

[19] 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 in this report do not refer to "Internet" lottery sales.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
349	$416.82 million	$404.10 million	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 — Instant and On-line Ticket Sales

Purpose: To generate net profits through the sale of instant and on-line tickets to be transferred to the Lottery Profits Education Fund.

The following table shows the line items that are used to fund the Instant and On-line Ticket Sales Programs.

Fund	ALI	Title	FY 2006	FY 2007
State Lottery Fund				
044	950-100	Personal Services*	$24,920,554	$25,411,138
044	950-200	Maintenance*	$17,642,894	$17,954,156
044	950-300	Equipment	$2,517,533	$2,494,718
044	950-402	Game and Advertising Contracts	$70,524,000	$70,024,000
044	950-601	Prizes, Bonuses and Commissions	$150,952,466	$147,716,286
044	950-602	Annuity Prizes	$148,680,031	$138,918,557
Total Funding: Instant and On-line Ticket Sales			$415,237,478	$402,518,855

*Amount does not reflect total funding because line item is used to fund Programs in other Program Series.

FY 2006 appropriations for the Instant and On-line Ticket Program are about $8.0 million (1.9%) below spending for FY 2005. Amounts for FY 2007 are $12.4 million (3.0%) lower than appropriations for FY 2006. Decreases in appropriations each year are primarily due to the decline in estimated appropriations needed for payments of annuity prizes because more winners are choosing the cash option.

This analysis focuses on the following specific programs within the Instant and On-line Ticket Sales program series:

- ***Instant Ticket Sales***
- ***On-line Ticket Sales***
- ***Marketing***
- ***Program Management***

Instant Ticket Sales

Program Description: The primary goal of this program is to maximize instant ticket sales and net profits. To reach this goal, the Ohio Lottery must provide the instant tickets, make prize payments to winners, conduct ticket and machine testing, and warehouse and distribute the tickets. The program supports the purchase, warehousing, and distribution of instant tickets, and includes the vendors' commissions that are based on a percent of sales. The program also funds the cash and noncash (trips, cars, merchandise) prize payouts to winners, and makes the annual payments for the annuity prize winnings for winners who have selected to be paid over a period of time rather than in one lump sum.

Fund	ALI	Title	FY 2006	FY 2007
State Lottery Fund				
SLF	950-402	Game and Advertising Contracts	$25,119,686	$25,126,207
SLF	950-601	Prizes, Bonuses, and Commissions	$52,884,104	$53,346,020
SLF	950-602	Annuity Prizes	$2,472,628	$3,128,627
Total Funding: Instant Ticket Sales			**$80,476,418**	**$81,600,854**

Funding Source: State Lottery Fund (044) – lottery ticket sales

Implication of the Enacted Budget: Appropriations for FY 2007 are $1.1 million (1.4%) higher than appropriations for FY 2006. An increasing number of instant tickets with higher prize points and payouts may require higher prize payments in FY 2007. Appropriations for annuity prizes increase $0.6 million (26.5%) in FY 2007. The increase is due to an expected increase in the number of instant games with higher prices and prizes, some with the option to receive payment over a period of time rather than in one lump sum.

On-line Ticket Sales

Program Description: As with instant ticket sales, the primary goal of this program is to maximize on-line ticket sales and net profits. The Ohio Lottery enters into contracts for the ticket paper and for the gaming system. Additionally, the Ohio Lottery must make prize payments to winners. The program supports the purchase of on-line terminal paper for the lottery tickets and includes the contracted vendors' commission amounts. It also funds the cash payouts to winners, including winners of the Mega Millions game, and makes the annual payments for the annuity prize winnings for winners who have selected to be paid over a period of time rather than in one lump sum.

Fund	ALI	Title	FY 2006	FY 2007
State Lottery Fund				
SLF	950-402	Game and Advertising Contracts	$22,812,314	$22,305,793
SLF	950-601	Prizes, Bonuses, and Commissions	$98,068,362	$94,370,266
SLF	950-602	Annuity Prizes	$146,207,403	$135,789,930
Total Funding: On-line Ticket Sales			**$267,088,079**	**$252,465,989**

Funding Source: State Lottery Fund (044) – lottery ticket sales

Implication of the Enacted Budget: The funding for the on-line ticket sales program for FY 2007 is $14.6 million (5.5%) lower than FY 2006 appropriations. The Ohio Lottery anticipates lower on-line ticket sales, resulting in lower spending levels for game and advertising contracts (2.2%) and outlays for prizes (3.8%). Also, more winners than in the past are choosing the cash option for large winnings, thus decreasing the appropriations for annuity prizes by $10.4 million (7.1%). However, with the entry of California into Mega Millions in June 2005, and the announced restructuring of the Super Lotto game, overall ticket sales for the biennium might be higher than anticipated during the budget process. If substantially higher ticket sales occur, the level of appropriations may become inadequate.

Marketing

Program Description: The goal of the marketing program is to increase sales through product promotions to increase consumer awareness. This program supports the creation and placement of advertising (radio, television, signage, billboards, and promotional sponsorships), and provides the resources necessary to produce the Cash Explosion television game show and associated prizes. The program finances the contracts with vendors to purchase and produce creative advertising and TV, radio, and print media placement. The program also supports the purchase of merchandise and promotional items, and provides resources for about ten staffing positions.

Fund	ALI	Title	FY 2006	FY 2007
State Lottery Fund				
SLF	950-100	Personal Services	$672,911	$686,369
SLF	950-200	Maintenance	$2,079,800	$2,079,800
SLF	950-402	Game and Advertising Contracts	$19,442,000	$19,342,000
Total Funding: Marketing			**$22,194,711**	**$22,108,169**

Funding Source: State Lottery Fund (044) – Lottery ticket sales

Implication of the Enacted Budget: The funding for the marketing program in FY 2007 is $0.08 million (0.4%) lower than FY 2006 spending. Game and advertising contracts amounts are expected to decline $0.1 million (0.5%), and personal services costs are expected to increase slightly.

Program Management

Program Description: This program supports the administrative, financial, information technology, sales support, and executive oversight functions of the Lottery Commission. The program funds approximately 336 full-time positions that implement and oversee the Lottery's other programs, and provides for the general operational costs that include telecommunications, data processing and systems maintenance, and facility rental and maintenance.

Fund	ALI	Title	FY 2006	FY 2007
State Lottery Fund				
SLF	950-100	Personal Services	$24,247,643	$24,724,769
SLF	950-200	Maintenance	$15,563,094	$15,874,356
SLF	950-300	Equipment	$2,517,533	$2,494,718
SLF	950-402	Game and Advertising Contracts	$3,150,000	$3,250,000
Total Funding: Program Management			**$45,478,270**	**$46,343,843**

Funding Source: State Lottery Fund (044) – lottery ticket sales

Implication of the Enacted Budget: Funding for program management for FY 2007 is $0.8 million (1.9%) higher than amounts for FY 2006. Increased costs for personal services ($0.5 million, 2%) and maintenance ($0.3 million, 2%) are expected.

Program Series 2 — Problem Gambling Subsidy

Purpose: To establish outpatient gambling treatment programs in Ohio for lottery clients with an alcohol and/or drug addiction and to increase the identification and referral of problem gamblers to appropriate programs and services.

The following table shows the line items that are used to fund the problem gambling subsidy program.

Fund	ALI	Title	FY 2006	FY 2007
State Lottery Fund				
044	950-100	Personal Services*	$48,868	$45,878
044	950-200	Maintenance*	$335,000	$335,000
Total Funding: Problem Gambling Subsidy			**$383,868**	**$380,878**

*Amount does not reflect total funding because line item is used to fund Programs in other Program Series.

Problem Gambling Subsidy

Program Description: This program funds the Ohio Department of Alcohol and Drug Addiction Services for the administration of problem gambling treatment programs.

Funding Source: State Lottery Fund (044) – lottery ticket sales

Implication of the Enacted Budget: Appropriations for the program in FY 2007 are about the same as for FY 2006, although a 6% decrease in appropriations charged to the personal services line item is anticipated.

Program Series 3 — Charitable Gaming

Purpose: To perform specific duties delegated by the Ohio Attorney General related to oversight of Ohio's charitable gaming activities.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
231	950-604	Charitable Gaming Oversight	$1,200,000	$1,200,000
Total Funding: Charitable Gaming			$1,200,000	$1,200,000

Licensing and Monitoring

Program Description: In July 2004, the AG and the Lottery entered into an agreement which requires the Lottery to perform the following duties: issue gambling licenses to charitable organizations; issue licenses to manufacturers and distributors of gambling products; and provide regulation, investigation, and audits of over 2,000 charitable organizations, manufacturers, and distributors. This program supports the requirements of this agreement. Performance of these new duties requires the Lottery to incur costs associated with the conversion of the existing manual application to an on-line system in order to license applicants, conduct site visits, complete audits, and standardize reports. The program funds the staff working for the licensure and monitoring of charitable gaming organizations.

Funding Source: General Services Fund (231)

Implication of the Enacted Budget: The Lottery expects the recommended appropriations to be sufficient for this program.

Permanent Law Provisions: The enacted budget creates the Charitable Gaming Oversight Fund (R.C. 3770.061). The State Lottery Commission must deposit monies it receives from the Attorney General under an agreement between the two agencies into the Charitable Gaming Oversight Fund. The new permanent law provision also authorizes monies in the Fund not necessary for the Ohio Lottery Commission to perform its charitable gaming oversight, licensing, and monitoring functions to be transferred by the Office of Budget and Management to the Lottery Profits Education Fund.

Ohio Manufactured Homes Commission

- Created in CY 2004 by S.B. 102 of the 125th General Assembly
- Enacted budget of $272,500 in FY 2006
- Planned consolidation within the Department of Commerce in FY 2007

Jason Phillips, Budget Analyst

OVERVIEW

Duties and Responsibilities

S.B. 102 of the 125th General Assembly established the Ohio Manufactured Homes Commission (MHC). The Commission received Controlling Board approval to operate under a $218,330 appropriation in November 2004, well into the second year of the FY 2004-2005 biennium. Its mission is to regulate manufactured housing installers, the installation of manufactured housing, and manufactured housing foundations and support systems. Note that the Department of Health inspects the installation of manufactured housing in manufactured home parks and must determine compliance with the installation, foundation, and base support system standards for manufactured housing located in manufactured home parks. The Commission is also empowered to review the design of and plans for manufactured housing installations, foundations, and support systems and to inspect a sample of homes at a percentage the Commission determines to evaluate the construction and installation of manufactured housing, foundations, and support systems to assure compliance with the adopted standards.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
3	$325,047	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

4K9 Fund

The Manufactured Homes Commission is funded by the Occupational and Regulatory Fund (Fund 4K9), which serves as a repository for license fees and other assessments collected by the state's occupational licensing and regulatory boards. A pooled funding source provides agencies the ability to maintain operations during years where licenses are not renewed and revenue is much lower. Yet, it is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships. Overall, the philosophy of the fund is that each board must generate enough revenue to cover its expenses.

Licensing

The Manufactured Homes Commission will renew its licenses on a biennial basis. In August of 2005, the Attorney General informed the Commission that it could not begin performing its licensing or regulatory activities because of the way its enabling legislation is written. The Commission's statute makes it dependent on action by the federal government that was supposed to have taken place already but has not yet occurred (and may not occur for some time). The Commission is currently drafting revisions of its statute so that the Commission can begin performing its duties.

Increased Appropriation through Controlling Board

While the enacted budget appropriates $272,500 in FY 2006, this amount is not sufficient to cover commission expenses associated with the state mandates of S.B. 102 of the 125th General Assembly (which created the Commission) and the federal mandates of the Manufactured Housing Improvement Act of 2000. A provision in the enacted budget allows the Commission to seek Controlling Board approval in FY 2006 for an increase of $356,250 in its appropriation. This would give the Commission a FY 2006 operating budget of $628,750. Due to the difficulties described above, the Commission's fiscal situation is somewhat unclear until the Commission receives an indication of how quickly the General Assembly can act on legislation that would revise its statutes.

Board Consolidation

The enacted budget recommended that 20 independent occupational licensing boards be absorbed into the departments of Health, Commerce, and Public Safety. As such, the enacted budget does not appropriate funding in FY 2007 for the boards and commissions included in the consolidation proposal. The specifics of the consolidation plan will be addressed during FY 2006 by a task force consisting of the agencies acquiring the boards, the Department of Administrative Services, the Office of Budget and Management (OBM), and three individuals selected by the boards included in the consolidation proposal. According to the plan, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentives will be offered to regulatory board staff. These incentives should result in staff reductions. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board and commission members for each agency will be retained and continue to serve in the manner in which they were appointed.

Vetoed Provisions

The Governor did not veto any provisions affecting the Manufactured Homes Commission.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Manufactured Homes Commission is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Operating Expenses

Purpose: To regulate manufactured housing installers, the installation of manufactured housing, and manufactured housing foundations and support systems.

The following table shows the line items that are used to fund the Manufactured Homes Commission as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	996-609	Operating Expenses	$272,500	$0
Total Funding: Manufactured Homes Commission			**$272,500**	**$0**

Program Description: In accordance with Chapter 4781. of the Revised Code, the Manufactured Homes Commission regulates manufactured housing installers, the installation of manufactured housing, and manufactured housing foundations and support systems. The Commission is also empowered to review the design of and plans for manufactured housing installations, foundations, and support systems and to inspect a sample of homes at a percentage the Commission determines to evaluate the construction and installation of manufactured housing installations, foundations, and support systems to assure compliance with the adopted standards.

Funding Sources: GSF (Fund 4K9); biennial license fees and renewals

Implication of the Enacted Budget: The Manufactured Homes Commission received funding of $272,500 in FY 2006 and $0 in FY 2007, as the Board is slated for consolidation within the Department of Commerce. A provision in the enacted budget allows the Commission to seek Controlling Board approval in FY 2006 for an increase of $356,250 in its appropriation. This would give the Commission a FY 2006 operating budget of $628,750. Due to operation difficulties, the Commission's fiscal situation is somewhat unclear until the Commission receives an indication of how quickly the General Assembly can act on legislation that would revise its statutes.

State Medical Board

Wendy Risner, Budget Analyst

- The Board received funding of approximately $7.5 million in both FY 2006 and FY 2007
- Regulates about 54,000 active licensees

OVERVIEW

Duties and Responsibilities

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 twelve members of the Board are represented by seven medical doctors (M.D.s), one podiatrist (D.P.M.), one osteopathic physician (D.O.), and three representatives of the general public, two of which cannot be a member of, or associated with, a health care provider or profession. All members are appointed by the Governor and serve five-year terms.

Chapter 4731. of the Revised Code provides statutory authority for the Board's activities. The Board regulates about 54,000 active licensees in the state of Ohio (as of June 30, 2004), 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). The Board uses numerous methods to help identify unqualified licensees. These include registering complaints, mandatory reports, continuing education audits, probationary compliance monitoring, approval of drug and alcohol treatment providers, and approval of schools for limited branches of practice.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
82*	$7.47 million	$7.47 million	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

There were no vetoed provisions for the State Medical Board.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the State Medical Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

Purpose: To protect and enhance the health and welfare of Ohio citizens by regulating the practice of licensed medical and limited branch practitioners.

The following table shows the line items that are used to fund the State Medical Board, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
5C6	883-609	Operating Expenses	$7,467,317	$7,467,317
		General Services Fund Subtotal	**$7,467,317**	**$7,467,317**
Total Funding: State Medical Board			**$7,467,317**	**$7,467,317**

State Medical Board

Program Description: The State Medical Board governs the practice of medicine and the limited branches of medicine, as defined by Chapters 4730. and 4731. of the Revised Code, by licensing medical professionals in a variety of specialties.

Funding Sources: Licensing fees and fine revenues

Implication of the Enacted Budget: The Board received funding of $7,467,317 in both FY 2006 and FY 2007, which will allow the Board to maintain current service and staffing levels.

Ohio Medical Transportation Board

Sara D. Anderson, Budget Analyst

- Consolidation within Public Safety by July 1, 2006

OVERVIEW

Duties and Responsibilities

The Ohio Medical Transportation Board acts as the regulatory authority for all private, hospital-based, commercial ambulances, wheelchair vans (ambulettes), mobile intensive care units, medical helicopters, and fixed-wing medical aircraft operating within the state.

The Board has ten members (nine voting members and one nonvoting member), all of who are appointed by the Governor, with the advice and consent of the Senate. Members are not compensated, but are reimbursed for expenses incurred in the performance of their duties. Its staff includes three full-time employees and 24 contract field inspectors.

Agency in Brief

The following table selectively summarizes Board appropriations and staffing information. Most notably, the enacted budget contains a temporary law provision that expresses the intent of the General Assembly to: (1) consolidate the Board within the Department of Public Safety not later than July 1, 2006, and (2) enact revised appropriations for FY 2007.

Board In Brief

Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
3	$388,450	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

The Board is not directly affected by any of the items contained in Am. Sub. H.B. 66 that were vetoed by the Governor.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Ohio Medical Transportation Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Licensing/Registration/Enforcement

Purpose: To regulate the medical transportation profession.

The following table shows the lone line item that is used to fund the Board's licensing, registration, and enforcement activities, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4N1	915-601	Operating Expenses	$388,450	$0
		General Services Fund Subtotal	**$388,450**	**$0**
Total Funding: Ohio Medical Transportation Board			**$388,450**	**$0**

Program Description: The Board is responsible for establishing minimum operating standards, requires annual licensing of all regulated organizations, requires an annual vehicle permit for each vehicle, and conducts physical inspections of locations and vehicles.

Funding Sources: (1) 2% of seat belt fine moneys, (2) annual licenses and permits for regulated medical transportation organizations and related vehicles, and (3) civil penalties.

Implication of the Enacted Budget: The enacted FY 2006 appropriation level appears to be sufficient for the Board to maintain current services, including the implementation of its new responsibilities pursuant to Am. Sub. H.B. 85 enacted by the 125th General Assembly. The absence of an enacted FY 2007 appropriation level reflects the intention of the General Assembly to consolidate the Board within the Department of Public Safety.

Temporary Law: ***Consolidation of Regulatory Boards (Section 315.03).*** The enacted budget contains a temporary law provision that: (1) expresses the intent of the General Assembly to consolidate the Board within the Department of Public Safety not later than July 1, 2006, (2) creates a transition team to develop a plan to ensure the smooth and timely transition of the Board into the Department, and (3) expresses the intent of the General Assembly to introduce a bill in FY 2006 that will include the necessary statutory changes to effect the consolidation and include revised appropriations for FY 2007.

Department of Mental Health

Holly Wilson, Budget Analyst

- Access to Better Care (ABC) initiative seeks to improve children's behavioral health services – focus is on state and local collaboration
- Increase in Community Medication Subsidy line item will provide indigent medication for Disability Medical Assistance Program

OVERVIEW

The Ohio Department of Mental Health (ODMH) 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 about 2,760 personnel. Since the passage of the Mental Health Act of 1988, Ohio has successfully transitioned to a state managed, locally administered mental health system.

Duties and Responsibilities

The Mental Health Act of 1988 created a paradigm shift in how public mental health services are funded, planned, and provided. It also changed the nature of the relationships between the Department, its state-operated hospitals, community mental health boards, and community service providers. Since the enactment of the Mental Health Act of 1988 several state hospitals have closed. The average daily resident population at state psychiatric hospitals decreased from 3,147 in FY 1990 to 1,707 in FY 1995, and to 1,040 in FY 2004. Since 1990, ODMH has reduced its hospital workforce by more than 3,000 positions and consolidated its nine inpatient facilities under the management of five Integrated Behavioral Healthcare Organizations (BHOs), or state hospitals.

The Department works with local mental health boards to ensure the provision of mental health services. Ohio has 43 community Alcohol, Drug Addiction, and Mental Health Services boards (ADAMHS) and 7 Community Mental Health Services (CMH) 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.

In the last five years, the profile of patients served has changed significantly. Public bed capacity and the average daily population have increased 13% since FY 1999 and the number of admissions is up 7%. The Department's hospital admission rate has increased to around 500 per month over the past biennium. A unit in a hospital has between 23 and 26 beds. On an average day, the occupancy rate is approximately 89% with three hospitals at 98% more than half of the year. Around 75% of hospital admissions are for short-term stabilization (less than 10 days) for acute mental illnesses. In addition, civil needs have shifted from long-term services toward short term, more acute, more intensive care. The median length of stay for civil patients is now 11 days. The forensic population, which has increased by 3% since FY 1999, is now 46% of all patients served. As a result, an additional unit at Twin Valley Behavioral Healthcare's maximum-security site will be opened in FY 2005. Staffing for forensic patients includes both additional security staff as well as more intensely structured clinical services.

Staffing costs are one of the primary factors affecting hospital costs. The cost to maintain qualified staff has continued to rise. One such cost is reflected in the ability to recruit and retain Registered Nurses in a competitive environment.

Most of the hospital operating expenditures are paid for out of the Department's General Revenue Fund (GRF) line item 334-408, Hospital and Community Mental Health Services. This line item supports the nine inpatient facilities and community-based services at seven of the sites. In addition, the line item supports the 50 ADAMHS/CMH boards. The enacted budget maintains current inpatient capacity at nine hospital sites with 49 inpatient treatment units and provides essential community mental health services. There is no general increase in community mental health funding, however, Safety Net Emergency Funds totaling $5 million for FY 2006 and $10 million for FY 2007 are added to ALI 335-505 (Local Mental Health Systems of Care). These funds will be made available to county boards by application based on financial hardship. Although these increases do not fully address long term funding challenges in the mental health system, they allow ODMH to maintain current low levels of institutional capacity and patch holes in community care.

Access to Better Care (ABC) Project

In October 2003, Governor Taft met with the Family and Children First Cabinet Council and directed that detailed planning be carried out as the Access to Better Care (ABC) project "to improve children's behavioral health services." Participants in the plan include the affected state agencies (Department of Youth Services, Department of Job & Family Services, Department of Alcohol & Drug Addiction Services, and the Department of Education), local representatives, and parents. Using existing funds, the Department is adding a new mental health service, Intensive Home Based Service (IHBS), to the state Medicaid plan. This program will combine current services (counseling, case management, day treatment) into a single team-based approach for children who do not require institutional care. The IHBS program will utilize current resources, since its services will be delivered as a "package."

The most urgent and complicated task of the ABC initiative is the treatment for multineed children, adolescents, and families. Beginning in the FY 2006-2007 biennium, and stretching across multiple budget cycles, key components of the strategy will include family-driven and participative service plans and "wrap-around" service models that seek to eliminate or reduce custody relinquishment, and rely on local collaboration to meet family needs. The proposed new funding for this priority in the Department's budget includes approximately $8.3 million in FY 2006 ($6.0 million in newly created appropriation item 335-404, Behavioral Health Services – Children, and $2.3 million in newly created appropriation item 335-405, Family and Children First) and approximately $9.3 million in FY 2007 ($7.0 million in 335-404 and $2.3 million in 335-405). Most funds will be disbursed by local ADAMHS/CMH/ADAS boards based on a plan developed by the local interagency Family and Children First Council. The funding will provide treatment services and other necessary supports to families who might otherwise have to relinquish custody of their children to obtain needed behavioral health services. In addition to this increased funding, the ABC Initiative includes a dozen other projects supported by federal or reallocated funds to improve prevention, early intervention, and treatment services for children and families.

Family and Children First Cabinet Council Transfer

The enacted budget calls for a transfer of Ohio Family and Children First resources (funds to local councils, and for statewide and regional coordinators) from the Department of Mental Retardation and Developmental Disabilities (ODMRDD) to ODMH. Temporary language transfers the duties and responsibilities, staff, and the cash to ODMH. Therefore, the fiscal effect to the General Services Fund will most likely be revenue neutral.

Community Medication Program

The 335-419 Community Subsidy Medication line item is increased by $4.3 million in FY 2006 over FY 2005, and by $5.7 million in FY 2007. This increase is related to the phasing out of the Disability Medical Assistance Program (DMA). This funding will provide an indigent medication subsidy for individuals who would have previously been eligible for DMA.

Vetoed Provisions

There were no vetoed provisions in the enacted budget that affect the Department of Mental Health.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
3,063	$1.00 billion	$1.04 billion	$561.01 million	$578.78 million	Am. Sub. H.B. 66

* Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 **Hospital and Community Services**

Purpose: To support hospital and community services systems linked in providing a complete continuum of care for persons with severe and persistent mental illness.

The following table shows the line items that are used to fund the Hospital and Community Services, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	334-408	Community & Hospital MH Services	$390,424,545	$400,324,545
GRF	334-506	Court Cases	$976,652	$976,652
GRF	335-404	Behavioral Health Services - Children	$5,865,265	$6,865,265
GRF	335-405	Family & Children First	$2,260,000	$2,260,000
GRF	335-505	Local MH Systems of Care	$94,687,868	$99,687,868
GRF	335-419	Community Medication Subsidy	$12,292,848	$13,626,748
GRF	332-401	Forensic Services	$4,338,858	$4,338,858
		General Revenue Fund Subtotal	**$510,846,036**	**$528,079,936**
State Special Revenue Fund				
485	334-632	Mental Health Operating	$2,476,297	$2,476,297
632	335-616	Community Capital Replacement	$350,000	350,000
692	334-636	Community MH Board Risk Fund	$80,000	$80,000
		State Special Revenue Fund Subtotal	**$2,906,297**	**$2,906,297**
General Services Fund				
149	334-609	Hospital Rotary – Operating Expenses	$24,408,053	$24,408,053
150	334-620	Special Education	$120,930	$120,930
4P9	335-604	Community Mental Health Projects	$250,000	$250,000
		General Services Fund Subtotal	**$24,778,983**	**$24,778,983**
Federal Special Revenue Fund				
3A6	334-608	Federal Letter of Credit	$586,224	$586,224
3A8	334-613	Federal Letter of Credit for Human Services	$200,000	$200,000
3B0	334-617	Elementary and Secondary Education	$171,930	$178,807
3B1	334-635	Hospital Medicaid Expansion	$2,000,000	$2,000,000
324	334-605	Medicaid/Medicare	$11,764,280	$11,873,408
3A6	335-608	Federal Miscellaneous	$1,089,699	$678,699
3A7	335-612	Social Services Block Grant	$8,657,288	$8,657,288
3A8	335-613	Fed Grant – Community MH Subsidy	$2,407,040	$2,407,040
3A9	335-614	Mental Health Block Grant	$14,969,400	$14,969,400
3B1	335-635	Community Medicaid Expansion	$264,088,404	$282,807,902
		Federal Special Revenue Fund Subtotal	**$305,934,265**	**$324,358,768**
Total Funding: Hospital and Community Services			**$844,465,581**	**$880,123,984**

This analysis includes the following specific programs within the Hospital and Community program series:

- ***408 Hospital and Community***
- ***Community (excluding ALI 334-408) Behavioral Healthcare for Children***
- ***Community Medication Program***
- ***Community Medicaid Program***
- ***Forensic Services***

408 Hospital & Community

Program Description: The 334-408 line item supports two systems that are inextricably linked in providing a continuum of care for persons with mental illness. The Department operates five Integrated Behavioral Health Care Organizations (IBHOs) (formerly known as state psychiatric hospitals) at nine inpatient sites located throughout the state.

Implication of the Enacted Budget: The 334-408, Hospital & Community Services, line item totals $390 million for FY 2006 and $400 million for FY 2007 and will allow the Department to maintain current capacity and safety of patients and sufficient staffing to operate 49 hospital units for the inpatient system. The Department requested and received an additional $4.8 million for FY 2006 and $14.7 million for FY 2007 in 334-408 to maintain inpatient services at current levels. There is no general increase in community mental health funding. However, Safety Net Emergency Funds totaling $5.0 million for FY 2006 and $10.0 million for FY 2007 are added to ALI 335-505 (Local Mental Health Systems of Care). These funds will be made available to county boards by application based on financial hardship. According to the Department, although these increases do not fully address long term funding challenges in the mental health system, they allow ODMH to maintain current low levels of institutional capacity and patch holes in community care.

Community (excluding ALI 334-408) Behavioral Healthcare for Children

Program Description: The funds for this program include all community funds, excluding line item 334 408 (captured under Program Series 1). The largest line item in this program, 335-505, Local Mental Health Systems of Care, is distributed by the Department to the ADAMHS/CMH boards to provide an integrated system of mental health care that meets locally determined mental health needs. Boards spend 335-505 funding for operating and services expenditures consistent with their Community Plan/Mutual System Performance Agreement approved by the Department. The basic services supported include: crisis intervention/hospital prescreening, counseling-psychotherapy, community support program services, diagnostic assessment, consultation and education, and residential-housing. In addition, 335-505 also supports "special" categories, which support systemic improvements. Current initiatives include: Ohio Department of Development Trust Fund, Early Childhood Mental Health, Alternative Education, SED Deaf/HOH, PASRR Evaluations, Family/Consumer Education, Toll-Free Consumer Support, Consumer Quality Review Team, and Ohio Family & Children First Council.

The Social Services Block Grant funds, 3A7 335-612, contain Title XX grants that support social service programs. These dollars are disbursed to ADAMHS/CMH boards via an annual subgrant. The boards, in turn, distribute funds to local agencies to provide services to persons suffering from mental illness.

The Mental Health Block Grant, 3A9 335-614, is used to support community mental health centers.

The Probate Court Costs line item 334-506 is a reimbursement program whereby the Department reimburses certain county probate court costs in accordance with section 5122.43 of the Revised Code for commitment hearings for persons that are mentally ill. Reimbursable court costs include fees or expenses for police, sheriff, physician, witnesses, transportation, conveyance assistants, attorneys, referees, reporters, and court costs.

Implication of the Enacted Budget: In general, the enacted budget levels for community services will maintain current capacity. The new GRF line item 335-404, Behavioral Health Services – Children, will be used for funding of the ABC initiative, managed through the Office of Family and Children First (OFCF). Temporary law creates a State and Local Stakeholders Team, appointed by the OFCF cabinet council by July 1, 2005. This team has at least 12 members, and may appoint more as appropriate. The purpose of the team is to approve the use of the ABC funds as developed through a behavioral health transformation plan.

The newly created 335-405, Family & Children First, authorizes the fiscal transfer of OFCF leftover funds from ODMRDD to ODMH, which will take over as fiscal agent for the OFCF. Cluster and intersystem services for children's funding, which was previously located in the departments of Education and Mental Retardation, has been transferred to ODMH to be used for the ABC initiative. Any remaining funds will be transferred to ODMH as soon as current obligations are fulfilled.

At the enacted level of funding, the Department plans to create a safety net of emergency funds using the increases to GRF line item 335-505, Local Mental Health Systems of Care, of $5 million in FY 2006 and $10 million in FY 2007. This level of funding will provide emergency relief to communities in local crises with needs including, but not limited to, medication treatment, temporary housing, consumer-to-consumer supports, and emergency outpatient care. Local ADAMHS/CMH boards will develop a plan for how best to utilize the dollars and submit their proposal to the Department. These resources will not replace the $50 million in community funding lost to inflation since FY 1998, or the additional $60-plus million diverted to cover Medicaid requirements over that time. Rather, the proposed funding is a management strategy designed to address the worst-case local crises.

Community Medication Program

Program Description: Central Pharmacy Outpatient supplies psychotropic medications for mental illnesses to persons who meet certain diagnostic and financial eligibility criteria. Patients are treated through contracted community mental health centers or inmates in county detention facilities. Central Pharmacy operates as a mail order style pharmacy with the goal of getting the right medication to the right patient at the right time and price. The local boards receive some state subsidy support for the Central Pharmacy program. However, the funding is limited and if exceeded, ODMH is reimbursed the costs of the medications by the local board.

Implication of the Enacted Budget: The 335-419, Community Subsidy Medication, line item is increased by $4.3 million in FY 2006 over FY 2005, and by $5.7 million in FY 2007. This increase is related to the phasing out of the Disability Medical Assistance Program (DMA). This funding will provide indigent medication subsidy for individuals who would have previously been eligible for DMA.

Community Medicaid Program

Program Description: These funds reflect the federal participation for the community Medicaid program. Covered community Medicaid services include: diagnostic assessment, partial hospitalization, crisis intervention, counseling and psychotherapy, medication somatic services, and the community support program.

Implication of the Enacted Budget: The 335-635, Community Medicaid Expansion, line item is the Federal Financial Participation (FFP) amount. Community Medicaid is paid for with local resources, namely a mix of GRF and local levy dollars, but varies by board area.

Forensic Services

Program Description: The Forensic Services program provides the following services.

- Forensic/Second Opinion Evaluation (Community Forensic Psychiatry Centers) – the Department is required to fund evaluations for those persons who are pending adjudication, to determine their competency to stand trial and/or to determine sanity. Historically, those services were originally provided at Oakwood State Hospital, but the responsibility was moved to regional Community Forensic Psychiatry Centers.

- Mental Health Diversion/Reentry Alternatives to Jails and Prisons – these community-based programs at the local level are aimed at serving mentally ill and mentally ill/substance abusing persons involved in the criminal justice system through the provision of diversion alternatives and programs geared at successful reentry into the community.

- Community Forensic Monitoring – the Department, in conjunction with the Community Mental Health boards, is required to operate a uniform tracking and monitoring program to serve persons on conditional release found Not Guilty by Reason of Insanity and Incompetent to Stand Trial-Unrestorable held under criminal court jurisdiction.

- Forensic Fellowship Program – Training for two forensic psychiatrists is funded at the University of Cincinnati and Case Western Reserve University.

Implication of the Enacted Budget: In FYs 2006 and 2007, forensic services received flat funding, which will continue current services as mentioned above.

Program Series 2 — Office of Support Services

Purpose: To provide ancillary services to state facilities, as well as community agencies.

The following table shows the line items that are used to fund the Office of Support Services, as well as the funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
151	235-601	Office of Support Services	$89,614,180	$93,898,713
		General Services Fund Subtotal	**$89,614,180**	$93,898,713
Total Funding: Office of Support Services			**$89,614,180**	**$93,898,713**

Office of Support Services

Program Description: The Office of Support Services is a not-for-profit, non-GRF section of ODMH that provides auxiliary services to state facilities and select community agencies. Services provided include wholesale food, processed food, pharmaceuticals and pharmacy dispensing, and transportation services to 13 state agencies, 92 state institutions, 50 community mental health boards, 10 county alcohol and drug addiction boards, 39 county health departments, and 186 county mental health clinics. By buying in volume, with a customer base in excess of 50,000, OSS is generally able to purchase and sell its services below the current market rate. Program operations are totally self-supporting and are funded out of a rotary account (line item 235-601). The Office of Support Services "earns" its income by billing state departments and agencies for its services.

Over the past five years, OSS has seen its sales grow from $76 million to over $85 million. This is primarily due to an increase in the use of new drugs, cost increases for older drugs, and the appeal of the purchasing power of OSS to other eligible nonprofit state and community agencies.

Implication of the Enacted Budget: The enacted budget matches the Department's request for spending authority for the Office of Support Services.

Program Series 3 Oversight and Quality

Purpose: To provide oversight and quality controls for the Integrated Behavioral Healthcare System (IBHS) including hospital chief clinical officers, as well as program and policy development for 50 community mental health boards.

The following table shows the line items that are used to fund the Oversight and Quality program series, as well as the funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	333-321	Central Administration	$4,562,381	$4,633,486
GRF	333-402	Resident Trainees	$1,364,919	$1,364,919
		General Revenue Fund Subtotal	**$5,927,300**	**$5,998,405**
General Services Fund				
149	333-609	Central Office Rotary - Operating	$115,947	$120,560
		General Services Fund Subtotal	**$115,947**	**$120,560**
Federal Special Revenue Fund				
3A6	333-608	Community & Hospital Services	$65,000	$0
3A8	333-613	Federal Grant – Administration	$562,417	$512,417
3B1	333-635	Community Medicaid Expansion	$105,406	$109,599
3A9	333-614	Mental Health Block Grant	$230,597	$230,250
		Federal Special Revenue Subtotal	**$963,420**	**$852,266**
Total Funding: Oversight and Quality			**$7,006,667**	**$6,971,231**

This analysis focuses on the following specific programs within the program series:

- ***Medical Director & Quality Assurance***
- ***Integrated Behavioral Healthcare System***
- ***Program & Policy Development***

Medical Director & Quality Assurance

Program Description: The Medical Director exercises clinical supervision of the hospital chief clinical officers; provides clinical oversight of ODMH policies, procedures, guidelines, and research projects; and provides oversight of the ODMH Residency program and Best Practice Initiatives. In addition, the Medical Director is responsible for the clinical aspects of the ODMH Licensure and Certification process for community mental health centers.

Implication of the Enacted Budget: The funding levels for this program will maintain current services including clinical supervision of hospital clinical staff and oversight of departmental policies and research projects, Ohio colleges and universities to educate mental health professionals, and continued quality improvement practices evidenced by improved reporting mechanisms through the Mental Health Board Clinical Leadership Group.

Integrated Behavioral Healthcare System (IBHS)

Program Description: The IBHS is composed of a network of five Behavioral Healthcare Organizations having nine inpatient locations and over 50 community-based programs throughout the state. This program develops, administers, and oversees the administration, budget, and services of the Behavioral Healthcare Organizations (BHOs). The IBHS is organized into four Product Lines consisting of: Intensive and Specialized Services; Community Support Network; Forensic; and Culture, Family and Community Services. The program provides support to BHOs through the Product Line structure to ensure compliance with federal, state, and Joint Commission on Accreditation of Healthcare Organizations (JCAHO) mandates and other accrediting standards.

Implication of the Enacted Budget: The funding levels for this program will maintain current services including staff to support the oversight of inpatient BHOs, JCAHO accreditation and Medicare certification of state psychiatric hospitals, and quality standards of clinical priorities of patient care.

Program & Policy Development

Program Description: This program provides overall management of the 50 community mental health boards and promotes the local development of a comprehensive community support system of mental health services. Currently, five area directors act as liaisons to coordinate the Department's relationship with the boards in five regions within the state. This program is also responsible for Systems Development, Children's Services and Prevention, and Consumer Services.

Implication of the Enacted Budget: The funding levels for this program will maintain current services including staff and operational needs for the Division of Program and Policy Development, Office of Systems Development, Office of Children's Services and Prevention, and the Office of Consumer Services. In addition, the recommended funding will continue to cover overall management of the 50 community mental health boards.

Program Series 4 Program Management

Purpose: To provide targeted technical assistance, program development, and clinical expertise in state hospital and community settings.

The following table shows the line items that are used to fund the Program Management program series, as well as the funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	333-321	Central Administration	$19,291,288	$19,220,183
GRF	333-403	Pre-Admission Screening Expenses	$650,135	$650,135
GRF	333-415	Lease Rental Payments	$23,296,200	$23,833,600
GRF	333-416	Research Program Evaluation	$1,001,551	$1,001,551
		General Revenue Fund Subtotal	**$44,239,174**	**$44,705,469**
State Special Revenue Fund				
4X5	333-607	Behavioral Health Medicaid Services	$3,000,634	$3,000,634
485	333-632	Mental Health Operating	$134,233	$134,233
		State Special Revenue Fund Subtotal	**$3,134,867**	**$3,134,867**
General Services Fund				
149	333-609	Central Office Rotary – Operating	$767,826	$773,226
		General Services Fund Subtotal	**$767,826**	**$773,226**
Federal Special Revenue Fund				
3A9	333-614	Mental Health Block Grant	$518,143	$518,220
3B1	333-635	Community Medicaid Expansion	$3,566,131	$3,582,084
324	333-605	Medicaid/Medicare	$150,000	$150,000
		Federal Special Revenue Fund	**$4,234,274**	**$4,250,304**
Total Funding: Program Management			**$52,376,141**	**$52,863,866**

This analysis focuses on the following specific programs within the program series:

- ***Program Management***
- ***Debt Service***

Program Management

Program Description: This program includes central office staff members who provide technical assistance and support for all components of the mental health system such as boards, agencies, family groups, consumer groups, and state and private hospitals, as well as oversight of the day-to-day operation of the Department. Offices or subprograms under the areas of central office administration include: the Director's Office, Human Resources, Fiscal Administration, Office of Information Services, Legal Services, Consumer Services, Licensure and Certification, Capital Development, Program Evaluation and Research, and Office of Forensic Services.

Implication of the Enacted Budget: The funding levels for this program will maintain current services including staff and operational requirements of the central office needed for budget control and coordination, human resources administration, oversight of Medicaid mental health services, research and program evaluation, facility planning and management, information systems, and legal/regulatory services. The total impact of flat funding for central office across programs 3.1 Medical Director and Quality Assurance, 3.2 Integrated Behavioral Healthcare System, 3.3 Program and Policy Development, and 4.1 Program Management would be a loss of approximately 4 FTEs in FY 2006 and 14 in FY 2007. The allocation of FTE reductions across individual offices will be determined at a later point in FY 2006.

Debt Service

Program Description: This program area reflects payments made by the Department for debt service retirement to the Ohio Public Facilities Commission for mental health facilities.

Implication of the Enacted Budget: The enacted budget fully funds debt service payments for mental health facilities.

Department of Mental Retardation and Developmental Disabilities

Clay Weidner, Budget Analyst

- Eliminates the Community Alternative Funding System (CAFS) program
- Transfers the State Use program to the Department of Administrative Services
- Creates a three-year, 200 bed ICF/MR Conversion Pilot Program

OVERVIEW

Duties and Responsibilities

The Ohio Department of Mental Retardation and Developmental Disabilities (ODMR/DD) is the primary state service agency for Ohioans with mental retardation or other developmental disabilities (MR/DD). The Department provides services to approximately 1,500 individuals at 11 regional developmental centers and 11,300 people through two home and community-based Medicaid waivers: Individual Options (IO) and the Level 1.

The Department also provides subsidies to Ohio's 88 county boards of MR/DD for residential and support services. County boards provide a variety of community-based services including residential support, early intervention, family support, adult vocational and employment services, and service and support administration. In fiscal year (FY) 2003, 68,896 people received services through county board programs.

Agency in Brief

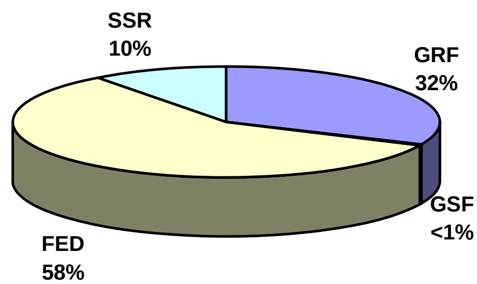
Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
3,915	$1.12 billion	$1.10 billion	$352.88 million	$353.40 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

In FY 2006, the enacted budget provides $1.12 billion for ODMR/DD, a 1.4% decrease from FY 2005 estimates. In FY 2007, this figure decreases to $1.10 billion, a 2.0% decrease from FY 2006 appropriations.

The following chart shows the funding sources of the Department's budget for FYs 2006-2007:

Chart 5
Sources of ODMR/DD Budget
FYs 2006-2007



For FY 2006, GRF appropriations total $352.9 million, an increase of 0.4% over FY 2005 estimates. For FY 2007, GRF appropriations increase by 0.2% to $353.4 million. In total, GRF funds make up approximately 32% of the Department's budget. For the most part, the enacted budget provides for level GRF funding.

For FY 2006, Federal Special Revenue (FED) appropriations total $652.7 million, a 9.2% decrease from FY 2005 estimates. For FY 2007, FED appropriations total $630.6 million, a decrease of 3.4%. In total, federal funds represent approximately 58% of the Department's budget. The decrease in federal appropriations is directly related to the termination of the Community Alternative Funding System (CAFS) program. Recently, the federal government informed the Ohio Department of Job and Family Services (ODJFS) and ODMR/DD that the state would no longer receive federal Medicaid reimbursement for CAFS services. Thus, the enacted budget repeals all statutes governing the CAFS program. In FY 2004, the CAFS program generated approximately $206 million in federal Medicaid reimbursement.

For FY 2006, State Special Revenue (SSR) appropriations total $114.3 million, an increase of approximately 85.3% from FY 2005 estimates. For FY 2007, SSR appropriations are flat funded. In total, SSR appropriations represent approximately 10% of the Department's budget. For the most part, the increase in SSR appropriations occurs in line item 322-624, County Board Waiver Match, Fund 5Z1. Fund 5Z1 receives dollars pledged from county boards from their GRF subsidy allocations to pay the nonfederal share of Medicaid waiver expenditures. County boards are required by state law to pay the nonfederal portion of Medicaid waiver expenditures. However, ODMR/DD is administratively responsible for paying the provider for services rendered. Thus, to make the process more efficient, county boards pledge funds from their GRF subsidy allocations, which is then used by the Department to pay the county's waiver match obligations. If a county's GRF pledges will not pay for all match obligations, the county board remits local funds to cover the remaining match. Currently, approximately 3% of all county board match obligations are paid by local funds.

For FY 2006, General Services Fund (GSF) appropriations total $2.2 million, a decrease of approximately 41.0% from FY 2005 estimates. For FY 2007, GSF appropriations total $1.6 million, a decrease of 26.8%. In total, GSF appropriations represent less than 1% of the Department's budget. The decrease in GSF appropriations can be attributed to the transfer of the Family and Children First initiative and the Intersystem Services for Children program to the Ohio Department of Mental Health (ODMH). In the past, ODMR/DD was the fiscal agent for these programs.

Budget Issues

Elimination of the CAFS program

The CAFS program was Ohio's rehabilitation option (42 CFR 440.130(d)) under Medicaid. The CAFS program was an optional Medicaid state plan service that provided federal Medicaid reimbursement to county boards of MR/DD, local school districts, and other providers for eligible services provided in certified habilitation centers. Reimbursable services included physical therapy, occupational therapy, speech therapy and audiology, psychology, nursing, skills development, active treatment, social work/counseling, service coordination, and transportation. The CAFS program also provided skills development for individuals enrolled on Medicaid waivers and active treatment services for individuals residing in ICFs/MR.

The original intent of the CAFS program was to generate federal Medicaid reimbursement for MR/DD services provided by county boards. Thus, in 1989, Ohio added the CAFS program to the state Medicaid plan. In 1992, school districts became eligible to receive CAFS reimbursement for services provided in school settings. The CAFS program provided a mechanism for schools to receive federal Medicaid reimbursement for services required by the federal Individuals with Disabilities Education Act (IDEA). Local county boards and school districts are required by state law to provide the nonfederal matching funds. In Ohio, CAFS services were only available to individuals with MR/DD.

During the previous biennium, Ohio requested an amendment to the state Medicaid plan concerning the CAFS program. The amendment would have eliminated nutrition services and made changes to the reimbursement method. In anticipation of federal approval, ODMR/DD promulgated rules implementing the proposed amendment. However, the Centers for Medicare and Medicaid Services (CMS) found many aspects of the proposed rules to be out of compliance. The CMS informed ODMR/DD that implementation of the rules would jeopardize federal reimbursement for the program. Additionally, CMS stated that many aspects of the CAFS program were noncompliant with federal Medicaid law. The concerns of CMS centered on fundamental Medicaid requirements pertaining to comparability of services, free choice of provider, and overall service eligibility.

Ultimately, most of CMS' concerns arose from the misapplication of home and community-based (HCBS) Medicaid waiver rules to a state Medicaid plan service (i.e., CAFS). Federal requirements are different for HCBS Medicaid waivers and state plan services. Medicaid state plan services must follow four basic principles: (1) services must be available on a statewide basis (statewideness), (2) services cannot be arbitrarily limited to any specific illness or condition, (3) consumers must be able to freely choose from any able and willing provider (free choice of provider), and (4) services must be available to every consumer on Medicaid for whom the service is medically necessary (comparability). These federal requirements apply to all Medicaid state plan services unless a "waiver" has been granted. A HCBS Medicaid waiver, by definition, allows these requirements of Medicaid to be "waived." This allows states to cover a wider range of services that may not be covered under the state plan and target specific populations of individuals (e.g., individuals with MR/DD) who would otherwise need care in an institution. States have the flexibility to design each waiver program and select the mix of waiver services that best meet the needs of the targeted population.

According to the Department, making CAFS compliant with CMS requirements was not fiscally possible. As a state plan option, CAFS services were an entitlement available to any Medicaid-eligible individual needing CAFS services. Although local county boards and school districts were statutorily responsible for the nonfederal match, the state was ultimately responsible since CAFS was an entitlement under the state Medicaid plan. If a county board was unable or unwilling to meet the match obligations, the state paid the nonfederal share of CAFS expenditures. Thus, the state's potential fiscal liability grew since neither the number of providers nor the number of individuals served could be controlled.

The CMS informed ODJFS and ODMR/DD that it would no longer provide federal Medicaid reimbursement for the CAFS program effective July 1, 2005. Thus, the enacted budget repeals all statutes regarding CAFS and certified habilitation centers, effectively terminating the program at the end of FY 2005. The following details the provisions of the enacted budget resulting from the termination of the CAFS program.

- The enacted budget includes language allowing habilitation centers to continue to provide Medicaid targeted case management (TCM) services until the earlier of (1) an amendment to the state Medicaid plan is approved that provides that only county boards of MR/DD may provide Medicaid TCM services or (2) the habilitation center ceases to meet certification requirements.

- The enacted budget eliminates state law giving county boards Medicaid local administrative authority regarding Medicaid case management services. The CMS raised concerns about the delegation of authority by the state Medicaid agency (ODJFS) and ODMR/DD to county boards of MR/DD. Specifically, CMS is concerned about the multiple roles of county boards in individual service plan development, case management, and financier of Medicaid waiver services.

- The enacted budget allows a county board of MR/DD to pledge funds from its state subsidy allocation to cover the cost of providing the nonfederal match for active treatment services a county provides to residents of the Department's developmental centers.

- The enacted budget increases the administrative fee county boards of MR/DD are charged for all Medicaid paid claims for case management services and home and community-based services that the Department administers to 1.5% (from 1%) of the total value of paid claims. The additional revenue collected from the administration fee will be used to offset some of the lost revenue associated with the loss of the 4% fee charged on all CAFS claims. The Department collects approximately $7.0 million annually from the 4.0% CAFS fee. In FY 2004, the Department paid $5.1 million in nonfederal matching funds for CAFS services. Thus, the net revenue gain from the 4% CAFS fee was $1.9 million in FY 2004. In FY 2004, ODMR/DD collected $3.2 million from the 1.0% fee. With the proposed increase, the Department would generate approximately $1.6 million in additional revenue. Thus, the net effect of losing the CAFS fee and increasing the administration fee would be a revenue loss of approximately $300,000. According to the Department, to absorb the revenue loss, central office will undergo a comprehensive reassessment of jobs during the biennium, which will end with layoffs, early retirements, and job abolishment.

Intermediate Care Facilities for the Mentally Retarded (ICF/MR) Reform

The enacted budget creates an ICF/MR Conversion Pilot Program. Ultimately, the goal of the pilot program is to study the effects and feasibility of converting the current state ICF/MR entitlement program to a facility-based Medicaid waiver. The bill mandates that the pilot program be implemented for no less than three years and limits participation to 200 voluntary individuals. According to ODMR/DD, services for individuals participating in the program will not be interrupted. The following details the provisions of the enacted budget concerning the ICF/MR Conversion Pilot Program.

- The bill requires that the Department seek federal authorization to (1) establish the ICF/MR Conversion Pilot Program under which individuals receive home and community-based services rather than ICF/MR services and (2) refuse to enter into or amend a Medicaid provider agreement with the operator of an ICF/MR if the provider agreement would authorize the operator to receive Medicaid payments for more ICF/MR beds than the operator receives before the pilot program begins implementation. The bill requires that the Department notify the Governor and General Assembly when the Department seeks the federal authorization.

- The bill creates the ICF/MR Conversion Advisory Council, which is made up of various stakeholders, to consult with ODJFS on the rules implementing the program.

- The bill requires that ODJFS submit the waiver application and state Medicaid plan amendment needed for the program by July 1, 2006, or as soon thereafter as practical, but not later than January 1, 2007.

- The bill requires ODJFS to consult with the Council before submitting the waiver application and state Medicaid plan amendment needed for the program.

- The bill authorizes ODJFS to assign the administration of the pilot program to ODMR/DD and transfer funds to pay for the nonfederal share of the pilot program's costs to ODMR/DD.

- The bill mandates that ODMR/DD will become responsible for a portion of the nonfederal share of Medicaid expenditures for ICF/MR services provided by an ICF/MR that reconverts to providing ICF/MR services if the program terminates rather than expanding statewide and provides that ODMR/DD's responsibility for the nonfederal share is to go into effect not later than two and one-half years after the program's termination.

- The bill authorizes ODMR/DD or ODJFS, whichever administers the program, to make adjustments to the program, other than adjustments that expand the size or scope of the program, after consulting with the Council.

- The bill requires ODMR/DD or ODJFS, whichever administers the program, to conduct written evaluations of the program, in consultation with the Council, no sooner than the last day of the program's first year and no sooner than the last day of the program's second year.

- The bill provides that an ICF/MR that converts to providing home and community-based services under the program may reconvert to providing ICF/MR services after the program terminates unless the program is implemented statewide or the ICF/MR no longer meets the requirements for certification as an ICF/MR.

- The bill permits no more than 200 individuals to participate in the pilot program at one time.

- The bill requires that the program be implemented for not less than three years and explicitly states that the program is not to be implemented statewide unless the General Assembly enacts law authorizing statewide implementation.

The pilot program will change how participating ICFs/MR are funded, which may have an impact on revenues. As with all Medicaid waivers, an individual's room and board costs are not covered outside of an institution. Individuals may have to use their own resources to help cover such costs, which may include social security benefits, federal Supplemental Security Income (SSI), or other similar supplements. Since the waiver has yet to be designed, the extent of any potential fiscal impact on ICF/MR revenues or state ICF/MR expenditures cannot be estimated. If the facility waiver is eventually implemented statewide, it is expected that the state would eliminate ICFs/MR from the state Medicaid plan. According to the Department, the conversion would give the state increased control over the growth and costs of the system, which ODMR/DD expects to result in long-term savings.

Transfer of the State Use Program

The enacted budget transfers the State Use program from ODMR/DD to the Department of Administrative Services (DAS). The State Use program is a procurement set-aside program that provides a vehicle for government agencies to purchase products and services through one of more than 100 qualified nonprofit agencies that employ persons with severe disabilities. State law requires state and local governmental agencies to purchase certain products and services from these qualified nonprofit work centers. According to the Department, the purpose of the transfer is to better service the business functions of the program by streamlining management functions and taking advantage of the resources available to other DAS-administered set-aside programs (e.g., the Minority Business Enterprise program). These changes are designed to increase work opportunities for people with disabilities and to reduce bureaucracy. The goals and purposes of the program will remain the same.

Transfer of the Ohio Family and Children First Program

The enacted budget transfers the administrative duties of the Ohio Family and Children First Cabinet Council, including the Intersystem Services for Children program, to the Ohio Department of Mental Health (ODMH). Formerly, ODMR/DD was the fiscal agent for this program. The Office of Family and Children First (OFCF) is a network of various state agencies and private organizations that work to align resources and activities around a shared vision for meeting the needs of children. The goal of the Cabinet Council is to streamline and coordinate existing government services for families seeking assistance for their children by (1) making recommendations to the Governor and the Ohio General Assembly regarding the provision of services, (2) advising and assessing the coordination of service delivery to children, (3) encouraging coordinated efforts at the state and local level to improve the social service delivery system, and (4) developing programs and projects to encourage coordinated efforts at the state and local level. All initiatives of the OFCF are funded through the participating state agencies and come from a variety of funding sources. According to ODMR/DD, the program will serve the same population and will be a better alignment of services for children in need.

Service Contracts

The enacted budget eliminates a requirement that the Department adopt rules governing contracts between a county board and a provider of services. Recently, CMS raised concerns about these required service contracts as a violation of the free choice of provider tenet of Medicaid. Furthermore, a lawsuit, *Thompson v. Hayes et. al*, was filed in the Franklin County Court of Common Pleas against ODJFS, ODMR/DD, and some county boards concerning the legality of these contracts.

To remedy this situation, the enacted budget permits ODMR/DD to enter into an agreement with a county board under which the Department is to pay the nonfederal share of Medicaid expenditures for ODMR/DD-administered home and community-based services. Previously, county boards of MR/DD directly contracted with providers and paid the provider for services rendered. This provision allows county boards to enter into an agreement with ODMR/DD in which the Department would contract with the provider and pay for services rendered. County boards would then transfer the funds to ODMR/DD. Thus, the provision would not effect the amount of money paid to a provider, but would change the entity responsible for payment.

Waiver Provider Certification

The enacted budget revises the law governing the certification of home and community-based services providers by allowing ODMR/DD to issue time-limited provider certification. This change allows the Department to suspend a provider's certification prior to an administrative hearing if there is a serious risk to the health and welfare of an individual. Previously, ODMR/DD did not have the authority to suspend a provider's certification until the completion of an administrative hearing. According to the Department, this process can take anywhere between six and nine months. Under the bill, an expedited hearing process is triggered if a provider's certification is suspended before the completion of an administrative hearing.

The Department believes this provision is fundamental because it provides sufficient fiscal protection for county boards of MR/DD that can no longer contract directly with service providers (see above). The ability to contract directly with providers was a key fiscal safeguard for county boards when they agreed to put up local levy dollars as match for Medicaid waivers as part of Medicaid redesign. Without the ability to directly terminate a contract that is funded with local levy dollars, many county boards would be forced to take their local levy funds off the table.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 **Early Intervention Services**

Purpose: To develop an Individual Family Services Plan for children, birth through age two, who are at risk of or are diagnosed with a developmental delay.

The following table shows the line items that are used to fund the Early Intervention Services program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	320-321*	Central Administration	$438,349	$442,290
GRF	322-501*	County Boards Subsidies	$7,307,934	$7,307,934
		General Revenue Fund Subtotal	**$7,746,283**	**$7,750,224**
Federal Special Revenue Fund				
3A4	320-605*	Administrative Support	$792,098	$793,180
3G6	322-639*	Medicaid Waiver	$6,828	$19,402
3M7	322-650*	CAFS Medicaid	$41,536,235	$34,591,243
325	322-608*	Grants for Infants and Families with Disabilities	$541,934	$554,253
		Federal Special Revenue Fund Subtotal	**$42,877,095**	**$35,958,078**
Total Funding: Early Intervention Services			**$50,623,378**	**$43,708,302**

* Amount does not reflect total appropriation because the line item is used to fund other program series.

This analysis focuses on the following specific programs within the Early Intervention Services program series:

- ***Community Alternative Funding System (CAFS)-Early Intervention***
- ***Early Intervention***
- ***Subsidies to County Boards of MR/DD-Early Childhood Services***

Community Alternative Funding System (CAFS)-Early Intervention

Program Description: The CAFS program provides federal Medicaid reimbursement to county boards of MR/DD, local school districts, and nonprofit organizations for medical and support services provided to persons with MR/DD in certified habilitation centers. This is an optional state Medicaid plan service and serves as a mechanism for the reimbursement of costs associated with the provision of Medicaid-approved services delivered by habilitation centers. Reimbursable services include physical therapy, occupational therapy, speech therapy and audiology, psychology, nursing, skills development, active treatment, social work/counseling, service coordination, and transportation.

The Early Intervention (EI) part of the CAFS program provides federal Medicaid reimbursement to county boards of MR/DD, private providers, and public children services agencies for costs incurred providing EI services. County boards of MR/DD make up approximately 50% of all providers of EI services in Ohio. The significant services provided under CAFS for EI services are physical therapy, occupational therapy, speech therapy, audiology, and service coordination.

Implication of the Enacted Budget: The CMS recently found the CAFS program to be out of compliance with federal Medicaid requirements pertaining to comparability of services, free choice of provider, and overall service eligibility. The CMS informed ODJFS and ODMR/DD that it would no longer provide federal Medicaid reimbursement for the CAFS program effective July 1, 2005. Consequently, the enacted budget repeals all statutes regarding CAFS and certified habilitation centers, effectively terminating the program at the end of FY 2005. The enacted budget includes appropriations in FY 2006 and FY 2007 to account for residual claiming that will occur during the biennium.

According to the Department, making CAFS compliant with CMS requirements is not fiscally possible. As a state plan option, CAFS services are an entitlement available to any Medicaid-eligible individual needing CAFS services. Although local county boards and school districts are statutorily responsible for the nonfederal match, the state is ultimately responsible since CAFS is an entitlement under the state Medicaid plan. If a county board is unable or unwilling to meet the match obligations, the state must pay the nonfederal share of CAFS expenditures. Thus, the state's potential fiscal liability grows since neither the number of providers nor the number of individuals served can be controlled.

Early Intervention

Program Description: The Early Intervention (EI) program was established in 1987 by Federal Part C of the Individuals with Disabilities Education Act (IDEA). The Act grants federal funds, which come from the U.S. Department of Education, to states to provide services and supports to infants and toddlers, birth through age two, with developmental delays or risk factors associated with such delays. Infants, birth through age two, who have or are at risk for developmental delays, receive such services as language stimulation and communication skills training, physical development, social-emotional development, cognitive development, and sensory development.

In Ohio, EI services are provided through a network of state agencies as part of the Ohio Department of Health's (ODH) "Help Me Grow" initiative. The Governor has designated ODH as the lead agency for providing EI services. Consequently, ODH is charged with the general administration, supervision, and monitoring of EI services. The ODMR/DD receives a portion of the federal funds from ODH to provide training and technical assistance to county boards to ensure compliance with all federal and state statutes regarding EI services. County boards of MR/DD are specifically targeted with these funds because they are the largest providers of EI services in Ohio (approximately 50%).

Implication of the Enacted Budget: The enacted budget provides for current service levels. The funding does not provide any direct EI services. These are federal funds that are used to pay for the personnel needed to provide training, consultation, and technical assistance to county boards of MR/DD to ensure statewide compliance with all relevant federal and state regulations. As stated above, money is transferred from the federal Department of Education to ODH and then to ODMR/DD. The level of services is determined by an interagency agreement between ODH and ODMR/DD and will remain constant in the next biennium.

Subsidies to County Boards of MR/DD-Early Childhood Services

Program Description: This program distributes GRF state subsidies to the 88 county boards of MR/DD. County boards of MR/DD are mandated to provide early childhood services, supported home services, adult services, and special education programs to Ohioans with MR/DD.

State law requires county boards of MR/DD to provide early childhood services. The goal of this program is to provide a per enrollee subsidy for each child served by a county board of MR/DD or through a contract between a county board and a private provider. Subsidies are distributed according to the formula set forth in section 5126.12 of the Revised Code. Under the Revised Code, the state subsidy is $950 per child under age three. Subsidy payments are combined with local levy funds to provide the match for federal financial participation.

Implication of the Enacted Budget: The enacted budget provides funding in GRF line item 322-501, County Boards Subsidies, of $32.2 million in each fiscal year. Of that total, approximately $7.3 million will be used to fund early childhood services subsidies. With the funding, the Department will provide a prorated early childhood services subsidy to county boards. All of the subsidy funds will be used to maintain current levels of service.

As discussed above, section 5126.12 of the Revised Code mandates that the Department pay $950 per child less than three years of age. In FY 2003, the number of children under three enrolled in county board programs was 9,861. Based on these numbers, approximately $9.4 million would be needed to fully fund the early childhood subsidy formula. The enacted budget falls approximately $2.1 million short of fully funding the formula. Furthermore, any increase in the early childhood population since FY 2003 would further elevate the statutory funding level. According to the Department, the statewide average cost for early childhood services is approximately $6,000 per individual, which far outweighs the statutory per child subsidy.

According to the Department, the funding levels will put more pressure on local levy dollars to support the increasing demand for services. In recent years, the county board population has steadily increased, while state funding has decreased. Between FYs 1994-2003, the county board population increased 59.9% (43,090 to 68,896), while funding in line item 322-501, County Boards Subsidies, decreased 11.6% ($37.1 million to $32.9 million) when adjusted for inflation.[20] When state funding is reduced, the burden falls on locals to make up for any funding gaps. Thus, county boards are serving an increasing number of individuals with reduced amounts of state funding. The loss of CAFS funding and the implementation of the new waiver reimbursement methodology may exacerbate this trend as county boards may see losses in revenue and increased waiver costs.

[20] The JPG chained price index for government purchases of goods and services, which is generated by the U.S. Bureau of Economic Analysis, was used to adjust for inflation. The numbers presented are the real expenditures expressed in FY 1994 dollars.

Program Series 2 — Education and Related Services

Purpose: To support programs that target children ages 3 through 21 with MR/DD who are eligible for a free and appropriate education through Ohio's public school system.

The following table shows the line items that are used to fund the Education and Related Services program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	320-321*	Central Administration	$332,249	$335,327
		General Revenue Fund Subtotal	**$332,249**	**$335,327**
State Special Revenue Fund				
5S2	590-622*	Medicaid Administration & Oversight	$38,566	$39,625
		State Special Revenue Fund Subtotal	**$38,566**	**$39,625**
General Services Fund				
4J6	322-645	Intersystem Services for Children	$300,000	$0
4V1	322-611	Family and Children First	$40,000	$0
		General Services Fund Subtotal	**$340,000**	**$0**
Federal Special Revenue Fund				
3A4	320-605*	Administrative Support	$425,029	$426,437
3G6	322-639*	Medicaid Waiver	$6,828	$7,208
3M7	322-650*	CAFS Medicaid	$41,548,407	$34,591,243
325	322-608*	Grants for Infants and Families with Disabilities	$17,365	$17,955
325	323-608	Foster Grandparent Program	$575,000	$575,000
		Federal Special Revenue Fund Subtotal	**$42,572,629**	**$35,617,843**
Total Funding: Education and Related Services			**$43,283,434**	**$35,992,795**

* Amount does not reflect total appropriation because the line item is used to fund other program series.

This analysis focuses on the following specific programs within the Education and Related Services program series:

- ***Community Alternative Funding System (CAFS) - Education***
- ***Office of Family and Children First***
- ***Intersystem Services For Children***
- ***Foster Grandparent Services***

Community Alternative Funding System (CAFS) - Education

Program Description: The CAFS program provides federal Medicaid reimbursement to county boards of MR/DD, local school districts, and nonprofit organizations for medical and support services provided to persons with MR/DD in certified habilitation centers. This is an optional state Medicaid plan service and serves as a mechanism for the reimbursement of costs associated with the provision of Medicaid-approved services delivered by habilitation centers. Reimbursable services include physical therapy, occupational therapy, speech therapy and audiology, psychology, nursing, skills development, active treatment, social work/counseling, service coordination, and transportation.

The education part of the CAFS program provides federal Medicaid reimbursement to county boards of MR/DD and certified school districts for costs incurred providing CAFS services to children ages 3 through 21.

Implication of the Enacted Budget: The CMS recently found the CAFS program to be out of compliance with federal Medicaid requirements pertaining to comparability of services, free choice of provider, and overall service eligibility. The CMS informed ODJFS and ODMR/DD that it would no longer provide federal Medicaid reimbursement for the CAFS program effective July 1, 2005. Consequently, the enacted budget repeals all statutes regarding CAFS and certified habilitation centers, effectively terminating the program at the end of FY 2005. The enacted budget includes appropriations in FY 2006 and FY 2007 to account for residual claiming that will occur during the biennium.

According to the Department, making CAFS compliant with CMS requirements is not fiscally possible. As a state plan option, CAFS services are an entitlement available to any Medicaid-eligible individual needing CAFS services. Although local county boards and school districts are statutorily responsible for the nonfederal match, the state is ultimately responsible since CAFS is an entitlement under the state Medicaid plan. If a county board is unable or unwilling to meet the match obligations, the state must pay the nonfederal share of CAFS expenditures. Thus, the state's potential fiscal liability grows since neither the number of providers nor the number of individuals served can be controlled.

Office of Family and Children First

Program Description**:** The Office of Family and Children First (OFCF) is a network of various state agencies and private organizations that work to align resources and activities around a shared vision for meeting the needs of children. The OFCF supports the work of the Governor's Family and Children First (FCF) Cabinet Council. The Governor's FCF Cabinet Council consists of the directors of various state agencies that provide support to multineed children. The goal of the FCF Cabinet Council is to streamline and coordinate existing government services for families seeking assistance for their children by: (1) making recommendations to the Governor and the Ohio General Assembly regarding the provision of services, (2) advising and assessing the coordination of service delivery to children, (3) encouraging coordinated efforts at the state and local level to improve the social service delivery system, and (4) developing programs and projects to encourage coordinated efforts at the state and local level.

There are also 88 local county FCF councils. The local FCF councils are charged with: (1) evaluating and prioritizing services for children and families, (2) filling service gaps whenever possible, (3) inventing new approaches to achieve better results, (4) ensuring ongoing input from a broad representation of families, (5) maintaining an accountability system to monitor progress in achieving results, and (6) referring to the FCF Cabinet Council those children for whom the county council cannot provide adequate services.

The OFCF, and the entire FCF local and state framework, is not a program, but rather an initiative to coordinate a variety of services for children and families, especially those that are at risk and/or low-income. All initiatives of the OFCF are funded through the participating state agencies and come from a variety of funding sources.

Implication of the Enacted Budget: The enacted budget transfers the administrative duties of the OFCF to the Department of Mental Health. Previously, ODMR/DD was the fiscal agent for this program. According to ODMR/DD, the program will serve the same population and will be a better alignment of services for children in need.

Intersystem Services For Children

Program Description: The Intersystem Services for Children program coordinates services for children requiring help from more than one state agency. This prevents these children from suffering service lapses because of conflicting agency mandates. Intersystem funds are used to provide short-term supports of no more than 12 months to the child and respective family. The short-term support gives counties time to develop the necessary means to meet the child's long-term needs. The goal of the program is to help local FCF councils to work collaboratively to build local capacity to serve multineed children, while keeping the children in their own home.

The ODMR/DD administers intersystem funds on behalf of the Governor's FCF Council. The local FCF council submits referrals to ODMR/DD for the disbursement of Intersystem funds. By doing so, the FCF council certifies that the respective county does not have the resources to support the child. Local agencies are required to provide at least a 50% match of the state funds to have a request approved. On average, 65 counties access Intersystem funds.

Intersystem funds are initially transferred from the Ohio Department of Education to ODMR/DD. The local FCF council submits a funding request to the FCF Cabinet Council that stipulates the services and supports needed for the child and the total cost of the services. State funds are then allocated based on the child's living situation. More state funds are authorized (50%) if the services support the child within the child's own home. Fewer funds are authorized (25%) if the child will be removed from the child's own home. The remainder of the funding must come from local match and is usually a result of pooled resources from the county FCF council.

Implication of the Enacted Budget: The Intersystem Services for Children is being transferred to the Ohio Department of Mental Health (ODMH). The ODMR/DD has been the fiscal agent for this program since FY 1993. In FY 2004, approximately $3.2 million was spent in line item 322-645, Intersystem Service for Children. The funds in this program are used to support grants to local FCF councils. The program serves multineeds children requiring services from more than one public agency. According to ODMH, the program will continue to serve the same population. The ODMR/DD will continue to provide its monetary contribution to the OFCF.

Foster Grandparent Services

Program Description: The Foster Grandparent program provides volunteer opportunities for lower-income senior citizens aged 60 years or older to assist children with MR/DD. At the same time, the program provides one-on-one supportive services for children who have special needs or who are disadvantaged. This program is part of the National Senior Service Corps. There is a national network of similarly structured volunteer organizations sponsored and operated by state and local governments throughout the United States. This program provides supportive services to approximately 450 children with special needs at 50 community-based volunteer stations (located in 9 counties) from 125 foster grandparents.

Funds for this program come from a federal grant provided by the Corporation for National and Community Service. Only 90% of the program's operating budget can come from federal funds; therefore, a state match of 10% is necessary.

Implication of the Enacted Budget*:* The enacted budget provides for current service levels to be maintained. During the biennium, the primary focus of this program will be to increase the number of volunteer sites at early childhood and family centers.

Program Series 3 Employment and Skills Development Services and Supports

Purpose: To provide nonresidential services for individuals with MR/DD, ages 16 and older, who require skill development or support in order to gain meaningful, competitive employment or to live independently in a safe and healthy environment.

The following table shows the line items that are used to fund the Employment and Skills Development Services and Supports program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	320-321*	Central Administration	$746,956	$755,325
GRF	322-501*	County Boards Subsidies	$24,885,608	$24,885,608
GRF	322-503	Tax Equity	$14,500,000	$14,500,000
		General Revenue Fund Subtotal	**$40,132,564**	**$40,140,933**
State Special Revenue Fund				
5S2	590-622*	Medicaid Administration & Oversight	$111,424	$115,099
		State Special Revenue Fund Subtotal	**$111,424**	**$115,099**
General Services Fund				
4U4	322-606	Community MR and DD Trust	$300,000	$50,000
		General Services Fund Subtotal	**$300,000**	**$50,000**
Federal Special Revenue Fund				
3A4	320-605*	Administrative Support	$1,580,323	$1,582,456
3G6	322-639*	Medicaid Waiver	$85,576	$103,082
3M7	322-650*	CAFS Medicaid	$42,839,657	$34,591,244
325	322-608*	Grants for Infants and Families with Disabilities	$180,784	$185,178
325	322-612	Community Social Services Program	$11,500,000	$11,500,000
		Federal Special Revenue Fund Subtotal	**$56,186,340**	**$47,961,960**
Total Funding: Employment and Skills Development Services and Supports			**$96,730,328**	**$88,267,992**

* Amount does not reflect total appropriation because the line item is used to fund other program series.

This analysis focuses on the following specific programs within the Employment and Skills Development Services and Supports program series:

- ***Community Alternative Funding System (CAFS)-Adult Habilitation***
- ***Subsidies to County Boards of MR/DD-Adult Services***
- ***Tax Equity***
- ***Social Services Block Grant (Title XX)***
- ***Community MR/DD Trust Fund***

Community Alternative Funding System (CAFS)-Adult Habilitation

Program Description: The CAFS program provides federal Medicaid reimbursement to county boards of MR/DD, local school districts, and nonprofit organizations for medical and support services provided to persons with MR/DD in certified habilitation centers. This is an optional state Medicaid plan service and serves as a mechanism for the reimbursement of costs associated with the provision of Medicaid-approved services delivered by habilitation centers. Reimbursable services include physical therapy, occupational therapy, speech therapy and audiology, psychology, nursing, skills development, active treatment, social work/counseling, service coordination, and transportation. CAFS also provides skills development for individuals on home and community-based waivers and active treatment services for individuals residing in ICFs/MR.

The adult habilitation part of the CAFS program provides federal reimbursement to Medicaid-certified habilitation centers for services provided to individuals age 16 and older who are eligible to receive services from a county board of MR/DD.

Implication of the Enacted Budget*:* The CMS recently found the CAFS program to be out of compliance with federal Medicaid requirements pertaining to comparability of services, free choice of provider, and overall service eligibility. The CMS informed ODJFS and ODMR/DD that it would no longer provide federal Medicaid reimbursement for the CAFS program effective July 1, 2005. Consequently, the enacted budget repeals all statutes regarding CAFS and certified habilitation centers, effectively terminating the program at the end of FY 2005. The enacted budget includes appropriations in FY 2006 and FY 2007 to account for residual claiming that will occur during the biennium.

According to the Department, making CAFS compliant with CMS requirements is not fiscally possible. As a state plan option, CAFS services are an entitlement available to any Medicaid-eligible individual needing CAFS services. Although local county boards and school districts are statutorily responsible for the nonfederal match, the state is ultimately responsible since CAFS is an entitlement under the state Medicaid plan. If a county board is unable or unwilling to meet the match obligations, the state must pay the nonfederal share of CAFS expenditures. Thus, the state's potential fiscal liability grows since neither the number of providers nor the number of individuals served can be controlled.

Subsidies to County Boards of MR/DD-Adult Services

Program Description: This program distributes GRF state subsidies to the 88 county boards of MR/DD. County boards of MR/DD are mandated to provide early childhood services, supported home services, adult services, and special education programs.

State law mandates that county boards of MR/DD provide adult services and supportive home services. Adult services include habilitation, prevocational and vocational skill development, job coaching, job development, supported employment, vocational assessment, and employment in sheltered workshops. The primary goal of this program is to provide a per enrollee subsidy for each adult served. Subsidies are distributed according to the formula set forth in section 5126.12 of the Revised Code. Under the Revised Code, the state subsidy is between $1,000 and $1,500 for persons who are at least 16 years of age or older. The variance is based on whether or not the county board is eligible to bill for Medicaid reimbursement for the individual. Subsidy payments are combined with local levy funds to provide match for federal Medicaid reimbursement.

Implication of the Enacted Budget*:* The enacted budget provides funding in GRF line item 322-501, County Boards Subsidies, of $32.2 million in each fiscal year. Of that total, approximately $24.9 million in each fiscal year is for adult services. With the funding, the Department will provide a prorated adult services subsidy to county boards. All of the subsidy funds will be used to maintain current levels of service.

As discussed above, R.C. section 5126.12 mandates that the Department pay between $1,000 and $1,500 per adult, depending on the Medicaid eligibility of the individual. In FY 2003, enrollment in county board adult services programs totaled 29,834. Based on these numbers, fully funding the adult services subsidy formula would take somewhere between $29.8 million and $44.8 million, depending on the eligibility of the individual. Thus, the enacted budget falls short of the statutory subsidy level by somewhere between $4.9 million and $19.9 million. Furthermore, the estimate is based on FY 2003 enrollment data. Any subsequent increase in enrollment would drive the estimated subsidy shortfall higher. According to the Department, the statewide average cost for adult services is approximately $12,000 per individual, which far outweighs the statutory subsidy.

According to the Department, the funding levels will put more pressure on local levy dollars to support the increasing demand for services. In recent years, county board population has steadily increased, while state funding has decreased. Between FYs 1994-2003, the county board population increased 59.9% (43,090 to 68,896), while funding in line item 322-501, County Boards Subsidies, decreased 11.6% ($37.1 million to $32.9 million) when adjusted for inflation.[21] When state funding is reduced, the burden falls on locals to make up for any funding gaps. Thus, county boards are serving an increasing number of individuals with reduced amounts of state funding. The loss of CAFS funding and the implementation of the new waiver reimbursement methodology may exacerbate this trend as county boards may see losses in revenue and increased waiver costs.

Tax Equity

Program Description: Under this program, GRF funds are distributed to help equalize funding among county boards of MR/DD by providing additional subsidy funds to tax-poor county boards. Tax equity funds subsidize the costs of county board services for adults age 22 or older. Tax equity disbursements are determined by a formula outlined in R.C. section 5126.18.

Implication of the Enacted Budget: The enacted budget funds GRF line item 322-503, Tax Equity, at $14.5 million in both fiscal years. All of these funds will be used to maintain current service levels.

Since FY 2001, state subsidies to county boards have been reduced by $49.3 million. Thus, county boards are being forced to serve an increasing number of individuals with reduced state funding. The Department believes this has resulted in counties using tax equity dollars to shore up reductions in state funding. As a result, poorer counties are not able to expand waiver services or address residential services waiting lists. According to the Department, tax equity funds are the only way to ensure equity in funding to counties with failing tax levies.

Social Service Block Grant (Title XX)

Program Description: County boards of MR/DD receive federal Title XX, or Social Service Block Grant, funding. Services covered under Title XX include counseling, daycare for adults and children, education, training, employment, home health, information and referral, protective services for adults, recreation, and transportation.

[21] The JPG chained price index for government purchases of goods and services, which is generated by the U.S. Bureau of Economic Analysis, was used to adjust for inflation. The numbers presented are the real expenditures expressed in FY 1994 dollars.

The ODJFS receives Title XX funds from the federal government and transfers a portion of the money to ODMH and ODMR/DD. Revised Code section 5101.46 mandates that the Department of MR/DD receive 14.57% of Title XX funds.

Implication of the Enacted Budget: The total amount of the funding for this program will go toward maintaining current service levels. The federal government has steadily decreased the amount of Title XX dollars to the states over time. In FY 1994, Title XX dollars for the Department totaled $16.5 million. By FY 2005, Title XX dollars decreased by 41.8% to $10.3 million. County boards replace Title XX funds with local money whenever possible. County boards that cannot afford to do so have reduced Title XX services.

Community MR/DD Trust Fund

Program Description: The Community MR/DD Trust Fund, created by R.C. section 5123.352, provides temporary funding assistance to county boards of MR/DD. The funds can be used for short-term interventions for individuals with MR/DD; emergency respite care; Family Support services; Supported Living; staff training; short-term early childhood services, adult services, and case management when local levy funds are insufficient to meet the needs of the services due to three or more levy failures within two years; and to keep individuals in the community to avoid unnecessary institutionalization. The Director of MR/DD is required to grant the funding based on the availability of funds and departmental priorities.

Implication of the Enacted Budget: Funding comes from unencumbered, unexpended GRF moneys left over at the end of every fiscal year. Only GRF funds, excluding debt service payments are eligible for transfer to the Community MR/DD Trust Fund. The Director of Budget and Management determines the amount of funds transferred to the Community MR/DD Trust Fund. These funds will be used to provide funding for residential supports that may not be available because of funding gaps. In FY 2006, approximately $1.0 million was transferred to the MR/DD Trust Fund.

Program Series 4 — Residential Services and Supports

Purpose: To provide residential and related supports to individuals of all ages who reside in a variety of settings including licensed facilities, supported living arrangements, their own homes, or with family.

The following table shows the line items that are used to fund the Residential Services and Supports program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	320-321*	Central Administration	$2,375,060	$2,343,772
GRF	322-413	Residential and Support Services	$7,423,021	$7,423,021
GRF	320-415	Lease-Rental Payments	$23,296,200	$23,833,600
GRF	322-416	Waiver State Match	$103,090,738	$104,397,504
GRF	322-417	Supported Living	$43,160,198	$43,160,198
GRF	322-451	Family Support Services	$6,938,898	$6,938,898
GRF	323-321	Residential Facilities Operations	$101,764,366	$100,457,600
		General Revenue Fund Subtotal	**$288,048,481**	**$288,554,593**
State Special Revenue Fund				
221	322-620	Supplemental Service Trust	$150,000	$150,000
4K8	322-604	Waiver-Match	$12,000,000	$12,000,000
489	323-632	Developmental Center Direct Care Support	$12,125,628	$12,125,628
5H0	322-619	Medicaid Repayment	$25,000	$25,000
5S2	590-622*	Medicaid Administration & Oversight	$5,562,589	$5,463,484
5Z1	322-624	County Board Waiver Match	$82,000,000	$82,000,000
		State Special Revenue Fund Subtotal	**$111,863,217**	**$111,764,112**
General Services Fund				
152	323-609	Residential Facilities Support	$912,177	$912,177
4B5	320-640*	Conference/Training	$225,000	$225,000
488	322-603	Provider Audit Refunds	$350,000	$350,000
		General Services Fund Subtotal	**$1,487,177**	**$1,487,177**
Federal Special Revenue Fund				
3A4	320-605*	Administrative Support	$6,468,840	$6,392,197
3A4	322-605	Community Program Support	$1,500,000	$1,500,000
3A4	323-605	Developmental Center Operations Expenses	$120,000,000	$120,000,000
3G6	322-639*	Medicaid Waiver	$370,356,997	$370,191,460
325	322-608*	Grants for Infants and Families with Disabilities	$83,963	$85,938
		Federal Special Revenue Fund Subtotal	**$498,409,800**	**$498,169,595**
Total Funding: Residential Services and Supports			**$899,808,675**	**$899,975,477**

* Amount does not reflect total appropriation because the line item is used to fund other program series.

This analysis focuses on the following specific programs within the Residential Services and Supports program series:

- ***Developmental Centers***
- ***Family Support Services***
- ***Supported Living***
- ***Residential Facilities Waiver (RFW)***
- ***Individual Options (IO) Waiver***
- ***Level One Waiver***
- ***Miscellaneous-Residential Supports***
- ***Debt Service***

Developmental Centers

Program Description: The Department currently operates 11 developmental centers, which are located regionally throughout Ohio and accessible to all 88 counties. The developmental centers serve individuals who require comprehensive program, medical, and residential services in an institutional setting. Developmental centers are required to provide the following services: protection from harm, skills development, health care, behavior support, therapy, and residential support. In addition, developmental centers also provide self-directed community transitions and community consultation and assistance. Each developmental center is Medicaid-certified, which signifies compliance with mandated federal government standards.

Implication of the Enacted Budget: GRF line item 323-321, Residential Facilities Operations, is the main source of personnel expenditures for the developmental centers. Funding in this line item decreases by 1.3% in FY 2006 and another 1.3% in FY 2007. The funding will be used to maintain current program and certification levels. Furthermore, the funding level covers the 4% wage increase that occurred at the beginning of the current fiscal year.

The decreases in appropriations reflect the closures of Springview and Apple Creek developmental centers in FY 2005 and FY 2006, respectively. The Department expects to reduce developmental center staffing levels by approximately 515 individuals. The census at the developmental centers will continue to decrease as more individuals are moved into other settings because of the closures. According to the Department, funding will follow the displaced individuals. Thus, a portion of the developmental center budget will follow the individuals that choose to leave the developmental center system (e.g., transition into the community). In future budgets, the Department will request appropriations based on the displaced individual's final placement.

Family Support Services

Program Description: The Family Support Services program funds respite services, home modifications, adaptive equipment, special diets, parent education/counseling, and other specialized supports to assist families in their efforts to care for family members with MR/DD. Often times, family support funds are the only support individuals on county board waiting lists receive. The overall goal of the program is to prevent or reduce more costly residential care by enabling families to meet the needs of the individual within their own home. If a family is able, the family may be required to pay a prorated share of the expenses.

Implication of the Enacted Budget: Funds in GRF line item 322-451, Family Support Services, are allocated to county boards of MR/DD based on a formula that takes into account average daily membership, county poverty, and county population. The enacted budget provides funding in GRF line item 322-451, Family Support Services, of $6.9 million for both fiscal years. At this funding level, the number of individuals served under this program will remain relatively constant. However, there may be an overall reduction in services as more families enroll in the program. The growing enrollment forces county boards to serve an increasing number of families with flat state funding. Consequently, the amount of money allocated per family goes down. This, in turn, reduces the amount of services received.

Supported Living

Program Description: The Supported Living program provides residential services and supports to individuals with MR/DD in community-based settings who do not receive or require more structured services such as those provided through a Medicaid waiver or in a licensed facility. Supported living funds may be used for services such as home accessibility adaptations, assistive equipment, and room and board subsidies. The goal of the Supported Living program is to provide assistance to individuals with MR/DD to enable the individual to remain in their own home while avoiding more costly residential services.

Implication of the Enacted Budget: Funding in GRF line item 322-417, Supported Living, increases by 1.3% to $43.2 million in FY 2006 and is flat funded in FY 2007. The funding will be used to meet current service levels.

Since FY 2001, state subsidies to county boards have been reduced by $49.3 million. If county boards do not have the local funds to make up for any lost state revenue, services are reduced. According to the Department, the number of individuals served by this program decreased 3% during the last biennium.

Residential Facilities Waiver (RFW)

Program Description: The RFW is a home and community-based Medicaid waiver regulated by the Department. This waiver provides community-based residential services in licensed facility settings to Medicaid-eligible individuals that cannot live independently. Individuals on the waiver are able to live in one of over 1,200 smaller homes licensed by the Department. Services covered by the waiver include direct supervision, skill development, transportation, adaptive equipment, supported employment, supplies, and homemaker/personal care. Although room and board is not covered under the waiver, funds are used to cover the portion of the room and board costs that the personal resources of the individual cannot support. In FY 2004, the RFW served approximately 2,525 individuals with MR/DD in 66 of Ohio's 88 counties. The average yearly per enrollee cost of the waiver was $34,934 in FY 2003.

The Department recently transitioned the individuals served by the RFW onto the Individual Options (IO) waiver as part of the Medicaid redesign initiative. 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 has an individual cost cap of approximately $5,000. 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, when all three waivers are fully implemented, enrollees will be transferred to one of the three aforementioned waivers based on individual service needs.

Implication of the Enacted Budget: The Department recently transitioned all RFW enrollees to IO waivers. The funding level will support IO waiver services for all current RFW enrollees.

Individual Options (IO) Waiver

Program Description: The IO waiver is a home and community-based Medicaid waiver that provides federal financial reimbursement for certain Medicaid services for eligible persons residing in noninstitutional settings. Services covered on the IO waiver include supported employment, specialized medical and adaptive/assistive equipment, environmental modifications, home-delivered meals, homemaker/personal care, respite care, and transportation. The individual pays costs associated with room and board (e.g., rent, utilities, food, etc.). In FY 2004, approximately 7,275 individuals with MR/DD received services through the IO waiver in all 88 Ohio counties. The average yearly per enrollee cost of the waiver was $43,618 in FY 2003.

Implication of the Enacted Budget: The enacted budget includes a 3.9% increase in GRF line item 322-416, Waiver State Match, in FY 2006 and a 1.3% increase in FY 2007. The funding increase accounts for individuals moving into the community as a result of the developmental center closures. The Department believes that the enacted budget will maintain current service levels.

According to the Department, getting the Level 3 waiver in place is a vital component of further waiver expansion. Currently, some county boards are leery of enrolling additional individuals on the IO waiver due to the lack of a concrete cost cap. Some county boards are afraid of having open-ended waiver obligations, which last for the lifetime of the individual, when future funding levels are unknown. The loss of CAFS funding may exacerbate this trend as county boards may see losses in revenue and increased waiver costs. When the Level 3 waiver is implemented, a cost cap will be put on the IO waiver. This may alleviate some of these concerns.

Level 1 Waiver

Program Description: The Level 1 waiver is a home and community-based Medicaid waiver that provides federal financial reimbursement for certain Medicaid services for individuals who continue to live with a family member who provides natural support. Individuals on this waiver must have a network of friends, neighbors, or family that can safely and effectively provide the necessary care at no cost to the system. The Level 1 waiver has a $5,000 annual cost cap for homemaker/personal care, institutional respite, informal respite, and transportation. The Level 1 waiver has a $6,000 cost cap for personal emergency response systems, specialized medical equipment and supplies, and environmental modifications. The Level 1 waiver has an $8,000 cost cap for emergency assistance.

The Level 1 waiver was implemented as part of the Medicaid redesign initiative. Medicaid eligible individuals with MR/DD who receive low-level support from programs entirely funded by GRF and local levy funds (e.g., Supported Living) are directed to the Level 1 waiver to maximize federal reimbursement.

Implication of the Enacted Budget: The enacted budget will maintain current service levels. The Department expects more individuals to enroll on the Level 1 waiver during the biennium. However, the number of individuals enrolling will depend on the resources of the respective county board, as county boards are responsible for all Level 1 match obligations.

The Department received federal approval for 5,000 Level 1 slots (3,000 in FY 2004, 1,000 in FY 2005, and 1,000 in FY 2006). According to the Department, enrollment on the Level 1 waiver has been greatly affected by county board budgetary concerns. The Department believes the $5,000 cost cap is not sufficient to assure the health and safety of many individuals. Furthermore, the cost cap is so low that counties are forced to choose between eligible services to keep some individual's costs under the cap.

The Department believes a higher cost cap is needed. Also, CMS has identified some structural problems with the Level 1 waiver and has asked the Department and ODJFS to address these concerns.

Currently, there are a large number of unfilled Level 1 slots, which is a fiscal liability for the Department. The CMS expects costs to be controlled by containing enrollment. The CMS allocates a specific number of waiver slots to states based on need and available funding. Thus, when states receive waiver slots, they are expected to fill them. The Department is considering petitioning CMS to suspend enrollment on the Level 1 waiver while all of these concerns are addressed.

Miscellaneous-Residential Supports

Program Description: These funds are for subsidy payments that are not part of other departmental programs. These payments include subsidizing the administration of individuals enrolled to receive IO services in a licensed facility, subsidizes room and board for individuals on the IO waiver that were formerly on an OBRA waiver or are *Sermak* class members, and pays for psychological evaluations for any individual with MR/DD prior to admission into a nursing facility.

Implication of the Enacted Budget: The enacted budget provides for current service levels to be maintained.

Debt Service

Program Description: This program covers debt service payments on bonds issued for long-term capital construction projects.

Implication of the Enacted Budget: The enacted budget provides for continued funding levels for this program.

Program Series 5 Constituents Supports/Advocacy

Purpose: To support advocacy and protective services for individuals with MR/DD of all ages.

The following table shows the line items that are used to fund the Constituents Supports/Advocacy program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	320-321*	Central Administration	$624,766	$630,666
GRF	322-405	State Use Program	$20,000	$0
GRF	320-412	Protective Services	$2,463,000	$2,463,000
		General Revenue Fund Subtotal	**$3,107,766**	**$3,093,666**
Federal Special Revenue Fund				
3A4	320-605*	Administrative Support	$571,248	$578,319
3A5	320-613	DD Council Operating Expenses	$895,440	$895,440
3A5	322-613	DD Council Grants	$3,204,240	$3,204,240
3G6	322-639*	Medicaid Waiver	$2,466,414	$2,466,604
325	320-634	Protective Services	$100,000	$100,000
325	322-608*	Grants for Infants and Families with Disabilities	$505,810	$486,389
		Federal Special Revenue Fund Subtotal	**$7,743,152**	**$7,730,992**
Total Funding: Constituents Supports/Advocacy			**$10,850,918**	**$10,824,658**

* Amount does not reflect total appropriation because the line item is used to fund other program series.

This analysis focuses on the following specific programs within the Constituents Supports/Advocacy program series:

- ***Protective Services***
- ***Employment and Training for Persons with Severe Disabilities (State Use Program)***
- ***Independence Plus Initiative Grant***
- ***Ohio Developmental Disabilities Council***

Protective Services

Program Description: Under this program, the Department contracts with Advocacy and Protective Services, Inc. (APSI), a nonprofit agency, to provide a statewide system of protective services for persons with MR/DD. Advocacy and Protective Services, Inc., provides guardianships, limited guardianships, interim guardianships, financial management, and protector services to individuals with MR/DD upon referral or appointment by a probate court**.**

***Implication of the Enacted Budget**:* Historically, the Department's contract with APSI included only the state share of the contract (approximately 40%). APSI could then bill Medicaid for service coordination through the CAFS program, thereby receiving federal Medicaid reimbursement (approximately 60%).

However, CMS informed the Department that billing Medicaid for service coordination for individuals residing in ICFs/MR would no longer be allowable. Individuals residing in ICFs/MR constitute approximately 60% of APSI's clients. Thus, the revenue loss to APSI would have been significant and may have compromised service levels. The Department maintained federal reimbursement by funding APSI's contract in full, not just the state portion. These costs were then included in the Department's Medicaid administration claim. However, a percentage of federal reimbursement is lost in this process because reimbursement rates for administrative expenses are lower than rates for actual services (50% v. 59%). The Department received Controlling Board approval to use $359,387 in FY 2004 and $454,670 in FY 2005 of non-GRF fee revenue from the CAFS program to fully fund APSI's contract. However, the CAFS revenue will no longer be available upon its termination at the end of FY 2005. Consequently, the enacted budget increases appropriations in GRF line item 320-412, Protective Services, by $454,670 to fund APSI's contract in full for the biennium. The increased GRF appropriation only fully funds the contract and will not provide for additional services.

Currently, 4,083 individuals receive protective services from APSI. The number of individuals currently served constitutes a 15% increase since FY 2003 (3,549 to 4,083). Furthermore, the number of individuals served by APSI has increased 26.4% since FY 2001 (3,230 to 4,083). The Department estimates continued growth in this program because of the aging "baby boomer" generation that may soon be unable to care for their children with MR/DD. Furthermore, individuals with MR/DD are also living longer. Thus, APSI is experiencing a predictable number of yearly case referrals (approximately 200 per year) without a comparable loss of cases.

Employment and Training for Persons with Severe Disabilities (State Use Program)

Program Description: The State Use program is a procurement set-aside program that provides a vehicle for government agencies to purchase products and services through one of more than 100 qualified nonprofit agencies that employ persons with severe disabilities. These funds support the State Use Committee, which is the sole administrative body responsible for regulating the program. The Committee determines the suitability of products and services available through the State Use program. Once placed on the procurement list, the purchase of these products and services is exempt from the competitive bidding process required by state, county, and local governments. In FY 2003, there were approximately 3,271 persons with a severe disability employed in activities directly related to the State Use program. Mandatory sales of products and services to state and local agencies exceeded $30 million in FY 2003. Individuals with disabilities participating in the State Use program collected approximately $8.4 million in wages paid.

Funding for the State Use Committee is used to pay for the necessary staff for the facilitation, organization, and administration of the program. The central nonprofit agency for the State Use program is OIH, Inc. OIH, Inc. receives a commission based on the prices of goods and services sold. In FY 2003, OIH, Inc., received over $1.6 million in commission.

Implication of the Enacted Budget: The enacted budget transfers the State Use program from ODMR/DD to the Department of Administrative Services (DAS). According to the Department, the purpose of the transfer is to better service the business functions of the program by streamlining management functions and taking advantage of the resources available to other DAS-administered and other set-aside programs (e.g., Minority Business Enterprise). These changes are designed to increase work opportunities for people with disabilities and to reduce bureaucracy. Otherwise, the goals and purposes of the program will remain the same.

Independence Plus Initiative Grant

Program Description: The Department has been awarded a Independence Plus Initiative Grant by the federal government to assist in developing a home and community-based Medicaid waiver in which services are "self-directed" by the individual. A waiver of this type does not currently exist for individuals with MR/DD in Ohio.

Implication of the Enacted Budget: The grant funds will be used for training and consultation with system stakeholders to assist in developing the waiver, conducting an independent evaluation once the waiver is in its demonstration stage, and providing stipends to individuals with MR/DD to participate in meetings. The grant funds also provide for a grant coordinator, equipment, and travel expenses. The Independence Plus grant will eventually lead to the expansion of waiver options for persons with MR/DD.

Ohio Developmental Disabilities Council

Program Description: The Ohio Developmental Disabilities Council (DD Council), appointed by the Governor, serves as an advocate for all persons with developmental disabilities. Members are people with developmental disabilities, parents, guardians, representatives from state agencies, and nonprofit organizations that provide services to individuals with developmental disabilities. The DD Council is a federal program in which the Department serves as its fiscal agent. The DD Council emphasizes education and early intervention, quality assurance, childcare, health, employment, housing, transportation, recreation, and other community services.

Funding for the Council comes primarily from federal grants. Of the amount funded, 70% must be in grants, while the remaining 30% can be used for operating costs. Of that 30%, the state is required to match it at 25%.

Implication of the Enacted Budget: The enacted budget provides for current service levels to be maintained. Funding for the DD Council comes primarily from federal sources. State matching funds pay the rent for the Council's offices, expenses associated with meetings, in-state travel expenses, and an amount roughly equivalent to one FTE. Federal funds are used to pay staff salaries, as well as maintenance and equipment. Federal funds are also used for 30 grant awards focusing on ideas designed to promote systems change in Ohio.

Program Series 6 — Compliance and Quality Improvement

Purpose: To oversee the MR/DD service system, monitor the health and welfare of individuals with MR/DD, and assure continued compliance with regulations and continuous quality improvement.

The following table shows the line items that are used to fund the Compliance and Quality Improvement program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	320-321*	Central Administration	$4,840,497	$4,850,494
GRF	322-452	Service and Support Administration	$8,672,730	$8,672,730
		General Revenue Fund Subtotal	**$13,513,227**	**$13,523,224**
State Special Revenue Fund				
5S2	590-622*	Medicaid Administration & Oversight	$2,287,421	$2,381,792
		State Special Revenue Fund Subtotal	**$2,287,421**	**$2,381,792**
General Services Fund				
4B5	320-640*	Conference/Training	$75,000	$75,000
		General Services Fund Subtotal	**$75,000**	**$75,000**
Federal Special Revenue Fund				
3A4	320-605*	Administrative Support	$3,655,354	$3,720,303
3G6	322-639*	Medicaid Waiver	$839,927	$974,244
325	322-608*	Grants for Infants and Families with Disabilities	$433,309	$433,452
		Federal Special Revenue Fund Subtotal	**$4,928,590**	**$5,127,999**
Total Funding: Compliance and Quality Improvement			**$20,804,238**	**$21,108,015**

* Amount does not reflect total appropriation because the line item is used to fund other program series.

This analysis focuses on the following specific programs within the Compliance and Quality Improvement program series:

- ***Service and Support Administration***
- ***Quality Assurance and Quality Improvement in Home and Community-Based Services Grant***
- ***Major Unusual Incidents (MUI)***
- ***Provider Certification***
- ***Licensure***
- ***Accreditation***

Service and Support Administration

Program Description: This program subsidizes the cost of service and support administration that is required to be provided by each county board of MR/DD. Service and support administration, under the mandate of Am. Sub. H.B. 94 of the 124th General Assembly, replaced traditional case management services. Before the change, CMS' audit of the RFW concluded that Ohio "did not provide quality case management/service coordination." Consequently, the Department instituted many reforms to address CMS' concerns. The individual service and support administrator (SSA) provides a single point of accountability at the local level for individuals with MR/DD and their families. The SSA is responsible for coordinating each individual's services across the MR/DD delivery system. Service and support administration is required to be provided to any person on a Medicaid home and community-based waiver and any eligible individual age three or older who requests such service.

Funding for the Service and Support Administration program is a mix of GRF, local levy dollars, and federal financial participation.

Implication of the Enacted Budget: The enacted budget may provide for current service levels. According to the Department, reductions in state funding over previous biennia forced county boards to use local funds to support this program during the previous biennium. This enabled service levels to be maintained despite the reduction in state funding. However, decreases in state funding put more pressure on local levy dollars to make up for any gaps. In the absence of local funding, the ratio of SSA's to clients increases.

Section 5126.15 of the Revised Code mandates that, subject to available funding, county boards receive the greater of $20,000 or $200 times the county board's average daily membership. County boards do not receive a per person subsidy for children under the age of three. In FY 2003, the county board population was 68,896, of which 9,861 were children under the age of three. Thus, in FY 2003, the county board population for which to calculate the service and support administration subsidy is approximately 59,035. Assuming each county board would exceed the $20,000 threshold, it would take approximately $11.8 million to fully fund the statutory formula. The enacted budget falls short of the statutory subsidy level by approximately $3.1 million. Furthermore, the estimate is based on FY 2003 enrollment data. Any subsequent increase in enrollment would drive the estimated subsidy shortfall higher.

Quality Assurance and Quality Improvement in Home and Community-Based Services Grant

Program Description: These funds are a Real Choice Systems Change Research and Demonstration grant awarded by the CMS. According to the Department, the purpose of the grant is "to design and implement a quality information management system in which data generated by the service system can be interpreted into an integrated knowledge profile that identifies areas of improvement in effectiveness and efficiency specific to the management and delivery of services and supports to individuals with disabilities."

Implication of the Enacted Budget: This program is funded by a federal grant. The grant will provide funding for five counties to participate in a pilot project designed to coordinate the collection of quality assurance and quality improvement data. There is a 5% in-kind match required for the grant. The Department fulfills this requirement through the use of staff time funded by GRF line item 320-321, Central Administration.

Major Unusual Incidents (MUI)

Program Description: The fundamental way the Department attempts to ensure the health and safety of its clients is through the tracking, reporting, and investigation of MUIs. An MUI is an alleged, suspected, or actual occurrence of an incident that adversely affects the health and safety of an individual, including acts committed or allegedly committed by one individual against another. The MUI program manages the MR/DD Employee Abuser Registry, conducts conflict investigations, conducts certification training for county board investigative agents, provides training and technical assistance on health and safety issues, manages the Department's hotline, and conducts compliance activities for county boards of MR/DD and providers for their "protection from harm" systems.

Providers of services are required to document and report all MUIs within 24 hours. Incidents can occur in any setting and include any event that is inconsistent with the individual's normal routine. Incidents are reported to the appropriate county board of MR/DD, which is required to investigate the incident and report its findings to the Department. The Department may conduct a separate review or investigation of any MUI if necessary. If an individual has more than three MUIs in any six-month period, that individual's record is automatically flagged and the Department investigates further.

Implication of the Enacted Budget: The funding will be used to maintain current service levels. The MUI unit will monitor provider compliance, manage the Abuser Registry, and ensure MR/DD providers remain properly certified.

Provider Certification

Program Description: The Department is charged with certifying agencies and/or individuals that seek to provide home and community-based services funded by a Medicaid waiver (RFW, IO, or Level 1), the Supported Living program, or the CAFS program. The program is charged with developing and implementing standards for initial and continuing certification for providers. Providers are monitored and reviewed on a regular basis to ensure compliance with federal and state regulations.

Implication of the Enacted Budget: These funds will be used to maintain current service levels. Budget reductions have not allowed staffing vacancies in this program to be filled. However, the number of applicants seeking certification annually increases. Measures will be taken during the biennium to develop methods to reduce the need to hire additional staff through the use of technology. Furthermore, the Department plans to reorganize some staff activities to increase efficiency.

Licensure

Program Description: The Department is charged with licensing agencies and/or individuals that seek to become providers of licensed residential facilities. These facilities include ICFs/MR and facilities where individuals are supported through home and community-based services. The Department conducts on-site reviews of the facilities and program services to ensure compliance with licensure standards. The Department develops and implements standards for initial and continuing licensure for residential facilities. Licensees are monitored and reviewed on a regular basis to identify any deficiencies in the provision of services and to ensure any previous deficiencies have been corrected. If a deficiency is detected, the provider must submit plans of compliance to the Department.

Implication of the Enacted Budget: These funds will be used to maintain current service levels. Budget reductions have not allowed staffing vacancies in this program to be filled. However, the number of applicants seeking licensure annually increases. Measures will be taken during the biennium to develop methods to reduce the need to hire additional staff through the use of technology. Furthermore, the Department plans to reorganize some staff activities to increase efficiency.

Accreditation

Program Description: The Department is charged with performing compliance reviews on the programs and administration of county boards of MR/DD. As required by state statute, all 88 county boards of MR/DD are accredited in accordance with standards developed by the Department. In order for a county board to be accredited, it must operate in compliance with minimum standards established in federal and state regulations.

Implication of the Enacted Budget: These funds will be used to maintain current service levels. Budget reductions have not allowed staffing vacancies in this program to be filled. However, the number of applicants seeking accreditation annually increases. Measures will be taken during the biennium to develop methods to reduce the need to hire additional staff through the use of technology. Furthermore, the Department plans to reorganize some staff activities to increase efficiency.

Commission on Minority Health

Wendy Risner, Budget Analyst

- The Commission awarded 102 community-based grants in FY 2004.
- Minority Health Month activities served more than 19,991 people in FY 2004.

OVERVIEW

Duties and Responsibilities

Created in 1987, based on the recommendations of the Governor's Task Force on Black and Minority Health, the Ohio Commission on Minority Health 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. Through a federal contract the Commission serves as the lead agency to organize the 35 State Offices of Minority Health in the creation of a national organization. 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 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. In the upcoming biennium the Commission will concentrate on the following areas of focus: policy issues including creating a diverse public health/medical workforce, organizational development including technology enhancements, and community outreach.

Agency in Brief

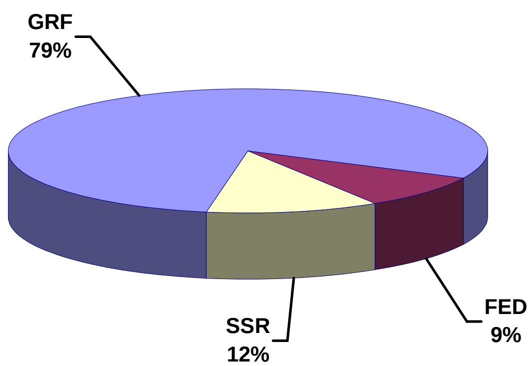
Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
8*	$1.75 million	$1.65 million	$1.35 million	$1.35 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Summary of FYs 2006-2007 Budget Issues

The Commission received $1,746,410 in FY 2006 and $1,646,410 in FY 2007. The Commission's GRF appropriation, which is $1,346,410 in each fiscal year, makes up approximately 79% of the total appropriations for the biennium (see Chart 1).

Chart 1: Total Budget by Fund Group



Vetoed Provisions

The Commission on Minority Health had no vetoed provisions.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 **Program Grants**

Purpose: To promote health and prevent disease among economically disadvantaged African-American, Hispanic, Asian, and Native-American Ohioans through innovative strategies and financial opportunities, public health promotion, legislative action, and public policy and system change.

The following table shows the line items that are used to fund the Program Grants, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	149-321	Operating Expenses	$539,319	$539,319
GRF	149-501	Minority Health Grants	$670,965	$670,965
GRF	149-502	Lupus Program	$136,126	$136,126
		General Revenue Fund Subtotal	**$1,346,410**	**$1,346,410**
Federal Special Revenue Fund				
3J9	149-602	Federal Grants	$150,000	$150,000
		Federal Special Revenue Fund Subtotal	**$150,000**	**$150,000**
Total Funding: Program Grants			**$1,496,410**	**$1,496,410**

This analysis focuses on the following specific programs within the Program Grants program series:

- ***Program 1.01: Demonstration Grants***
- ***Program 1.02: Lupus Grants***
- ***Program 1.03: HIV Grants***
- ***Program 1.04: Minority Health Grant***

Program 1.01: Demonstration Grants

Program Description: The Commission on Minority Health provides two-year demonstration grants as seed money to organizations that address one or more of the six diseases and conditions (cancer, diabetes, cardiovascular diseases, infant mortality, violence/homicide, and substance abuse) or risk factors, responsible for excess, premature deaths in the minority community. The program promotes behavior change by tapping into the attitudes, values, and beliefs of the target populations. Projects are required to demonstrate measurable behavior change of participants and engage an independent evaluator. After the two years, the organizations awarded grants are expected to get funding from outside sources.

Implication of the Enacted Budget: The Commission received a total of $931,455 in each fiscal year for the Demonstration Grant program. The Commission received $500,000 in each fiscal year in GRF appropriation item 149-501, Minority Health Grants, which provides the funds for the community health grants and $431,455 in each fiscal year in GRF appropriation item 149-321, Operating Expenses, which provides for operating expenses associated with the program. The enacted funding levels will fund up to five demonstration grants over the biennium. For FY 2004, six grants were funded, while the grant amount was reduced by 6% in FY 2005 (which was passed on to the grantees).

Program 1.02: Lupus Grants Program

Program Description: This program funds support services for people with Systemic Lupus Erythematosus (SLE), their caregivers, and children. The administration of the Lupus Program was transferred from the Department of Health during the 120th General Assembly. Lupus is a chronic inflammatory disease that affects many parts of the body. Approximately 90% of lupus sufferers are women. The disease is also two to three times more prevalent in minorities. However, the program is not a minority specific initiative. Agencies awarded grants must provide information through quarterly reports that specifically state the program goal and outcomes of the program.

There were ten grant projects awarded by the Commission during FY 2004. In 2004, disbursement of grant funds was made quarterly for a maximum of $14,000 per year**.**

Implication of the Enacted Budget: The Commission received $136,126 in each fiscal year in GRF appropriation item 149-502, Lupus Program, which provides the funds for the lupus grants and $53,932 in each fiscal year in GRF appropriation item 149-321, Operating Expenses, which provides for operating expenses associated with the program. This funding will allow the awarding of ten grants per fiscal year, the same as in FY 2005. However, the maximum grant amount awarded to each subgrantee will be reduced from $14,000 to $13,000 per year.

Program 1.03: HIV Grants

Program Description: The HIV Grants Program addresses the needs of the HIV minority community through the establishment of statewide coalitions. The coalitions assess prevention and service needs in their local areas; identify minority community-based organizations to provide culturally specific HIV programming, build agency and volunteer capacity by offering training on best practices and technical assistance from organizations nationally and in Ohio, serve as members on state and local HIV community planning groups and the Ryan White Care Act, and continue to build upon their own capacity and infrastructure to become free-standing agencies. The outcome of the coalitions is measured through quarterly reports that measure the goals of the program. The program is funded by the U.S. Department of Health & Human Services, Office of Minority Health. The Commission initially received a three-year infrastructure grant in 1999. The Commission received an additional three-year grant in 2002.

Implication of Executive Recommendation: The Commission received $150,000 in each fiscal year in appropriation item 149-602, Federal Grants. Federal funding from the U.S. Department of Health & Human Services, Office of Minority Health for this program will end September 29, 2005. The Commission should receive approximately $45,000 from July 1, 2005 through September 29, 2005, which will be used to fund the seven statewide coalitions that address HIV needs in the minority community. These statewide coalitions will not receive funding from the Commission after this date. To continue providing HIV/AIDS services, the Commission has entered into an agreement with the Ohio Department of Health (ODH) and will receive funds from the Ryan White Comprehensive AIDS Resource Emergency Act (C.A.R.E.) for $217,414 through March 30, 2006. These funds will be used to target African-Americans located in Cincinnati, Cleveland, and Columbus that are HIV positive to increase enrollment in ODH's C.A.R.E. Services. The Commission anticipates a continuation of funding up to $70,000 for the period of April 1, 2006 to March 30, 2007 for this initiative.

Program 1.04: Minority Health Grants

Program Description: This program is used to fund community-based agencies statewide to participate in a 30-day wellness campaign held in April (Minority Health Month). The program consists of numerous activities designed to solicit the interest and participation of minorities or providers of health services to minority populations. The purpose of the program is to promote healthy lifestyles, provide crucial information to allow individuals to practice disease prevention, showcase the resources for and providers of grass roots health care and information, and highlight the resolution of the disparate health conditions between Ohio's minority and nonminority populations.

The grants are awarded on a competitive basis with a two-tier review process. The proposals are rated by a standardized tool and then ranked from highest to lowest before being presented to the Board for approval. The grants are awarded on a reimbursement basis, with grants not to exceed $2,000 per applicant. The outcomes of the programs funded are measured through a final report that is due 15 days after the final program activity.

Implication of the Enacted Budget: The Commission received total funding of $224,897 in each fiscal year for this program. The Commission received $170,965 in each fiscal year in GRF appropriation item 149-501, Minority Health Grants, which funds minority health grants, and $53,932 in each fiscal year in GRF appropriation item 149-321, Operating Expenses, which covers operating expenses associated with the program. In FY 2004, 78 projects were funded for up to $2,000. This number will be reduced to 65 grants for FY 2006 and 65 grants for FY 2007.

Program Series 2 Capacity Building & Education

Purpose: To sponsor a conference to recognize individuals and groups who have shown commendable efforts toward improving the health of Ohio's minority citizens, and conduct other minority health initiatives.

The following table shows the line items that are used to fund the Capacity Building and Education Program Series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
4C2	149-601	Minority Health Conference	$250,000	$150,000
		State Special Revenue Fund Subtotal	**$250,000**	**$150,000**
Total Funding: Capacity Building and Education			**$250,000**	**$150,000**

This analysis focuses on the following specific programs within the Capacity Building and Education program series.

Program 2.01: Minority Health Conferences

Program Description: The program develops culturally relevant conferences, symposiums, etc. to build capacity for service delivery in communities of color. The activities typically focus on new bodies of scientific information, modalities for culturally competent service delivery, etc.

Implication of the Enacted Budget: The enacted funding levels provide for $250,000 in FY 2006 and $150,000 in FY 2007. This funding will allow this program to continue at current levels. Of the $250,000 appropriation for FY 2006, $100,000 is provided for a statewide health disparities conference.

Board of Motor Vehicle Collision Repair Registration

Jason Phillips, Budget Analyst

- Registered 1,888 motor vehicle collision repair facilities in FY 2004
- Enacted budget of $325,047 for FY 2006
- Planned consolidation in the Department. of Commerce in FY 2007

OVERVIEW

Duties and Responsibilities

The Ohio Motor Vehicle Collision Repair Registration Board (CRB) registers 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. The Board has registered approximately 2,000 of Ohio's known independent collision repair facilities since operational inception, and continues to make efforts to register all independent collision repair facilities through mailings, presentations, newspaper and trade magazine articles, and onsite appearances. Yet, some facilities fail to comply with legal requirements and remain unregistered.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
3	$325,047	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Registration

The Motor Vehicle Collision Repair Registration Board handles the administrative work for roughly 2,000 motor vehicle collision repair shop registrations. The Board renews its registrations annually with estimated revenue of $338,672 versus $294,187 in expenditures in FY 2005, resulting in a net gain of $44,485 to the 5H9 Fund in that span. The Board's enacted budget appropriates a total of $325,047 for FY 2006, but does not make an appropriation for FY 2007, as the Board is slated for consolidation within the Department of Commerce.

Board Consolidation

The enacted budget recommended that 20 independent occupational licensing boards be absorbed into the departments of Health, Commerce, and Public Safety. As such, the enacted budget does not appropriate funding in FY 2007 for the boards and commissions included in the consolidation proposal. The specifics of the consolidation plan will be addressed during FY 2006 by a task force consisting of the agencies acquiring the boards, the Department of Administrative Services, the Office of Budget and Management (OBM), and three individuals selected by the boards included in the consolidation proposal. According to the plan, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentives will be offered to regulatory board staff. These incentives should result in staff reductions. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board and commission members for each agency will be retained and continue to serve in the manner in which they were appointed.

Unregistered Repair Shops

The Motor Vehicle Collision Repair Registration Board's priority for the biennium continues to be increasing field contact and enforcement efforts. While the Board cannot be certain of the amount of unregistered collision repair facilities, the Board estimates that there are approximately 1,200 noncompliant shops in the state of Ohio. Due to significant changes and vacancies in the Board's staff in the previous few years, the Board has been trying to catch up on registering shops and decreasing the agency's backlog. The Board states that an additional investigator would increase enforcement activities and increase revenues attained through the fees and fines of previously unregistered or delinquent shops. However, the enacted budget did not include the resources for such an addition.

Vetoed Provisions

The Governor did not veto any provisions affecting the Motor Vehicle Collision Repair Registration Board.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Board of Motor Vehicle Collision Repair Registration is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

Purpose: To license and regulate facilities that perform collision repairs.

The following table shows the line items that are used to fund the Motor Vehicle Collision Repair Registration Board as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
5H9	865-609	Operating Expenses	$325, 047	$0
Total Funding: Motor Vehicle Collision Repair Registration Board			**$325,047**	**$0**

Program Description: In accordance with Chapter 4775. of the Revised Code, the Ohio Motor Vehicle Collision Repair Registration Board registers all motor vehicle collision repair shops in Ohio that repair more than five motor vehicles per year. The Board was created by Am. Sub. H.B. 143 of the 122nd General Assembly.

Funding Sources: 5H9 – Motor Vehicle Collision Repair Registration Fund; revenue from $150 licensing fee, and late payment penalties is used to cover the Board's expenses

Implication of the Enacted Budget: The Motor Vehicle Collision Repair Registration Board received funding of $325,047 in FY 2006 and $0 in FY 2007, as the Board is slated for consolidation within the Department of Commerce. The enacted funding for the biennium should allow the Board to maintain FY 2005 service levels.

Department of Natural Resources

Jonathan Lee, Senior Analyst

- Total enacted budget of $663 million over the biennium
- Funding levels will support basic upgrades at state park facilities
- No parking fee will be implemented
- New Construction and Demolition Debris fees established to fund Litter and Recycling and Soil and Water
- New Watercraft Revolving Loan Fund established for improvements to recreational boating facilities

Overview

Duties and Responsibilities

The mission 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 more than 590,000 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.

The Department has 13 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. The Department accomplishes its mission with a staff of 2,893 employees.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
2,893	$331.09 million	$331.72 million	$126.29 million	$129.06 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

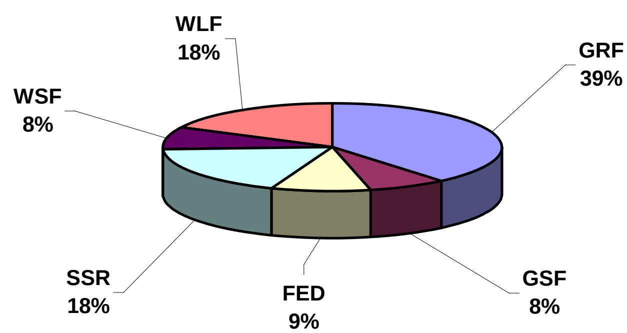
Summary of FYs 2006-2007 Budget Issues

The enacted budget provides $331 million in FY 2006 and $332 million in FY 2007, for a total of $663 million over the biennium. Total appropriations in FY 2006 are 8.15% higher than FY 2005 levels, and total FY 2007 appropriations are 0.19% higher than FY 2006 levels. GRF funding levels in FY 2006 increase 5.27% above FY 2005 levels, and FY 2007 levels increase 2.20% above FY 2006 appropriations. GRF increases largely support bond debt service payments for capital facilities at parks, as well as lease payments for the Department's headquarters at Fountain Square in North Columbus, plus roughly a 5% increase for State Park operating expenses in each fiscal year. GRF decreases occurred mainly in the Conservation Reserve Enhancement Program, the Office of Coastal Management, and Soil and Water

Districts, with reductions of 12.71%, 10.78%, and 7.68%, respectively. As for non-GRF, notable decreases in FY 2006 include a 38.5% decrease in the Litter Control and Recycling Fund (Fund 532) and a 5.5% decrease in the State Park Operations Fund (Fund 512). Chart 1 below displays the percentage of ODNR's appropriations by fund group for the biennium.

Overall, the enacted funding levels will force the Department to continue implementing cost savings measures as staffing levels continue to decline while service demands continue to rise. Little program expansion will occur across all program areas over the biennium. As for staffing, the Division of Recycling and Litter Prevention will experience a 75% staff reduction, and the Division of Natural Areas and Preserves and the Division of Engineering will each lay off one current staff member.

Chart 1. Total Enacted Budget by Fund Group



Litter and Recycling

The enacted budget eliminates the crediting of the corporate franchise tax on litter stream products to the Recycling and Litter Prevention Fund (Fund 532), and instead increases the current $0.70 per-ton fee on the disposal of construction and demolition debris by $1.00 to a total fee of $1.70. Of the additional $1.00 in fees, $0.75 shall be credited to the Recycling and Litter Prevention Fund (Fund 532) for the Litter and Recycling Program, and $0.25 per-ton fee shall be credited to the newly created Soil and Water Conservation District Assistance Fund (Fund 5BV) to be used to provide additional matching funds for soil and water conservation district projects. The change in funding source will result in an overall decrease of approximately $6.3 million in FY 2006 and $6.2 million in FY 2007 in available grant money for local government recycling and litter prevention programs.

State Parks

The Department will not implement a parking fee as originally planned. Total combined GRF and non-GRF funding levels of approximately $71 million in FY 2006 and $73 million in FY 2007 will allow for basic updates to current facilities at large and medium-sized parks. The budget does not support any updates for smaller parks. Maintenance repairs will likely concentrate on critical needs with limited resources for preventive maintenance.

Soil and Water Districts

GRF and non-GRF funding for the Soil and Water Conservation District Program totals approximately $12.8 million in both FY 2006 and in FY 2007. Of this total, $1.85 million in each fiscal year comes from a new appropriation item, 725-683 Soil and Water Districts (Fund 5BV) which will provide additional matching funding (from an additional $0.25 per-ton fee on the disposal of construction and demolition debris - see comment in ***Litter and Recycling*** above) for soil and water conservation district projects. Despite the additional funding, the Department estimates funding will only allow for the Division to match 87% of district project costs in both FY 2006 and in FY 2007. This will result in fewer resources being available to the 88 Soil and Water Conservation Districts to provide technical and informational services to local landowners.

Watercraft Revolving Loan Fund

The enacted budget establishes a new Watercraft Revolving Loan Fund (Fund 5AW) to make low interest loans for marinas and other boating facilities and improve regional economic development. The revolving loan fund is capitalized from the Waterways Safety Fund (Fund 086) through a $3 million transfer in FY 2006 and a $1 million transfer in FY 2007. As loans are repaid, the fund will be fully financed through loan repayments.

Coal Regulation Program

The Coal Regulation Program reviews and makes decisions on the issuance of mining permits and conducts inspections of mine sites to determine if mining and reclamation activities are being done in accordance with the approved permit as well as federal and state regulations. Enacted funding levels may not be enough to support enough staff to maintain mandated inspection frequencies. If this is the case, the U.S. Office of Surface Mining may issue a formal finding of a programmatic deficiency. If such a finding is issued, the federal government would assume all regulatory duties associated with the program. This may result in slower permitting and bond-release processing services.

Vetoed Provisions

The Governor vetoed a provision in Section 209.18.03 of Am. Sub. H.B. 66 that would have required the Division of Wildlife's direct and indirect central support charges to be paid out of a separate GRF appropriation item, 725-401, Wildlife-GRF Central Support. Instead, the veto requires the Division of Wildlife, as well as all other divisions, to make payments into the Department's Central Support Indirect Fund (Fund 157) to support central administrative expenses.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 **Forestry**

Purpose: To protect and manage Ohio's forest resource through partnerships emphasizing the stewardship ethic to assure these resources will be available for future generations.

The following table shows the line items that are used to fund the Forestry program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	727-321	Division of Forestry	$8,541,511	$8,541,511
		General Revenue Fund Subtotal	**$8,541,511**	**$8,541,511**
State Special Revenue Fund				
509	725-602	State Forest Fund	$2,291,664	$2,591,664
4M7	725-631	Wildfire Suppression	$100,000	$100,000
		State Special Revenue Fund Subtotal	**$2,391,664**	**$2,691,664**
General Services Fund				
510	725-631	Maintenance - State-owned Residences	$20,000*	$20,000*
		General Services Fund Subtotal	**$20,000**	**$20,000**
Federal Special Revenue Fund				
328	725-603	Forestry - Federal	$1,813,827	$2,228,081
		Federal Special Revenue Subtotal	**$1,813,827**	**$2,228,081**
Holding Account Redistribution Fund				
R43	725-624	Forestry	$2,500,000	$1,500,000
R17	725-659	Performance Cash Bond Refunds	$200,000*	$200,000*
		Holding Account Redistribution Fund Subtotal	**$2,700,000**	**$1,700,000**
Total Funding: Forestry			**$15,467,002**	**$15,181,256**

* Amounts do not reflect total funding because line items are used to fund programs in other program series. Amounts reflected are budgeted amounts by ODNR. See attached spreadsheet for line item totals.

This analysis focuses on the following specific programs within the Forestry program series:

- ***Program 1.01: Reforestation***
- ***Program 1.02: Forestry Assistance***
- ***Program 1.03: State Forest Management***

Program 1.01 – Reforestation

Program Description: The Reforestation program raises and sells hardwood and conifer seedling stock for conservation purposes. The seedlings are bought by a variety of individuals, government agencies, and other organizations. Individuals are the largest purchasers of the seedlings. Typically a minimum of 100 seedlings can be bought at a time and prices range from $0.75 to $2.05 depending on the species. Current efforts have focused on hardwood production, particularly walnut and sugar maple. Seedling revenue is up due to increased production and sales. The Division used to operate a nursery in Zanesville, however, its operations were consolidated in FY 2003 due to budget constraints. Now the division operates one nursery in Marietta, Ohio. Over the biennium, the program will try to increase sales to the smaller woodlot owners and generate enough revenue to cover the nursery's personnel and seed costs. The program will target small woodlot owners as a source of additional revenue by increasing the minimum quantity of seedlings that can be purchased and reducing the seedling price. An actual sales forecast is not available at this time. This program will employ 21.5 FTEs in FY 2006 and 20.5 FTEs in FY 2007.

Funding Sources: GRF, federal grants, and fees

Implication of the Enacted Budget: The enacted budget will allow the single nursery to maintain current operations. The budget provides approximately $1.4 million in FY 2006 and $1.46 million in FY 2007 to support the nursery.

Program 1.02: Forestry Assistance

Program Description: The Forestry Assistance program includes four areas of activity: urban forestry, service forestry, forest industry assistance, forest health management, and the Ohio Windbreak Program. The program's goals include preparation of forest stewardship plans for land owners, forest tax law certification, providing forestry technical assistance, continuing the windbreak planting program, assisting in urban forestry, and monitoring forest health. The Forestry Assistance program has recently experienced higher personnel costs and has had to reduce staffing levels in field offices. Fuel costs continue to increase program costs as foresters travel often. Recent infestations have increased program activity as well. Over the biennium this program will employ 39.75 FTEs in FY 2006 and 40 FTEs in FY 2007.

Funding Sources: GRF, federal grants, and fees

Implication of the Enacted Budget: The enacted budget will allow the program to continue at current service levels without program expansion. ODNR will allocate approximately $3.85 million in FY 2006 and $4.13 million in FY 2007 for this program. This level of funding will result in increasing backlogs of landowners and communities requesting assistance that in turn will reduce possible tax benefits to woodland landowners as forest tax law certifications may be delayed.

Program 1.03: State Forest Management

Program Description: The State Forest Management program protects and manages Ohio's state forests and associated resources. The program includes four main activities: forest operations and maintenance, timber sales, wildfire control, and law enforcement. The Division also administers federal Volunteer Fire Assistance Grants. Since 2003, much of the program's efforts have been focused on timber and debris removal at the Shawnee forest due to severe ice storm damage.

Funding Sources: GRF, federal grants, and fees

Implication of the Enacted Budget: This program will receive the lion's share of appropriations over the biennium at roughly $10.2 million in FY 2006 and $9.56 million in FY 2007. The enacted budget will likely result in limited volunteer fire department assistance, limited wildfire investigations, reduced trail maintenance, and limited recreational opportunities. Forest law enforcement may be reduced as well resulting in slower emergency response times and reliance on assistance from county law enforcement agencies. Wildfire investigations may be isolated only to severe fires. Funding levels may result in greater reliance on grants.

The budget will allow the Division to reinstate a portion of the State Forest Law Enforcement program and provide for 5 officers and 1.5 timber and maintenance employees. Funds to cover these positions come from timber harvest revenue shared with local political subdivisions. However, these revenues are dependant on harvesting capabilities that have been reduced during the past years due to declining GRF appropriations.

Program Series 2 — Geological Survey

Purpose: To define the geologic framework of the state in support of resource development, property protection, public safety, and environmental security.

The following table shows the line items that are used to fund the Geological Survey program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	728-321	Division of Geological Survey	$1,630,000	$1,630,000
GRF	731-321	Office of Coastal Management	$259,707	$259,707
		General Revenue Fund Subtotal	**$1,889,707**	**$1,889,707**
State Special Revenue Fund				
4J2	725-628	Injection Well Review	$62,560*	$62,560*
511	725-646	Ohio Geologic Mapping	$549,310	$549,310
		State Special Revenue Fund Subtotal	**$611,870**	**$611,870**
General Services Fund				
155	725-601	Departmental Projects	$121,194*	$121,194*
508	725-684	Natural Resources Publications Center	$82,280*	$82,280*
		General Services Fund Subtotal	**$203,474**	**$203,474**
Federal Special Revenue Fund				
3P1	725-632	Geological Survey-Federal	$479,651	$479,651
		Federal Special Revenue Subtotal	**$479,651**	**$479,651**
Total Funding: Geological Survey			**$3,184,702**	**$3,184,702**

* Amounts do not reflect total funding because line items are used to fund programs in other program series. Amounts reflected are budgeted amounts by ODNR. See attached spreadsheet for line item totals.

This analysis focuses on the following specific programs within the Geological Survey program series:

- ***Program 2.01: Geological Investigations and Mapping***
- ***Program 2.02: Geological Records and Publications***

Program 2.01: Geological Investigations and Mapping

Program Description: This program maps and analyzes subsurface geologic structures to support petroleum-resource exploration and economic development, characterizes subsurface rock formations, maps and characterizes surface materials in support of sustainable and environmentally responsible development, maps groundwater resources, conducts investigations to define coastal-erosion areas and mitigate property losses, and reviews permit applications to ensure that proposed construction activities are suitable with the geologic conditions. Program dollars for personnel have continued to decline despite increasing demands for services.

Funding Sources: GRF (44%), minerals severance tax (34%), federal grants (16%), grants from other state agencies (4%), and fees received from permit applications for injection of liquid hazardous waste (2%)

Implication of the Enacted Budget: The enacted budget provides approximately $2.5 million each fiscal year for this program. These funding levels will provide additional assistance to support Ohio's Lake Erie Geology program for performing coastal hazard assessment and technical assistance to shoreline property owners and political subdivisions. However, certain technical assistance activities may be reduced or eliminated over the biennium including collecting historic mining information, advisement of abandoned underground mine hazards, and providing coal resource assessments to other ODNR divisions and private mining companies. The Division will likely continue relying heavily on federal grants to offset GRF reductions and mineral severance tax revenue reductions.

The program will continue to rely on federal grant funding from the U.S. Geological Survey, NOAA, and FEMA, and expects to receive a total of $472,500 in grants each year over the biennium. The program will continue to employ 23 FTEs over the biennium.

Program 2.02: Geological Records and Publications

Program Description: This program provides cartographic preparation of geologic maps and reports for public distribution based on geologic information compiled by the Geological Investigations and Mapping program. The program also distributes USGS topographical maps and information for public use. Over the biennium, the program will continue to convert paper records into digital format, develop digital maps, and expand electronic distribution of information using CD-ROM media and Internet-based technology. The program will continue to employ seven FTEs.

Funding Sources: GRF (87%), printing rotary (12%), and federal funds (1%)

Implication of the Enacted Budget: The enacted budget will result in reduced hours to the Division's core and sample repository and geological educational outreach programs will be reduced. The program will continue to rely on federal grants over the biennium.

Program Series 3 — Parks and Recreation

Purpose: To manage Ohio state parks and related recreational activities.

The following table shows the line items that are used to fund the Parks and Recreation program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	730-321	Division of Parks and Recreation	$37,874,841	$39,874,841
		General Revenue Fund Subtotal	**$37,874,841**	**$39,874,841**
State Special Revenue Fund				
512	725-605	State Parks Operations	$26,814,288	$26,814,288
512	725-680	Parks Facilities Maintenance	$2,576,240	$2,576,240
		State Special Revenue Fund Subtotal	**$29,390,528**	**$29,390,528**
General Services Fund				
510	725-631	Maintenance – State-owned Residences	$132,238*	$132,238*
		General Services Fund Subtotal	**$132,238**	**$132,238**
Waterways Safety Fund				
086	725-414	Waterways Improvement	$3,792,343	$3,792,343
		Waterways Safety Fund Subtotal	**$3,792,343**	**$3,792,343**
Accrued Leave Liability Fund				
4M8	725-675	FOP Contract	$12,406*	$12,406*
		Accrued Leave Liability Fund Subtotal	**$12,406**	**$12,406**
Holding Account Redistribution Fund				
R17	725-659	Performance Cash Bond Refunds	$15,000*	$15,000*
		Holding Account Redistribution Fund Subtotal	**$15,000**	**$15,000**
Total Funding: Parks and Recreation			**$71,217,356**	**$73,217,356**

* Amounts do not reflect total funding because line items are used to fund programs in other program series. Amounts reflected are budgeted amounts by ODNR. See attached spreadsheet for line item totals.

This analysis focuses on the following specific programs within the Parks and Recreation program series:

- ***Program 3.01: Large parks***
- ***Program 3.02: Medium parks***
- ***Program 3.03: Small parks***

Program 3.01: Large parks

Program Description: This program covers large state parks with state and/or national interest. There are about 30 parks that fall into this category and attract a broad range of visitors. Most of these parks offer amenities not available at the smaller parks such as lodge facilities, beaches, marinas, and golf courses. These parks generate a large amount of revenue compared to the others. The Division will continue to concentrate most of its financial resources on these larger parks that have a statewide significance and generate larger amounts of revenue.

Funding Sources: GRF, state park rotary, waterways safety funds, rent payments, concession bid bonds, and payments by FOP members

Implication of the Enacted Budget: The Department will allocate approximately $51 million in enacted appropriations for large parks over the biennium. These funding levels will allow the Division to maintain and provide only basic updates to current facilities. Certain common standards such as law enforcement's 20-minute response time and once a day restroom cleaning may still be difficult to meet. Maintenance repairs will likely concentrate on critical needs with limited resources for preventive maintenance.

Permanent Law: ***State Park Parking Permits (R.C. section 1541.03).*** The bill prohibits the Division of Parks and Recreation from adopting rules establishing fees or charges for parking a motor vehicle in a state park or for admission to a state park.

Program 3.02: Medium parks

Program Description: This program covers medium state parks with regional and/or limited statewide interest. There are about 15 parks that fall into this category and are generally less popular than the larger parks and receive less use. Most of these parks offer amenities similar to large parks though not as many. These parks generate a moderate amount of revenue depending on the facilities at each park.

Funding Sources: GRF, state park rotary, waterways safety funds, rent payments, concession bid bonds, and payments by FOP members

Implication of the Enacted Budget: The Department will allocate approximately $14 million in enacted appropriations for medium parks over the biennium. These funding levels will allow the Division to maintain and provide only basic updates to current facilities. Certain common standards such as law enforcement's 20-minute response time and once a day restroom cleaning will likely not be met. Maintenance repairs will likely concentrate on critical needs with limited resources for preventive maintenance.

Permanent Law: ***State Park Parking Permits (R.C. section 1541.03).*** The bill prohibits the Division of Parks and Recreation from adopting rules establishing fees or charges for parking a motor vehicle in a state park or for admission to a state park.

Program 3.03: Small parks

Program Description: This program covers small state parks with local and/or limited regional interest. There are about 29 parks that fall into this category. These parks tend to attract less visitors, similar to medium-sized parks. These parks usually do not have a park manager on-site, instead a regional manager provides all management and supervisory services. Large or medium parks nearby often handle periodic checking and patrolling of these smaller parks, particularly in the off-season.

Funding Sources: GRF, state park rotary, rent payments, and concession bid bonds

Implication of the Enacted Budget: Funding levels of roughly $7 million each year of the biennium will not allow the Division to maintain and provide updates to current facilities. Law enforcement standards and restroom cleaning will be minimal. Maintenance repairs will likely concentrate on critical needs with limited resources for preventive maintenance.

Permanent Law: ***State Park Parking Permits (R.C. section 1541.03).*** The bill prohibits the Division of Parks and Recreation from adopting rules establishing fees or charges for parking a motor vehicle in a state park or for admission to a state park.

Program Series 4 Coastal Management

Purpose: To educate, coordinate, and assist on a broad range of issues concerning the Lake Erie coastal resources, including identifying coastal erosion and flood hazards, and protecting shipwrecks and underwater cultural resources.

The following table shows the line items that are used to fund the Coastal Management program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	731-321	Office of Coastal Management	$259,707	$259,707
		General Revenue Fund Subtotal	**$259,707**	**$259,707**
State Special Revenue Fund				
514	725-606	Lake Erie Shoreline	$587,075*	$632,113*
		State Special Revenue Fund Subtotal	**$587,075**	**$632,113**
General Services Fund				
697	725-670	Submerged Lands	$542,011	$542,011
		General Services Fund Subtotal	**$542,011**	**$542,011**
Federal Special Revenue Fund				
3P3	725-650	Coastal Management-Federal	$1,592,923	$1,607,686
		Federal Special Revenue Subtotal	**$1,592,923**	**$1,607,686**
Total Funding: Coastal Management			**$2,981,716**	**$3,041,517**

* Amounts do not reflect total funding because line items are used to fund programs in other program series. Amounts reflected are budgeted amounts by ODNR. See attached spreadsheet for line item totals.

This analysis focuses on the following specific program within the Coastal Management program series.

Program 4.01: Coastal Management

Program Description: This program implements the Ohio Coastal Management Program and provides assistance to local agencies and nonprofits through grants in the Lake Erie coastal area. Implementation of the program enables grants to be awarded to the state from the federal government and requires state actions to be consistent with the federal program. The Ohio Coastal Management Program Document guides the activities of the Office of Coastal Management to protect, preserve, and improve Lake Erie and its coastal resources.

Funding Sources: NOAA grants, royalties from the mining of mineral resources under the bed of Lake Erie, and lease payments for structures occupying Lake Erie Public Trust Areas

Implication of the Enacted Budget: The enacted levels will allow the Division to continue providing federal funding through the Ohio Coastal Management Program to benefit local entities in the

Lake Erie coastal area. These federal funding levels amount to $1.59 million in FY 2006 and $1.61 million in FY 2007. The budget will not allow for any new program activities to be funded.

Program Series 5 Water Planning and Management

Purpose: To provide research, regulation, and planning services concerning all of the state's water resources.

The following table shows the line items that are used to fund the Water Planning and Management program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	725-423	Stream & Ground Water Gauging	$311,910	$311,910
GRF	725-456	Canal Lands	$332,859	$332,859
GRF	733-321	Division of Water	$3,257,619	$3,207,619
		General Revenue Fund Subtotal	**$3,902,388**	**$3,852,388**
State Special Revenue Fund				
4J2	725-628	Injection Well Review	$20,000*	$6,000*
514	725-606	Lake Erie Shoreline	$25,000*	$25,000*
615	725-661	Dam Safety	$365,223	$365,223
		State Special Revenue Fund Subtotal	**$410,223**	**$396,223**
General Services Fund				
155	725-601	Departmental Projects	$246,542*	$321,809*
508	725-684	Natural Resources Publication Center	$10,000*	$10,000*
430	725-671	Canal Lands	$627,582*	$677,582*
4S9	725-622	NatureWorks Personnel	$35,571*	$35,571*
516	725-620	Water Management	$2,442,956	$2,459,120
		General Services Fund Subtotal	**$3,362,651**	**$3,504,082**
Federal Special Revenue Fund				
3P4	725-660	Water - Federal	$419,766	$420,525
		Federal Special Revenue Subtotal	**$419,766**	**$420,525**
Total Funding: Water Planning & Management			**$8,095,028**	**$8,173,218**

* Amounts do not reflect total funding because line items are used to fund programs in other program series. Amounts reflected are budgeted amounts by ODNR. See spreadsheet at the end of this section for line item totals.

This analysis focuses on the following specific programs within the program series:

- ***Program 5.01: Canals/Hydraulic Operations***
- ***Program 5.02: Dam Safety***
- ***Program 5.05: Water Inventory***

Program 5.01: Canals/Hydraulic Operations

Program Description: This program operates and maintains the remaining watered sections of the Miami & Erie and Ohio & Erie Canals. Operation of the canals and canal reservoirs provides drainage and flood control for local residents, farmers, and municipalities along the corridor and provides linear recreation corridors and greenways.

Funding Sources: GRF, land and water sales, and land leases

Implication of the Enacted Budget: Enacted funding levels will result in delayed equipment purchases and reduced real estate support. These cost savings measures are necessary as land sales are about $200,000 less than in previous years. Land sales have been reduced as interested parties have expressed concerns about selling of historic canal lands. Additionally, most viable unwatered sections of the canal have already been sold. The Department will budget approximately $1 million in each fiscal year for this program.

Temporary Law: ***Division of Water (Section 209.18.09).*** The enacted budget earmarks $50,000 in FY 2006 for the Fairport Harbor Port Authority boat launch in Lake County from appropriation item 733-321, Division of Water.

Program 5.02: Dam Safety

Program Description: This program benefits the owners of dams and residents in downstream areas through permitting the construction of new dams, dikes, and levees; approval of construction repair for existing dams; periodic inspection of existing dams; and responds to dam safety emergencies.

Funding Sources: GRF, dam safety fees, and federal grants

Implication of the Enacted Budget: Budget language requires the Chief of the Division of Water to adopt rules designating classes of dams that are to be inspected periodically by registered professional engineers hired by dam owners rather than being inspected by the Chief. Past and current funding levels only provide adequate resources for DNR to complete Class I dam inspections. This new provision will allow Class II and Class III dams to be inspected more frequently. This change resulted in a reduction of approximately $43,000 in appropriations when comparing introduced to enacted levels.

Permanent Law: ***Privatization of inspection of certain dams (R.C. section 1521.062).*** This provision requires the Chief of the Division of Water to adopt rules designating classes of dams that are to be inspected periodically by registered professional engineers hired by the dam owners rather than being inspected by the Chief, and requires the rules to establish standards and procedures governing such private inspections. This provision will allow the dam owner to contract with a private firm to perform inspections on Class II and Class III dams. Currently, the Department only has the resources to perform Class I inspections. This will allow all dams to be inspected and ensure the public's safety.

Program 5.05: Water Inventory

Program Description: This program administers activities designed to characterize changing water supply conditions across the state and provide the information necessary to build a foundation for planning and developing reliable, long-term water supplies. The program collects, compiles, analyzes, and disseminates hydrologic and climatological data and information concerning all aspects of the hydrologic cycle, operates the statewide ground water observation well network, and administers the Division of Water's cooperative agreements with the U.S. Geological Survey for stream gauging and other water resource projects.

Funding Source: GRF

Implication of the Enacted Budget: Funding levels will result in stream gauge reductions from 63 to 52 gauges. This will result in reduced data on stream flow characteristics throughout the state. This will negatively impact information for floodplain management and infrastructure development decisions.

Program Series 6 — Soil and Water

Purpose: To provide technical, educational, and financial assistance to Ohio citizens through 88 county soil and water conservation districts (SWCDs).

The following table shows the line items that are used to fund the Soil and Water program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	730-321	Division of Parks and Recreation	$25,000*	$25,000*
GRF	725-407	Conservation Reserve Enhancement Program	$1,000,000	$1,000,000
GRF	725-502	Soil & Water Districts	$9,836,436	$9,836,436
GRF	737-321	Division of Soil and Water	$4,074,788	$4,074,788
		General Revenue Fund Subtotal	**$14,936,224**	**$14,936,224**
General Services Fund				
155	725-601	Departmental Projects	$1,339,412*	$1,140,050*
		General Services Fund Subtotal	**$1,339,412**	**$1,140,050**
State Special Revenue Fund				
5BV	725-683	Soil and Water Districts	$1,850,000	$1,850,000
		State Special Revenue Fund Subtotal	**$1,850,000**	**$1,850,000**
Total Funding: Soil and Water			**$16,275,636**	**$16,076,274**

* Amounts do not reflect total funding because line items are used to fund programs in other program series. Amounts reflected are budgeted amounts by ODNR. See attached spreadsheet for line item totals.

This analysis focuses on the following specific programs within the program series:

- ***Program 6.01: Conservation Engineering and Technical Assistance***
- ***Program 6.04: Soil and Water Conservation Districts***
- ***Program 6.06: Watershed Management***

Program 6.01: Conservation Engineering and Technical Assistance

Program Description: This program provides training and assistance to soil and water conservation districts in planning, designing, and constructing conservation practices to reduce soil erosion and protect or improve Ohio's water resources.

Funding Source: GRF

Implication of the Enacted Budget: Funding levels will result in less technical training and assistance to soil and water conservation districts.

Program 6.04: Soil and Water Conservation Districts

Program Description: This program assists county soil and water conservation districts to ensure that land users and other agencies properly manage soil, water, and related resources in each of the state's 88 counties.

Funding Sources: GRF and $0.25 from construction demolition and debris fees

Implication of the Enacted Budget: Enacted funding levels of roughly $12.8 million each fiscal year will result in fewer resources being available to local SWCDs to provide technical and informational services to local landowners. Local government appropriations for soil and water conservation have been increasing over the years, but the amount of state funding to match these local appropriations has continued to decline. Overall, funding levels will result in technical, educational, wildlife, and forestry assistance not being met, which will in turn impact water quality improvement goals. Enacted funding levels will result in decreased matching grant awards to an estimated 87% or less in FY 2006 and in FY 2007.

Permanent Law: ***Soil and Water Conservation District Assistance Fund (R.C. sections 1514.14 and 3714.073 and Section 209.18).*** The bill establishes an additional 25¢ per ton or 12.5¢ per cubic yard fee on the disposal of construction and demolition debris and requires the proceeds of the new fee to be credited to the Soil and Water Conservation District Assistance Fund (Fund 5BV), which is created in the budget. The Fund must be used to provide funding to soil and water conservation districts as matching money for local contributions to the districts. The bill also appropriates $1.85 million in each fiscal year to appropriation item 725-683, Soil and Water Districts (Fund 5BV).

Temporary Law: ***Soil and Water Districts (Section 209.18.09).*** The enacted budget retains temporary language that authorizes annual subsidies of up to $30,000, from appropriation item 725-502, Soil and Water Districts, to county soil and water conservation districts upon receipt of request and approval from the Ohio Soil and Water Conservation Commission. Moneys received shall be expended for the purposes of the district. The enacted budget also includes the following earmarks:

- $25,000 in each fiscal year from appropriation item 725-502, Soil and Water Districts, for the Conservation Action Project;
- $200,000 in each fiscal year from appropriation item 725-683, Soil and Water Districts, to support the Heidelberg College Water Quality Laboratory;
- $100,000 in each fiscal year from appropriation item 725-683, Soil and Water Districts, to support the Muskingum Watershed Conservancy District; and
- $100,000 in each fiscal year from appropriation item 725-683, Soil and Water Districts, to support the Indian Lake Watershed in Logan County.

Program 6.06: Watershed Management

Program Description: This program works with local soil and water conservation districts and watershed groups to implement programs and practices that will protect and improve Ohio's water resources.

Funding Sources: GRF and federal grants

Implication of the Enacted Budget: Funding levels will likely reduce watershed planning projects. Training for local watershed coordinators and local officials may also be reduced. In addition, funding levels may reduce the enrollment of linear miles per year of riparian corridor conservation under the Lake Erie Conservation Reserve Enhancement Program (CREP). Reduced linear miles will likely result in reduced federal funds as well. Ultimately, the CREP will have to be extended beyond ten years to meet its original enrollment goals of 67,000 acres. It appears as though this further erodes the state's ability to meet clean water standards. The Department will budget approximately $2.3 million in FY 2006 and $2.1 million in FY 2007 for this program.

Program Series 7 Real Estate (REALM)

Purpose: To coordinate the Department's master planning and participate in capital improvements.

The following table shows the line items that are used to fund the REALM program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	738-321	Division of Real Estate & Land Management	$2,291,874	$2,291,874
		General Revenue Fund Subtotal	**$2,291,874**	**$2,291,874**
State Special Revenue Fund				
521	725-627	Off-Road Vehicle Trails	$143,490	$143,490
		State Special Revenue Fund Subtotal	**$143,490**	**$143,490**
General Services Fund				
155	725-601	Departmental Projects	$142,305*	$142,305*
206	725-689	Real Estate and Land Management Support Services	$475,000	$475,000
207	725-690	Real Estate Services	$64,000	$64,000
4S9	725-622	NatureWorks Personnel	$37,077*	$37,077*
430	725-671	Canal Lands	$170,000*	$170,000*
635	725-664	Fountain Square Facilities Maintenance	$2,650,963*	$2,650,963*
		General Services Fund Subtotal	**$3,539,345**	**$3,539,345**
Clean Ohio Revitalization Fund				
061	725-405	Clean Ohio Operating	$155,000	$155,000
		Clean Ohio Revitalization Fund	**$155,000**	**$155,000**
Holding Account Redistribution Fund Group				
R17	725-659	Performance Cash Bond Refunds	$10,000*	$10,000*
		Total Holding Account Redistribution Fund	**$10,000**	**$10,000**
Federal Special Revenue Fund				
3B6	725-653	Federal Land & Conservation Grants	$5,000,000	$5,000,000
3Z5	725-657	REALM Federal	$1,578,871	$1,578,871
		Federal Special Revenue Subtotal	**$6,578,871**	**$6,578,871**
Total Funding: REALM			**$12,718,580**	**$12,718,580**

* Amounts do not reflect total funding because line items are used to fund programs in other program series. Amounts reflected are budgeted amounts by ODNR. See attached spreadsheet for line item totals.

This analysis focuses on the following specific programs within the REALM program series:

- ***Program 7.01: Real Estate Services***
- ***Program 7.02: Outdoor Recreation Services***

Program 7.01: Real Estate Services

Program Description: This program provides real estate management services for the Department's landholding divisions. The land is bought, sold, and leased to promote wildlife management, outdoor recreation, forest management, and natural area protection.

Funding Sources: GRF, fund transfers, and land sales

Implication of the Enacted Budget: The enacted budget will allow the Division to continue current land acquisition levels and land management practices, as well as expand their records management system. In addition, the Division will be able to hire a Natural Resource Administrator. The Administrator is needed only 25% of the time to assist in real estate work related to abandoned mines reclamation.

Program 7.02: Outdoor Recreation Services

Program Description: This program administers four major grant programs: the federal Land and Water Conservation Grant, the federal Recreational Trails Program, the state NatureWorks Grants, and the state Clean Ohio Trails Grants. These programs provide financial assistance to public agencies for acquisition and development of parks and trails and other recreational and natural resources-related projects.

Funding Sources: GRF, fund transfers, and land sales

Implication of the Enacted Budget: Funding levels will allow the Division to award $10 million in grants to support local parks and trail projects. The Division will not be able to implement an expanded trail development program that includes land acquisition, as originally planned. The Division will receive a small amount of revenue from newly collected out-of-state resident APV operating permits. Revenue from these permits will help improve recreational trails.

Permanent Law: ***Nonresident operation of all-purpose and other special vehicles (R.C. sections 4519.02 and 4519.09).*** This provision requires every nonresident owner or operator of a snowmobile, off-highway motorcycle, or all-purpose vehicle to obtain a $5 temporary operating permit and eliminates registration reciprocity. Currently, the Department does not have an estimate of how much revenue the permit may generate. Revenues will be used to improve ODNR's recreational trails program, which supports state and local recreational entities.

Program Series 8 Watercraft

Purpose: To register boats and administer grants for capital improvement projects such as launch ramps and marinas.

The following table shows the line items that are used to fund the Watercraft program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
Waterways Safety Funds				
086	725-418	Buoy Placement	$52,182	$52,182
086	725-501	Waterway Safety Grants	$137,867	$137,867
086	725-506	Watercraft Marine Patrol	$576,153	$576,153
086	725-513	Watercraft Educational Grants	$366,643	$366,643
086	739-401	Division of Watercraft	$20,027,909	$20,086,681
5AW	725-682	Watercraft Revolving Loans	$3,000,000	$1,000,000
Total Funding: Watercraft			**$24,160,754**	**$22,219,526**

Program 8.01: Watercraft Registration

Program Description: This program seeks to ensure that all watercraft used in state waters are registered appropriately and enforces all laws relative to the identification, numbering, titling, and operation of vessels operated on Ohio's 120,000 acres of inland lakes, 481 miles of the Ohio River, and 23 million acres of Lake Erie.

Over the biennium the Division plans to develop and install a web-based watercraft registration system for Watercraft Registration Agents. The new system will allow agents to perform searches to validate registration information before issuing a new or renewal registration. This new system will reduce paper transactions between the agents and the Registration Central Office.

Funding Sources: A portion of registration and titling fees charged to boaters in the state, motor fuel excise tax, and the U.S. Coast Guard Boating Safety Grant

Implication of the Enacted Budget: Funding levels will allow the Division to provide continual titling services to recreational boaters, however the Division does not plan any program expansion or increased staff. The Division will not need increases in registration or titling fees over the biennium to cover program costs. The Department will allocate approximately $1.56 million each fiscal year to support this program.

Program 8.02: Watercraft Operations, Safety, Education, and Enforcement

Program Description: This program seeks to enhance the safe use of Ohio's waterways for the boating public, and to ensure, through education and enforcement that watercraft operators abide by the laws, rules, and regulations governing the proper use and operation of watercraft. This program employs 138.94 FTEs.

Funding Sources: A portion of registration and titling fees charged to boaters in the state, motor fuel excise tax, and the U.S. Coast Guard Boating Safety Grant, fines and penalties, class income, interest earnings, refunds, and federal reimbursement

Implication of the Enacted Budget: Enacted appropriation levels will provide for additional public offices in two areas of the state (Wapakoneta and Ashtabula) and increases in navigational aid to local jurisdictions and state parks. The new offices will make routine registration and titling more convenient for local residences, allow for more boater safety education offerings, and improve law enforcement at inland lakes. Funding will also cover the costs for increased signage requirements on state waterways, and support a new low interest Watercraft Revolving Loan Fund to develop new boating facilities and improve regional economic development. The Department plans to budget approximately $23 million in FY 2006 and $21 million in FY 2007 for this program.

Permanent Law: ***Watercraft Revolving Loan Fund (R.C. sections 1547.721, 1547.722, 1547.723, 1547.724, 1547.725, and 1547.726).*** This provision establishes the Watercraft Revolving Loan Fund (Fund 5AW) consisting of money appropriated to it, money from the repayment of loans, and money from other specified sources. The Department will use the money to make loans for marinas and other boating facilities. The Department hopes this revolving loan will attract public and private moneys to improve boating access and facilities.

Temporary Law: ***Watercraft Revolving Loan Program (Section 209.18.09).*** This provision requires OBM to transfer an amount not to exceed $3,000,000 in FY 2006 and not to exceed $1,000,000 in FY 2007 from the Waterways Safety Fund (Fund 086) to the Watercraft Revolving Loan Fund (Fund 5AW). These moneys will capitalize the Department's new Watercraft Revolving Loan Fund money to make loans for marinas and other boating facilities.

Program Series 9 Wildlife

Purpose: To manage and maintain over 376,000 acres for wildlife habitat and public access at 120 wildlife areas and lands under agreement.

The following table shows the line items that are used to fund the Wildlife program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	725-425	Wildlife License Reimbursement	$646,319	$646,319
		General Revenue Fund Subtotal	**$646,319**	**$646,319**
State Special Revenue Fund				
5P2	725-634	Wildlife Boater Angler Administration	$4,200,000	$3,500,000
		State Special Revenue Fund Subtotal	**$4,200,000**	**$3,500,000**
General Services Fund				
508	725-684	Natural Resources Publication Center	$6,000*	$6,000*
510	725-631	Maintenance - State-owned Residences	$78,611*	$78,611*
		General Services Fund Subtotal	**$84,611**	**$84,611**
Wildlife Fund Group				
015	740-401	Division of Wildlife	$49,447,500	$50,447,500
815	725-636	Cooperative Management Projects	$120,449	$120,449
816	725-649	Wetlands Habitat	$966,885	$966,885
817	725-655	Wildlife Conservation Checkoff Fund	$5,000,000	$5,000,000
818	725-629	Cooperative Fisheries Research	$1,500,000	$1,500,000
819	725-685	Ohio River Management	$128,584	$128,584
		Wildlife Fund Subtotal	**$57,163,418**	**$58,163,418**
Accrued Leave Liability Fund				
4M8	725-675	FOP Contract	$8,438*	$8,438*
		Accrued Leave Liability Fund Subtotal	**$8,438**	**$8,438**
Total Funding: Wildlife			**$62,102,786**	**$62,402,786**

* Amounts do not reflect total funding because line items are used to fund programs in other program series. Amounts reflected are budgeted amounts by ODNR. See attached spreadsheet for line item totals.

This analysis focuses on the following specific programs within the program series:

- ***Program 9.1: Fish Management and Research***
- ***Program 9.2: Wildlife Management and Research***
- ***Program 9.3: Wildlife Law Enforcement***

Program 9.1: Fish Management and Research

Program Description: This program maintains the aquatic resources of the state. Biologists and other fisheries personnel manage water areas by improving spawning habitat and fishing access, recommending regulations, monitoring fish populations and angler harvest, stocking, and conducting research. The program operates six state fish hatcheries located throughout the state. This program employs 140 FTEs.

Funding Sources: Fishing and hunting licenses, federal excise tax on hunting equipment, tax check-off revenue, license plate dollars, donations, mitigation settlements, 1/8 of 1% of the gas tax, and GRF

Implication of the Enacted Budget: Funding levels will allow the Division to fund 100% of its fish hatchery production. The Division will also continue research, surveying, and monitoring efforts with the funding levels. The enacted budget included an additional $511,418 beyond introduced levels in appropriation item 725-629, Cooperative Fisheries Research to support this effect. The Division will also maintain current service levels for its fish stocking activities and Lake Erie fisheries management responsibilities.

Program 9.2: Wildlife Management and Research

Program Description: This program is responsible for managing all wildlife, assisting landowners with habitat improvements, managing land for wildlife and wildlife-oriented recreation, and conducting research to be used in improving wildlife populations. The program owns and maintains 120 wildlife areas throughout the state and provides for approximately one million visitor-use days per year. Additionally, it owns and maintains the Old Woman Creek National Estuarine Research Reserve on Lake Erie.

Funding Sources: Fishing and hunting licenses, federal excise tax on hunting equipment, timber sales, wetland habitat stamp sales, wetland mitigations, donations, tax check-off, license plate dollars, donations, and grants

Implication of the Enacted Budget: Funding levels will allow maintenance of existing programs and services. Funding will also allow the Department to make upgrades to the existing Point-of-Sale Licensing system and cover personnel and maintenance costs for the new Division of Wildlife area (Old Woman Creek).

Program 9.3: Wildlife Law Enforcement

Program Description: This program protects Ohio's wildlife resources and ensures fair and equitable use. Law enforcement personnel enforce laws, rules, and regulations concerning the taking, possessing, and protection of wildlife resources. While the program protects state and some private property, it enforces pollution and litter statutes as well. Approximately 165 enforcement personnel are employed statewide to enforce wildlife rules in coordination with local and federal officials. The program issues all types of hunting and fishing licenses including routine inspections of license agents and subagents.

Funding Sources: Fishing and hunting licenses, federal excise tax on hunting equipment, timber sales, wetland habitat stamp sales, wetland mitigations, donations, tax check-off, license plate dollars, donations, and grants

Implication of the Enacted Budget: Funding levels will allow current staff and service levels to remain the same over the biennium. Funding levels will also allow the Division to absorb MARCS' costs and enforce sport fishing license requirements. The Department will allocate approximately $13 million in each fiscal year for wildlife law enforcement.

Program 9.4: Information and Education

Program Description: This program provides information and education to Ohio citizens about wildlife programs and issues. It employs a comprehensive array of media to disseminate wildlife information to schools, local communities, and the general public.

Funding Sources: Fishing and hunting licenses, federal excise tax on hunting equipment, timber sales, wetland habitat stamp sales, wetland mitigations, donations, tax check-off, license plate dollars, donations, and grants

Implication of the Enacted Budget: Funding levels will allow current staff and service levels to remain the same over the biennium. Funding will also allow the Division to continue providing educational opportunities, provide hunter safety courses, advertise wildlife issues, maintain contact with the press, and respond to field wildlife information requests.

Program Series 10 — Natural Areas and Preserves

Purpose: To manage, acquire, and protect Ohio's most pristine areas.

The following table shows the line items that are used to fund the Natural Areas and Preserves program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	741-321	Division of Natural Areas and Preserves	$3,009,505	$3,009,505
		General Revenue Fund Subtotal	**$3,009,505**	**$3,009,505**
State Special Revenue Fund				
522	725-656	Natural Areas Check-Off Funds	$1,550,670	$1,550,670
4U6	725-668	Scenic Rivers Protection	$407,100	$407,100
		State Special Revenue Fund Subtotal	**$1,957,770**	**$1,957,770**
General Services Fund				
155	725-601	Departmental Projects	$222,184*	$222,184*
508	725-684	Natural Resources Publication Center	$10,000*	$10,000*
510	725-631	Maintenance-State Owned Residences	$30,000*	$30,000*
		General Services Fund Subtotal	**$262,184**	**$262,184**
Federal Special Revenue Fund				
3P0	725-630	Natural Areas & Preserves-Fed	$315,000	$315,000
		Federal Special Revenue Subtotal	**$315,000**	**$315,000**
Total Funding: Natural Areas and Preserves			**$5,544,459**	**$5,549,459**

* Amounts do not reflect total funding because line items are used to fund programs in other program series. Amounts reflected are budgeted amounts by ODNR. See attached spreadsheet for line item totals.

This analysis focuses on the following specific programs within the Forestry program series:

- ***Program 10.01: Natural Areas and Preserves***
- ***Program 10.02: Ohio Scenic Rivers***
- ***Program 10.03: Ohio Natural Heritage***

Program 10.01 – Natural Areas and Preserves

Program Description: This program administers a statewide system of nature preserves and acquires, dedicates, and accepts donations of public and privately owned lands as nature preserves. Nature preserves are legally protected lands that have scientific, historical, or ecological significance and represent the finest examples of Ohio's original landscape. Currently, Ohio has 127 state nature preserves and natural areas of which the Division of Natural Areas and Preserves manages 82 sites. The program employed 35.5 FTEs in FY 2005 and will employ 33.5 over the new biennium.

Funding Sources: GRF, grants, publications, housing leases, and tax check-off funds

Implication of the Enacted Budget: The enacted budget will allow the Division to maintain current service levels; however, scientific and interpretive programming will continue to be limited, seasonal staff will be reduced, and preserve managers will continue to take on more work. The Division will continue to add parcels of land without adding any new staff over the biennium. Increased gasoline costs will continue to consume Division revenues as preserve managers travel from site to site. Funding levels will likely result in the layoff of one current staff member. Enacted funding levels will provide roughly $36 million each fiscal year for this program.

Program 10.02: Ohio Scenic Rivers

Program Description: This program is responsible for administering Ohio's Scenic Rivers Program. The program protects Ohio's remaining high quality streams for future generations. Scenic river designation is a cooperative venture among state and local governments, citizen's groups, and local communities within a watershed. Currently, Ohio has 11 state designated streams encompassing over 700 river miles and 20 stream segments.

Funding Sources: GRF and other funds

Implication of the Enacted Budget: The funding levels may not be adequate to fund a needed River Manager. The Division continues to add designated river miles without any additional staff. The end result is river designations being delayed. Technical assistance to landowners and local governments may also be backlogged and river studies may be delayed. The Department will allocate approximately $1.3 million each fiscal year to support this program.

Program 10.03: Ohio Natural Heritage

Program Description: This program is the most comprehensive source of information on rare and endangered plants and animals, outstanding natural communities, and special geological features in the state. This information is easily accessible in manual and computer files that are cross-referenced to provide a flexible information system known as the heritage database. Additionally, the program prepares and maintains surveys and inventories of both natural areas and rare species. The program adopts criteria for listing and compiles the official list of plants that are threatened or endangered in Ohio.

Funding Sources: GRF, income from data requests, check-off funds

Implication of the Enacted Budget: The funding levels will maintain current service and staffing levels. Volunteers will continue to be used to conduct field investigations and inventories since the Department does not have enough staff to fulfill these duties.

Program Series 11 Mineral Resource Management

Purpose: To protect public health, safety, and the environment from the effects of present mining, remedy the adverse effects of past mining, and provide for the orderly development of oil and gas resources.

The following table shows the line items that are used to fund the Mineral Resource Management program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	744-321	Division of Mineral Resources Management	$3,068,167	$3,068,167
		General Revenue Fund Subtotal	**$3,068,167**	**$3,068,167**
State Special Revenue Fund				
4J2	725-628	Injection Well Review	$11,397*	$11,397*
5B3	725-674	Mining Regulation	$28,850	$28,850
518	725-643	Oil and Gas Permit Fees	$2,674,377	$2,674,378
518	725-677	Oil and Gas Well Plugging	$1,200,000	$1,200,000
526	725-610	Strip Mining Administrative Fees	$1,932,492	$1,932,492
527	725-637	Surface Mining Administration	$2,312,815	$2,322,702
529	725-639	Un-reclaimed Land Fund	$623,356	$631,257
531	725-648	Reclamation Forfeiture	$2,061,861	$2,062,237
		State Special Revenue Fund Subtotal	**$10,845,148**	**$10,863,313**
General Services Fund				
508	725-684	Natural Resources Publication Center	$3,000*	$3,000*
		General Services Fund Subtotal	**$3,000**	**$3,000**
Holding Account Redistribution Fund				
R17	725-659	Performance Cash Bond Refunds	$149,263*	$149,263*
		Holding Account Redistribution Fund Subtotal	**$149,263**	**$149,263**
Federal Special Revenue Fund				
3B5	725-645	Federal Abandoned Mine Lands	$14,310,497	$14,307,666
3B7	725-654	Reclamation - Regulatory	$2,107,292	$2,107,291
3P2	725-642	Oil and Gas - Federal	$362,933	$367,912
3R5	725-673	Acid Mine Drainage Abatement/Treatment	$2,225,000	$2,225,000
332	725-669	Federal Mine Safety Grant	$258,102	$258,102
		Federal Special Revenue Fund Subtotal	**$19,263,824**	**$19,265,971**
Total Funding: Mineral Resource Management			**$33,329,402**	**$33,349,714**

* Amounts do not reflect total funding because line items are used to fund programs in other program series. Amounts reflected are budgeted amounts by ODNR. See attached spreadsheet for line item totals.

This analysis focuses on the following specific programs within the program series:

- ***Program 11.1: Coal Regulation Program***
- ***Program 11.2: Industrial Minerals Regulatory Program***
- ***Program 11.5: Oil and Gas Well Regulation and Plugging Program***

Program 11.1: Coal Regulation Program

Program Description: This program reviews and makes decisions on issuance of mining permits and conducts inspections of mine sites to determine if mining and reclamation activities are being done in accordance with the approved permit as well as federal and state regulations. This program also administers the coal mining Lands Unsuitable for Mining Program (LUMP) and federal Small Operators Assistance Program (SOAP), as well as maintaining the bonding required to ensure reclamation is completed on the active mine sites.

Funding Sources: GRF and cross fund utilization

Implication of the Enacted Budget: It is uncertain whether funding levels will allow for the continuation of the Coal Regulatory Program over the biennium. The Department plans to allocate $4.2 million of its appropriations each fiscal year to support the program. Loss of this program may result in program impacts to the Abandoned Miles Land Program and the Bond Forfeiture Program. It may be necessary for the program to revert to the federal government. The Department will continue to meet inspection frequencies and process permit applications in a timely manner.

Program 11.2: Industrial Minerals Regulatory Program

Program Description: This program reviews applications for new permits and amendments to existing permits for the mining of industrial minerals. Permits are conditioned on compliance with law, rule, and policy directives relating to hydrology, geology, engineering, blasting evaluations, and administrative requirements. The program collects fees and bonds needed to ensure reclamation is completed on the affected land. Additionally, staff oversees active mining operations to determine if the mining and reclamation activities are conducted in accordance with the approved permit.

Funding Sources: GRF and cross fund utilization

Implication of the Enacted Budget: Enacted levels will allow current service and staffing level to remain the same. The Division will continue with permit reviews, verify accurate deposit and release of bonds, respond to public complaints, and maintain appropriate field presence.

Program 11.5: Oil and Gas Well Regulation and Plugging Program

Program Description: This program administers the issuance of permits to drill and plug oil and gas wells, inspects the drilling operation, plugging, and restoration of Oil and Gas well sites to verify that statutory standards are met to protect public health, safety, and the environment, and maintains the bonding required for the active well operations in Ohio.

Funding Sources: GRF, federal funds, and permit and plugging fees

Implication of the Enacted Budget: The enacted budget will allow for continuing operations. The enacted budget increased oil and gas permit fees that are estimated to generate an additional $100,000 for the program. To compliment this increase in fees, the enacted budget increased funding levels in appropriation item 725-643, Oil and Gas Permit Fees by $100,000 each fiscal year.

Program Series 12 Recycling

Purpose: To provide leadership and financial and technical support to advance waste reduction, recycling, and litter prevention programs that positively impact the citizens of Ohio.

The following table shows the line items that are used to fund the Recycling, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
532	725-644	Litter Control and Recycling	$7,100,000	$7,100,000
586	725-633	Scrap Tire Program	$1,000,000	$1,000,000
		State Special Revenue Fund Subtotal	**$8,100,000**	**$8,100,000**
General Services Fund				
4D5	725-618	Recycled Materials	$50,000	$50,000
		General Service Fund Subtotal	**$50,000**	**$50,000**
Total Funding: Recycling			**$8,150,000**	**$8,150,000**

This analysis focuses on the following specific programs within the program series:

- ***Program 12.01: Community Assistance***
- ***Program 12.02: Communication Services***

Program 12.01: Community Assistance

Program Description: This program distributes about $7 million annually throughout Ohio. The funds go to counties, solid waste districts, and cities with populations above 50,000. The Scrap Tire grant program awards grants to support the development of Ohio markets for scrap tires and other waste materials collected for recycling in Ohio. These grants are awarded to establish or expand private manufacturing facilities utilizing recycled-content material, or to foster recycling market development research. Some of the program's cost savings measures include reduced Market Development Grant Funding and elimination of the special assistance and state agency grants.

Funding Source: Corporate Franchise Tax comprised of a two-tiered litter tax placed on corporations

Implication of the Enacted Budget: Enacted appropriations were reduced approximately $4.6 million in each fiscal year compared to executive recommendations. This resulted in funding levels dropping from $11.7 million to $7.1 million each fiscal year. The enacted funding levels will not allow current service levels to be maintained, and staffing levels will be reduced by approximately 75%.

The program will now be supported by a $0.75 per-ton fee on the disposal of construction and demolition debris as the Corporate Franchise Tax is phased out. This new funding source will result in an overall decrease of approximately $6.3 million in FY 2006 and $6.2 million in FY 2007 in available grant money for local government recycling and litter prevention programs compared to past levels.

Permanent Law Provision: ***State solid waste disposal fee; Recycling and Litter Prevention Fund; corporate franchise tax (R.C. sections 1502.02, 3734.57, 5733.122 (repealed), and Section 209.18.09).*** The enacted budget eliminates the crediting of the corporate franchise tax on litter stream products to the Recycling and Litter Prevention Fund. It also increases the current per-ton fee on the disposal of construction and demolition debris by $1.00. Of the additional $1.00 in fees, $0.75 will be credited to the Recycling and Litter Prevention Fund (Fund 532), and the remaining $0.25 per-ton fee will be credited to the newly created Soil and Water Conservation District Assistance Fund (Fund 5BV) to be used to provide matching funding for soil and water conservation district projects. Also, the budget specifies that not more than $1,500,000 in each fiscal year may be used for the administration of the Recycling and Litter Prevention Program.

Program 12.02: Communication Services

Program Description: This program develops, coordinates, and implements statewide awareness and educational activities and campaigns that serve to promote recycling, litter prevention, waste reduction, and the use of recycled content products. This program is designed to encourage and strengthen participation in activities or take action that will lead to the enhancement or establishment of sustainable community driven litter prevention programs, increased participation in recycling, aggressive purchasing of recycled content products, and employment of effective waste management practices.

Funding Source: Corporate Franchise Tax comprised of a two-tiered litter tax placed on corporations

Implication of the Enacted Budget: The enacted funding levels will not allow current service levels to be maintained. Staffing levels will be reduced to just one FTE. The program will now be supported by a $0.75 per-ton fee on the disposal of construction and demolition debris as the Corporate Franchise Tax is phased out. Funding will also result in a reduction in statewide media campaigns and educational workshops for teachers and local program managers. The Department plans to allocate roughly $1.4 million each fiscal year for communication services.

Program Series 13 Program Management

Purpose: To provide the administrative direction of the agency and provide centralized support functions and services for coordinated operations.

The following table shows the line items that are used to fund the Program Management program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	725-401	Wildlife-GRF Central Support	$1,000,000	$1,000,000
GRF	725-404	Fountain Square Rental Payments-OBA	$1,025,300	$1,092,000
GRF	725-413	OPFC Rental Payments	$18,699,100	$20,962,800
GRF	725-903	Natural Resources G.O. Debt Service	$25,866,000	$24,359,100
GRF	729-321	Office of Information Technology	$440,895	$440,895
GRF	736-321	Division of Engineering	$3,118,703	$3,118,703
		General Revenue Fund Subtotal	**$50,149,998**	**$50,973,498**
General Services Fund				
155	725-601	Departmental Projects	$64,184*	$64,184*
508	725-684	Natural Resources Publication Center	$46,512*	$46,512*
157	725-651	Central Support Indirect	$6,528,675	$6,528,675
204	725-687	Information Services	$4,676,627	$4,676,627
4X8	725-662	Water Resources Council	$125,000	$125,000
227	725-406	Parks Projects Personnel	$175,000	$110,000
4S9	725-622	NatureWorks Personnel	$400,000*	$235,000*
223	725-665	Law Enforcement Administration	$2,096,225	$2,096,225
635	725-664	Fountain Square Facilities Maintenance	$531,260*	$539,260*
		General Services Fund Subtotal	**$14,643,483**	**$14,421,483**
Federal Special Revenue Fund				
3B3	725-640	Federal Forest Pass-Thru	$150,000	$150,000
3B4	725-641	Federal Flood Pass-Thru	$350,000	$350,000
		Federal Special Revenue Subtotal	**$500,000**	**$500,000**
Total Funding: Program Management			**$64,293,481**	**$64,894,981**

* Amounts do not reflect total funding because line items are used to fund programs in other program series. Amounts reflected are budgeted amounts by ODNR. See attached spreadsheet for line item totals.

This analysis focuses on the following specific programs within the Program Management series:

- ***Program 13.01: Program Support***
- ***Program 13.02: Engineering***
- ***Program 13.03: Law Enforcement***

Program 13.01: Program Support

Program Description: This program series provides the administrative direction of the agency and provide centralized support functions and services for coordinated operations. The goals of the program are to ensure the goals of the Governor, the legislature and the Ohio Revised Code are carried out in all divisions and activities of the Department. Recently, program support offices have implemented an early retirement incentive plan as a cost savings measure. Also, beginning in FY 2006, the Department will augment the central support indirect cost recovery systems with a direct cost recovery system.

Funding Sources: The Department's central support indirect cost system in combination with the new direct cost charge back system

Implication of the Enacted Budget: A combination direct and indirect charge-back cost recovery system will be implemented to more accurately and fairly allocate central support costs. Debt service for capital improvements at state parks, NatureWorks, and the agency's offices at Fountain Square in North Columbus, will account for 79% of funding in this program series. This accounts for the lion's share of appropriations for this series at roughly $58 million each fiscal year.

Temporary Law: ***Central Support Indirect (Section 209.18.03).*** The enacted budget requires the Department of Natural Resources, with the approval of the Director of Budget and Management, to utilize a methodology for determining each divisions' payments into the Central Support Indirect Fund (Fund 157). It may include direct cost charges for specific services provided. The Department feels that a direct charge back system will encourage program support offices to manage more efficiently and be more responsive to division service needs. Direct charges will be developed and tracked by each division's specific usage. The Governor vetoed a provision that would have exempted the Division of Wildlife from making these payments, however.

Program 13.02: Engineering

Program Description: This program provides all aspects of the Department's construction projects and capital improvements program. The Office of Engineering has the lead role in preparing and managing the department's six-year capital improvements plan and biennial capital budget request. It also provides technical support for facility and water/wastewater system operations. The program's staffing levels in FY 2005 are at 36 FTEs.

Funding Sources: GRF and fund transfers

Implication of the Enacted Budget: Enacted funding levels will require a staff reduction and will not eliminate the backlog of several hundred million in needed improvements for aging facilities. Facility managers may continue to defer maintenance/upgrades through the capital improvement program. Engineering support will not support the timeframes that facility managers desire.

Program 13.03: Law Enforcement

Program Description: This program coordinates all aspects of the Department's law enforcement responsibilities including the security of the Fountain Square Complex. The program is responsible for the agency's management and operation of the Multi-Agency Radio and Communications System (MARCS) and manages the agency's response to disasters and Homeland Security activities.

Funding Sources: Direct charge back systems for MARCS radio units, square footage charges, and federal grants

Implication of the Enacted Budget: The enacted budget will allow the Department to upgrade security at DNR Headquarters and provide 24-7 security operations. The funds will also support MARCS' dispatchers that are paid by a direct charge back system.

Board of Nursing

Wendy Risner, Budget Analyst

- The Board contributed $356,375 more to Fund 4K9 than it expended during the FY 2003-2004 renewal cycle
- The Board licenses approximately 190,000 individuals

OVERVIEW

Duties and Responsibilities

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 the Board regulates more than 185,000 individuals in the field of nursing. The Board also certifies 1,500 dialysis technicians, as well as other professionals.

Chapter 4723. of the Revised Code provides statutory authority for the Board's activities and requires the Board to protect the public against unqualified Registered Nurses (R.N.s) and Licensed Practical Nurses (L.P.N.s). Additionally, the Board provides oversight for nursing education programs and continuing nurse education requirements. The Board also facilitates the administration of the national licensure examination for R.N.s and L.P.N.s. Each year approximately 5,000 Ohioans apply to take this examination.

Fund 4K9

The Board of Nursing is part of the 4K9 Fund group. The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Services Fund that is a repository for license fees and other assessments collected by the state's professional and occupational licensing boards. The 4K9 Fund was established by Am. Sub. H.B. 152 of the 120th General Assembly. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated did not meet their expenditures. The 4K9 Fund eliminated these problems. The philosophy of the fund is that each board must generate enough revenues to cover their expenses. It is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
58*	$5.67 million	$5.67 million	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Summary of FYs 2006-2007 Budget Issues

Medication Aide Pilot Program

There is a provision in the enacted budget that requires the Board to establish and conduct the Medication Aide Pilot Program under which medication aides may administer limited types of medications pursuant to a nurse's delegation to residents of nursing homes and residential care facilities. The pilot program must be commenced by May 1, 2006 and be conducted until July 1, 2007. The Board is required to conduct an evaluation of the pilot program by March 1, 2007. The Medication Aide Pilot Program Council is created with members from various health-related backgrounds. The use of medication aides is continued after the pilot program ends by establishing a system for issuing certificates to medication aides. The Board has estimated costs to be $158,500 per fiscal year. Costs for the program in the future could be fully or partially offset by certification and other related fees associated with the program.

Vetoed Provisions

There were no vetoed provisions for the Board of Nursing.

Analysis of the Enacted Budget

For budget purposes, as detailed below, the Board of Nursing is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Operating Expenses

Purpose: To promote and protect the health of the citizens of Ohio through the safe and effective practice of nursing as defined by law.

The following table shows the line items that are used to fund the Board of Nursing, as well as the enacted funding levels.

Fund	ALI	Title	FY 2004	FY 2005
General Services Fund				
4K9	884-609	Operating Expenses	$5,661,280	$5,661,280
5P8	884-601	Nursing Special issues	$5,000	$5,000
		General Services Fund Subtotal	**$5,666,280**	**$5,666,280**
Total Funding: Board of Nursing			**$5,666,280**	**$5,666,280**

Program Description: The Board of Nursing governs the practice of nursing, as defined by Chapter 4723. of the Revised Code, by licensing nursing professionals in a variety of specialties, as well as certifying dialysis technicians.

Funding Sources: Licensing fees, other assessments, and continuing education activity fees along with grants and gifts

Implication of the Enacted Budget: The Board received funding of $5,566,280 in both FYs 2006 and 2007. The enacted funding will maintain current service levels for the Board's licensure and enforcement activities, as well as providing the necessary funding for the Medication Aide Pilot Program.

Occupational Therapy, Physical Therapy, and Athletic Trainers Board

Erin Pettegrew, Budget Analyst

- The Board received no funding in FY 2007 and will be absorbed into the Department of Health that year
- The Board licensed 17,803 in FY 2004, a 2.36% increase over FY 2003; based on past trends, the Board anticipates licensing up to 20,000 per year by FY 2007

OVERVIEW

Duties and Responsibilities

The Occupational Therapy, Physical Therapy, and Athletic Trainers Board (OTPTAT) oversees the licensing and regulation of over 17,000 professionals. In 1976, the 111th General Assembly established the Occupational Therapists Board. Chapter 4755. of the Revised Code was amended in 1977 to include the regulation of physical therapists, which until then had been regulated by the State Medical Board. Athletic trainers were added to the Board's scope with the enactment of S.B. 80 in 1990. Today, the Board operates as a consolidated board with sections of the Board regulating each profession and a consolidated administrative staff. The 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.

Occupational Therapy, Physical Therapy, Athletic Trainers Board - Licenses Granted

License	1999	2000	2001	2002	2003	2004
Occupational Therapist	3,381	3,205	3,186	3,702	3,710	3,831
Occupational Therapist Asst.	1,798	1,813	1,831	2,161	2,149	2,170
Physical Therapist	5,210	5,337	5,599	5,871	5,997	6,127
Physical Therapist Asst.	3,230	3,516	3,762	3,923	4,019	4,083
Athletic Trainer	1,241	1,309	1,385	1,456	1,517	1,592
TOTAL	14,860	15,180	15,763	17,113	17,392	17,803
% Increase	**N/A**	**2.15%**	**3.84%**	**8.56%**	**1.63%**	**2.36%**

Fund 4K9

The Occupational Therapy, Physical Therapy, and Athletic Trainers Board is part of the 4K9 Fund group. The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Services Fund that is a repository for license fees and other assessments collected by the state's professional and occupational licensing boards. The 4K9 Fund was established by Am. Sub. H.B. 152 of the 120th General Assembly. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated did not meet their expenditures. The 4K9 Fund eliminated these problems. The philosophy of the fund is that each board must generate enough revenues to cover their expenses. It is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Revenues and expenditures for the Board for the FY 2003-2004 renewal cycle totaled $1,903,010 and $1,492,242, respectively. The Board contributed $410,768 more to Fund 4K9 than it expended in the FY 2003-2004 renewal cycle.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
9*	$824,057	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

The Occupational Therapy, Physical Therapy, and Athletic Trainers Board consists of three separate boards that meet jointly three times per year. The OTPTAT Board budget funds 20 Board members whose salaries and reimbursement expenses are included in the agency's appropriation. Board members are budgeted for 96 hours per fiscal year.

Vetoed Provisions

There were no vetoed provisions for the Occupational Therapy, Physical Therapy, and Athletic Trainers Board.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Occupational Therapy, Physical Therapy, and Athletic Trainers Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Operating Expenses

Purpose: To regulate the professions of occupational therapy, physical therapy, and athletic training to promote and protect the health of Ohio's citizens.

The following table shows the line item that is used to fund the Occupational Therapy, Physical Therapy, and Athletic Trainers Board program series, as well as the enacted funding level.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	890-609	Operating Expenses	$824,057	$0
		General Services Fund Subtotal	**$824,057**	**$0**
Total Funding: Occupational Therapy, Physical Therapy, and Athletic Trainers Board			**$824,057**	**$0**

This analysis focuses on the Licensing/Registration/Certification program within the Board's single program series.

Program Description: In accordance with Chapter 4775. of the Revised Code, the Ohio Occupational Therapy, Physical Therapy, and Athletic Trainers Board regulates the professions of occupational therapy, physical therapy, and athletic training by properly qualified applicants, acts on complaints filed with the Board, and monitors continuing education compliance.

Funding Source: General Services Fund Group (Fund 4K9). Currently, revenue from many of the occupational licensing boards is placed in Fund 4K9 and reallocated to each board. Each board must raise enough revenue through its license fees to cover its expenses.

Implication of the Enacted Budget: The enacted budget includes an appropriation of $824,057 in FY 2006 and $0 in FY 2007. Funding for FY 2006 will allow the Board to carry out its mission and allow for an increase in payroll expenses anticipated by the Board. Am. Sub. H.B. 66, as enacted, includes a provision that 20 of the independent occupational licensing boards be absorbed into the departments of Health, Commerce, and Public Safety in FY 2007. In the case of the Occupational Therapy, Physical Therapy, and Athletic Trainers Board, the Board and its duties will be absorbed into the Department of Health. The provision also includes the creation of a transition team consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, the Office of Budget and Management, and the Governor's Office to ensure that the consolidation occurs smoothly and on schedule. The temporary language states that the necessary statutory changes and appropriations needed for the consolidation will be introduced in FY 2006.

Ohioana Library Association

Ann Braam, Budget Analyst

- Ohioana is supported through a combination of memberships, subscriptions, contributions, and a GRF subsidy
- Since FY 2002, Ohioana's state subsidy has been reduced 11% and its staff has been reduced approximately 20%

OVERVIEW

Duties and Responsibilities

The **Ohioana Library Association** encourages and recognizes the creative accomplishments of Ohioans; maintains and preserves a permanent collection of books and music by Ohioans or about Ohio; and disseminates information about the work of Ohio writers, musicians, and other artists. These goals are accomplished through the Ohioana Collection, the Ohioana Quarterly and other educational resources, and the Ohioana Awards. Each of these three services relies upon and is dependent upon the others. The Collection is at the core of Ohioana but depends upon both the *Quarterly* and the Awards to generate visibility and support for writers and, subsequently, further monetary and in-kind donations and services to the Collection.

Ohioana Collection

The Ohioana collection consists of approximately 45,000 books, including a wide range of literature, fiction, history, biography, poetry, humor, children's literature, county atlases, and local, church, and family histories; 10,000 pieces of sheet music; scrapbooks; and biographical files on more than 23,000 Ohio writers, artists, musicians, and other notable Ohioans. Approximately 1,000 new book titles are added every year. Either the author or publisher donates most books added to the collection. Ohioana houses older and rare books, in addition to many newer books, that are often unavailable to the public anywhere else.

In January 2000, Ohioana's book holdings began to be added to the State Library of Ohio's electronic catalog, and in March 2002 they were released to the 90 OhioLINK institutions. This makes information about the collection easily accessible to anyone who has access to the Internet. The public access to the Ohioana electronic catalog and the facility has increased the use of the Ohioana collection in recent years.

Ohioana Quarterly and Educational Resources

The Ohioana Library has published the *Ohioana Quarterly* four times a year since 1958. The *Quarterly* contains reviews of new books received by the library. More than 2,000 copies of each issue of the *Quarterly* are distributed to members, subscribers, and friends each quarter. Ohioana staff, primarily the editor, secures new books for review; works with volunteer reviewers; edits and writes material for the quarterly; designs and oversees the production, printing, and distribution of the quarterly; and develops all other educational materials.

Ohioana also provides nine educational resource lists that detail information about Ohio authors, musicians, artists, and books about Ohio. These lists are updated yearly and are distributed free of charge to educators, librarians, and the public upon request. Ohioana has also published the book *Ohio Authors and Their Books* and the Ohioana Ohio Literary Map, as well as other educational resources. Ohioana continues to sponsor the Ohioana Ruth Mount Internship. This internship provides a community learning experience for an Ohio college or university student. This internship pays a stipend to the student.

Ohioana Awards

The Ohioana Library provides recognition to Ohio writers, musicians, and other artists for their creative accomplishments through the annual Ohioana Awards. The Awards recognize excellence in the areas of fiction, nonfiction, poetry, juvenile literature, and "About Ohio or an Ohioan" as well as distinguished service in music or in other areas of the arts and humanities. Awards are also given to high school students and young writers under the age of 30 who have not yet published a book. An award is given each year to an Ohioan of national or international significance who has made a unique and outstanding contribution to our culture and to a native Ohioan whose meritorious career has added distinction to Ohio's heritage and to the nation. In addition, regional events in Cincinnati and Columbus honor local authors of newly published books. These programs are cosponsored by local libraries, which provide the location and cover the direct expenses for the events. Ohioana staff members provide research, planning, and administrative support for the events.

Designated grants or endowments provide the funds for all of Ohioana's monetary awards. Some costs of the awards program, such as printing costs for the invitations and programs and luncheon costs for award winners and a guest are underwritten or are provided as in-kind services by local businesses. The fee for those who attend Ohioana Day covers the direct costs for the luncheon. Ohioana covers staffing costs related to conducting the Awards.

Summary of FYs 2006-2007 Budget Issues

Ohioana's GRF subsidy, which represents the majority of Ohioana's operating budget, was eliminated by the House in Am. Sub. H.B. 66 of the 126th General Assembly, partially reinstated by the Senate, and restored to 99% of FY 2005 spending levels by Conference Committee. This subsidy, which is $200,000 in each fiscal year, will be used to support Ohioana staff in carrying out their responsibilities related to the Ohioana Collection, the *Ohioana Quarterly*, and the Ohioana Awards. In addition, the subsidy supports staff efforts to raise additional revenue through other sources. In the last biennium, membership, donations, and usage continued to increase. While beneficial to Ohioana's visibility and ability to leverage additional funds, the increased responsibility has been difficult to absorb with current, reduced staffing levels. The responsibilities associated with these core services have made it difficult for Ohioana's staff to sufficiently focus on further fundraising. Increasing Ohioana's funding base will continue to be both a priority and a challenge in this biennium.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
4	$200,000	$200,000	$200,000	$200,000	Am. Sub. H.B. 66

*Employee count obtained from the Ohioana Library Association as of August 2005. Ohioana Board members are not paid and are not included in this table.

Vetoed Provisions

There are no vetoed provisions associated with the Ohioana Library Association.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Ohioana Library Association is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Ohioana Library Association

Purpose: To recognize and encourage the creative accomplishments of Ohioans; preserve and expand a permanent archive of books, sheet music, manuscripts, and other materials by Ohioans and about Ohio; and disseminate information about the work of Ohio writers, musicians, and other artists to researchers, schools, and the general public.

Ohioana receives all of its state funding through the following line item.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	355-501	Library Subsidy	$200,000	$200,000
		General Revenue Fund Subtotal	**$200,000**	**$200,000**
Total Funding: Ohioana Library Association			**$200,000**	**$200,000**

This state subsidy covers the majority of the Association's operating costs and supports the following three programs:

- ***Ohioana Collection***
- ***Ohioana Quarterly/Education***
- ***Ohioana Awards***

Ohioana Collection

Program Description: The Ohioana Collection is the first service and the foundation upon which all of Ohioana's other services are built. This area includes the development, maintenance, and preservation of the collection, as well as the in-house use of the collection for responding to public inquiries and reference requests.

Ohioana Quarterly/Education

Program Description: The *Ohioana Quarterly* is the main source from which Ohioana generates its independent funding. Nearly 400 books are reviewed in the *Quarterly* each year, and all books are listed and annotated as they are received, with the Ohio connection noted for all books. Ohioana also provides educational resources for Ohio schools, libraries, and the general public.

Ohioana Awards

Program Description: The Ohioana Awards program is a key factor in helping to recognize and promote Ohio's writers, artists, and musicians. The program honors Ohioans who have contributed to the literary and cultural life of the state and provides state and national recognition to these individuals, as well as for Ohio.

Implication of Enacted Budget

The enacted budget will allow Ohioana to retain its core staff (four members). At this staffing level, it will be difficult for Ohioana to focus on the leveraging of additional funds and in-kind donations and services while continuing to support the mission and core programs of Ohioana associated with developing, maintaining, and preserving the Ohioana Collection; producing the *Ohioana Quarterly* and developing and providing educational resources; and providing recognition to Ohio writers, musicians, and other artists for their creative accomplishments through the Ohioana Awards. Ohioana indicates that it is evaluating all of its programs to determine where costs can be reduced and revenues can be increased. The Ohioana Board is in the process of evaluating Ohioana's programs and developing a long-range strategic plan.

Optical Dispensers Board

Wendy Risner, Budget Analyst

- The Board licensed 3,365 opticians, 13 ocularists, and 1,159 apprentices in FY 2004
- The Board received no funding for FY 2007 and will be consolidated into the Department of Health that year

Overview

Duties and Responsibilities

The Ohio Optical Dispensers Board was established in 1979 to maintain standards in the industry by 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, with discipline as necessary.

Fund 4K9

The Ohio Optical Dispensers Board (ODB) is part of the 4K9 Fund group. The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Services Fund that is a repository for license fees and other assessments collected by the state's professional and occupational licensing boards. The 4K9 Fund was established by Am. Sub. H.B. 152 of the 120th General Assembly. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated did not meet their expenditures. The 4K9 Fund eliminated these problems. The philosophy of the fund is that each board must generate enough revenues to cover their expenses. It is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

As of July 2004, the Board licensed 3,365 opticians (optical dispensers), 13 ocularists, and 1,159 apprentices. Revenue is generated from new and renewal license fees, which are collected annually. Expenditures are for operating expenses associated with the licensure, regulation, and enforcement processes. Expenditures and revenue for FY 2004 were $247,921 and $343,925, respectively. The Board contributed $96,004 more to Fund 4K9 than it expended during FY 2004. However, expenditures outmatched revenues in FY 2003 by $38,441. Much of the net in FY 2004 was due to an increase in the renewal fees for opticians, as well as the fact that the executive director was on disability for six months, so expenditures were slightly lower.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
3*	$316,517	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Optical Dispensers Board.

Summary of FYs 2006-2007 Budget Issues

Board Consolidation

In the enacted version of Am. Sub. H.B. 66 of the 126th General Assembly, 20 of the independent occupational licensing boards are to be consolidated into the departments of Health, Commerce, and Public Safety in FY 2007. As a result, the affected Boards received no funding in FY 2007. In the case of the Optical Dispensers Board, the Board and its duties will be consolidated into the Department of Health. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, and the Office of Budget and Management (OBM), as well as three members selected by the affected boards. According to OBM, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentives will be offered to regulatory board staff. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board members will be retained.

Vetoed Provisions

There were no vetoed provisions for the Optical Dispensers Board.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Optical Dispensers Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Operating Expenses

Purpose: To regulate the practice of Opticianry and Ocularistry, through examination, continuing education and license enforcement.

The following table shows the line items that are used to fund the Optical Dispensers Board, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
GSF	894-609	Operating Expenses	$316,517	$0
		General Services Fund Subtotal	**$316,517**	**$0**
Total Funding: Optical Dispensers Board			**$316,517**	**$0**

Optical Dispensers Board

Program Description: In accordance with sections 4725.40 and 4725.99 of the Ohio Revised Code, the Ohio Optical Dispensers Board issues licenses to optical dispensers, ocularists, and registers apprentices, all on an ongoing manner. The Board also investigates and disciplines as necessary and prosecutes the unlicensed work of opticianry or ocularistry.

Funding Source: Licensing fees and other assessments deposited into GSF Fund 4K9

Implication of the Enacted Budget: The Board received funding of $316,517 in FY 2006 and $0 in FY 2007. The enacted funding for FY 2006 will allow the Board to carry out its mission and allow for the 4% increase in payroll. In FY 2007, the Board will be consolidated into the Department of Health. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, and the Office of Budget and Management, as well as three members selected by the affected boards.

State Board of Optometry

- Licensed 2,061 optometrists in FY 2004
- The Board received no funding for FY 2007 and will be consolidated into the Department of Health that year

Wendy Risner, Budget Analyst

OVERVIEW

Duties and Responsibilities

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.

Fund 4K9

The State Board of Optometry is part of the 4K9 Fund group. The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Services Fund that is a repository for license fees and other assessments collected by the state's professional and occupational licensing boards. The 4K9 Fund was established by Am. Sub. H.B. 152 of the 120th General Assembly. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated did not meet their expenditures. The 4K9 Fund eliminated these problems. The philosophy of the fund is that each board must generate enough revenues to cover their expenses. It is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

The Board administers three types of licenses: optometric, therapeutic, and diagnostic. In FY 2004, there were 2,061 optometrist licenses issued. Revenue is generated from new and renewal license fees, which are collected annually. Expenditures are for operating expenses associated with the licensure, regulation, and enforcement processes. Expenditures and revenues for FY 2004 totaled $296,554 and $289,231, respectively. The Board contributed $7,323 less to Fund 4K9 than it expended in FY 2004. However, in FY 2003, the Board had a net of $4,873 to Fund 4K9 with revenues of $284,995 and expenditures of $280,122. According to the Board, this loss of $2,450 over the past two fiscal years is primarily due to fluctuations in licensing revenues.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
3	$336,771	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Board of Optometry.

Summary of FY 2006-2007 Budget Issues

Board Consolidation

In the enacted version of Am. Sub. H.B. 66 of the 126th General Assembly, 20 of the independent occupational licensing boards are to be consolidated into the departments of Health, Commerce, and Public Safety in FY 2007. As a result, the affected Boards received no funding in FY 2007. In the case of the State Board of Optometry, the Board and its duties will be consolidated into the Department of Health. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, and the Office of Budget and Management (OBM), as well as three members selected from the affected boards. According to OBM, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentive will be offered to regulatory board staff. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board members will be retained.

Vetoed Provisions

There were no vetoed provisions for the State Board of Optometry.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the State Board of Optometry is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

Purpose: To license and regulate Ohio's optometrists.

The following table shows the line items that are used to fund the Optometry Board, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	885-609	Operating Expenses	$336,771	$0
		General Services Fund Subtotal	**$336,771**	**$0**
Total Funding: Ohio State Board of Optometry			**$336,771**	**$0**

Ohio State Board of Optometry

Program Description: The Ohio State Board of Optometry assures that the optometrists operating in the state are professionally competent by regulating examinations, enforcing continuing education compliance, monitoring continuing education quality, issuance and renewal of licensure, and enforcement of Chapter 4725. of the Revised Code.

Funding Source: Licensing fees and other assessments deposited into GSF Fund 4K9

Implication of the Enacted Budget: The Board received funding of $336,771 in FY 2006 and $0 in FY 2007. The enacted funding for FY 2006 will allow the Board to carry out its mission and allow for the 4% increase in payroll. In FY 2007, the Board will be consolidated into the Department of Health. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, and the Office of Budget and Management, as well as three members selected from the affected boards.

State Board of Orthotics, Prosthetics, and Pedorthics

- The Board contributed $9,105 more to Fund 4K9 than it expended in FY 2004
- The Board received no funding in FY 2007 and will be consolidated into the Department of Health that year

Wendy Risner, Budget Analyst

OVERVIEW

Duties and Responsibilities

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.

Fund 4K9

The State Board of Orthotics, Prosthetics, and Pedorthics, is part of the 4K9 Fund group. The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Services Fund that is a repository for license fees and other assessments collected by the state's professional and occupational licensing boards. The 4K9 Fund was established by Am. Sub. H.B. 152 of the 120th General Assembly. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated did not meet their expenditures. The 4K9 Fund eliminated these problems. The philosophy of the fund is that each board must generate enough revenues to cover their expenses. It is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

Ohio is one of only eight states requiring licensure in orthotics and prosthetics and even fewer states require licensure in pedorthics. However, according to the Board, the trend is gearing towards licensure for this profession. In FY 2004, licenses were issued as follows: 103 orthotists, 71 prosthetists, 107 pedorthists, 108 prosthetist-orthotists, and 2 pedorthist-temporary.

Revenue is generated from new and renewal license fees, which are collected annually. Expenditures are for operating expenses associated with the licensure, regulation, and enforcement processes. Expenditures and revenue for FY 2004 were $96,320 and $105,425, respectively. The Board contributed $9,105 more to Fund 4K9 than it expended during FY 2004.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
1.3*	$99,571	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Board in February of 2005.

Summary of FY 2006-2007 Budget Issues

Board Consolidation

In the enacted version of Am. Sub. H.B. 66 of the 126th General Assembly, 20 of the independent occupational licensing boards are to be consolidated into the departments of Health, Commerce, and Public Safety in FY 2007. As a result, the affected boards received no funding in FY 2007. In the case of the State Board of Orthotics, Prosthetics, and Pedorthics, the Board and its duties will be consolidated into the Department of Health. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, and the Office of Budget and Management (OBM), as well as three members selected from the affected boards. According to OBM, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentive will be offered to regulatory board staff. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board members will be retained.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the [Agency] is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

Purpose: To license and regulate the practice of orthotics, prosthetics, and pedorthics.

The following table shows the line items that are used to fund the State Board of Orthotics, Prosthetics, and Pedorthics, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	973-609	Operating Expenses	$99,571	$0
		General Services Fund Subtotal	**$99,571**	**$0**
Total Funding: State Board of Orthotics, Prosthetics, and Pedorthics			**$99,571**	**$0**

State Board of Orthotics, Prosthetics, and Pedorthics

Program Description: In accordance with Chapter 4779. of the Revised Code, the State Board of Orthotics, Prosthetics, and Pedorthics protects the health and safety of Ohio citizens by regulating the practice of orthotics, prosthetics, and pedorthics by setting and enforcing the standards of practice through annual licensure requirements and investigating complaints against unlawful practices.

Funding Source: Licensing fees and other assessments deposited into GSF Fund 4K9

Implication of the Enacted Budget: The Board received funding of $99,571 in FY 2006 and $0 in FY 2007. The enacted funding for FY 2006 will allow the Board to maintain FY 2005 service levels. In FY 2007, the Board will be consolidated into the Department of Health. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, and the Office of Budget and Management, as well as three members selected from the affected boards.

Petroleum Underground Storage Tank Release Compensation Board

Ann Braam, Budget Analyst

- All funding through the Agency Fund Group
- To date, more than $125.3 million has been disbursed for the reimbursement of corrective action costs

OVERVIEW

Duties and Responsibilities

The Petroleum Underground Storage Tank Release Compensation Board (PUSTRCB) was established in July 1989 and consists of nine members appointed by the Governor. The State Treasurer and the directors of the Department of Commerce and the Ohio Environmental Protection Agency serve as ex-officio members. The Board serves Ohio's underground storage tank (UST) owners and operators through administration of the Financial Assurance Fund (FAF) under authority from R.C. § 3737.90 to 3737.99 of the Revised Code. The fund provides a mechanism for all UST owners and operators to meet United States Environmental Protection Agency (USEPA) regulations requiring them to demonstrate financial capability (set at $1 million) to pay for potential damages caused by releases from their USTs. The fund assures UST owners reimbursement of up to $1 million, minus a deductible, for necessary corrective actions. The fund reimburses responsible parties for costs of corrective actions and/or third-party liability for property damage or bodily injury caused by an accidental release of petroleum from regulated USTs. Currently, the FAF assures approximately 3,300 UST owners and 22,700 USTs. The average petroleum facility in Ohio has three USTs.

The Board's entire budget is for personnel costs, which are expended through the PUSTRCB Staff Fund (Fund 691). All expenditures related to reimbursement for corrective actions are paid directly from the FAF via a warrant of the State Treasurer.

The Financial Assurance Fund (FAF)

The FAF consists of fees and charges paid by owners of USTs, interest earned on the moneys in the fund, and proceeds from any sale of revenue bonds authorized by the Board. Ohio's underground storage tank owners pay annual tank fees into the FAF. A $50 per-tank fee increase took effect in July 2005. This increase is expected to generate an additional $1 million in fee revenue annually. With this increase, coverage under the standard deductible of $55,000 is provided to tank owners at an annual fee of $550 per tank. Owners of six or fewer USTs may pay an additional fee of $150 per tank ($700 per tank total) and reduce their deductible to $11,000 per release. The Board anticipates an estimated $13.6 million will be collected in UST fees in each of FY 2006 and FY 2007. It expects $10,000,000 and $9,000,000 in claims expenses in FY 2006 and FY 2007, respectively. Aside from these expenses, the FAF may be used only to pay interest on revenue bonds and to pay the administrative costs of the Board.

The Board issued $30 million in revenue bonds in FY 1994 and an additional $35 million in FY 1999. No additional issues are anticipated for the FY 2006-2007 biennium.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
24	$1,075,158	$1,116,658	$0	$0	Am. Sub. H.B. 66

* Employee count obtained from the Petroleum Underground Storage Tank Release Compensation Board as of August 2005. This total includes 15 employees and 9 Board members. The 9 Board members are paid only for meetings attended (approximately 7 per year) and do not receive benefits.

FY 2006-2007 Outlook

A number of events, including a FY 2000 administrative rule change that set a limit for submitting new claims (one year from the completion of a program task), an amnesty period for filing old claims and eligibility applications, and a large number of USTs being removed in the years following the 1998 federal upgrade deadline, resulted in a larger than expected number of claims being submitted. Due to the backlog created by this influx of claims reimbursement applications, the Board's response time between claims submission and reimbursement has increased and now spans approximately one year. Approximately 1,160 claims are currently pending review. During this biennium, the Board hopes to reduce this time frame and the backlog in claims. Reduction of the claims backlog depends on staffing and the amount of money available for reimbursements in the FAF.

In addition, in recent years the focus of the Reporting and Regulation program has changed from the assessment and collection of fee revenue to the review of compliance with UST regulations for the issuance of Certificates of Coverage. As responsibilities for this program expanded, sufficient staff has not been available to support the reconciliation of UST owners' accounts and the resulting assessment and collection of outstanding fees and, in some instances, the refunding of overpayments. As a result, the amount of delinquent fees as well as the liability for refundable fees has increased. The enacted budget will enable the Board to address this challenge this biennium by hiring an additional staff person to focus on the review, determination, and collection of accounts receivable and the refunding of erroneous fee payments.

Vetoed Provisions

There are no vetoed provisions associated with the Petroleum Underground Storage Tank Release Compensation Board.

Analysis of the Enacted Budget

For budget purposes, as detailed below, the Petroleum Underground Storage Tank Release Compensation Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Petroleum Underground Storage Tank Release Compensation Board

Purpose: To provide a mechanism for owners of Ohio's underground storage tanks (UST) to comply with the United States Environmental Protection Agency's regulations.

The following table shows the line item that is used to fund the Petroleum Underground Storage Tank Release Compensation Board, as well as the FYs 2006-2007 appropriations.

Fund	ALI	Title	FY 2006	FY 2007
Agency Fund Group				
691	810-632	PUSTRCB Staff	$1,075,158	$1,116,658
		Agency Fund Group Subtotal	**$1,075,158**	**$1,116,658**
Total Funding: Petroleum Underground Storage Tank Release Compensation Board			**$1,075,158**	**$1,116,658**

Funding for the Petroleum Underground Storage Tank Release Compensation Board supports the following two programs:

- ***Eligibility and Reimbursement Recommendation and Determination***
- ***Reporting and Regulation***

Eligibility and Reimbursement Recommendation and Determination

Program Description: A primary function of the Eligibility and Reimbursement Recommendation and Determination program is to determine who is eligible for reimbursement costs and how much money to grant in the event of an accidental release. For owners to seek reimbursement from the FAF, they must first submit an eligibility application to the Board. Staff members in this program are responsible for reviewing these applications to generally determine if FAF coverage may be extended for a release. If an owner is deemed eligible for reimbursement, that owner may then submit a claim reimbursement application, which staff members review to determine if particular costs associated with the release are reimbursable. The Board may reimburse tank owners for the costs of corrective action through two methods: an installment payment and a settlement payment. Before an installment payment is provided to the tank owner, the tank owner's claim is initially reviewed. At a later date, the claim is thoroughly reviewed and a final settlement is offered.

Funding Source: Fund 691 (a portion of UST fee revenue transferred from the FAF to Fund 691 for the Board's personnel costs)

Implication of the Enacted Budget: The enacted budget will allow the Board to cover cost-of-living pay increases and increasing health insurance costs while continuing to provide service at FY 2005 levels. To date the Board has received approximately 7,600 applications for reimbursement. About 6,300 of these have been settled or are below the deductible amount and, therefore, review is not required at this time. Applications for reimbursement continue to be received at an average of 65 per month. The enacted budget will permit staff within this program to continue to work towards reducing the backlog of applications waiting review, thereby decreasing response times while continuing to manage incoming reimbursement requests. However, the total reduction of this backlog is also dependent on funds available for reimbursement in the FAF, which is in turn dependent on fees paid by owners of USTs, interest earned on the moneys in the fund, and the number of reimbursements paid out each year.

Reporting and Regulation

Program Description: Reporting and Regulation is responsible for the collection and application of all fees and penalties; maintenance of the general ledger and fee invoice systems; all accounting and fiscal transactions; preparation of all financial statements and related documents; coordination of an annual study of the FAF's estimated claim liability; and coordination of the annual audit.

This program ensures Ohio's UST owners are well informed and in compliance with federal financial responsibility requirements and the rules of the Board and the State Fire Marshal. Staff members in this program determine UST owners' rights to a Certificate of Financial Assurance Coverage. Valid Certificates of Coverage can be issued only to owners demonstrating compliance with regulations. Only holders of a valid Certificate of Coverage can be granted eligibility to receive reimbursement of corrective action costs in the event of a release at an assured site. This program annually issues Certificates of Coverage to more than 3,200 owners of about 23,000 petroleum USTs in Ohio.

Funding Source: Fund 691 (a portion of UST fee revenue transferred from the Financial Assurance Fund to Fund 691 for the Board's personnel costs)

Implication of the Enacted Budget: The enacted budget will allow the Board to cover cost-of-living pay increases and the increasing cost of health insurance while continuing the current level of service. In addition, the budget will allow the Board to hire one additional staff member who will be responsible for the review, determination, and collection of accounts receivable as well as processing refunds for erroneous fee payments. The Board predicts this additional staff position will help reduce the amount of delinquent fees and outstanding refunds.

State Board of Pharmacy

Holly Wilson, Budget Analyst

- Executive's consolidation plan not enacted
- Dangerous drugs database in the works

OVERVIEW

Duties and Responsibilities

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 serves a four-year term and may be re-appointed one time at the Governor's discretion. In addition to the nine Board members, it carries enough annual funding to employ a staff of 47 full-time equivalents (FTEs) to perform licensure and enforcement activities. Of the 47 FTEs, 24 (9 pharmacists and 15 former law enforcement officers) are investigative field agents. The Board's activities can be divided into licensure and drug law enforcement, as described in more detail below.

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 annually renewing the licenses of practicing pharmacists. 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.

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 and prosecutions 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 pharmacist or pharmacy intern 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.

Consolidation Plan

The executive budget recommended the Board be consolidated within the Department of Health not later than July 1, 2006. That recommendation was not enacted, thus its status as an independent professional and occupational licensing board remains unchanged.

Dangerous Drugs Database

Sub. H.B. 377 of the 125th General Assembly, effective May 2005, (1) permits the State Board of Pharmacy to establish and maintain an electronic database to monitor the misuse and diversion of controlled substances and certain dangerous drugs, and (2) if the Board establishes and maintains such a database, requires each pharmacy licensed as a terminal distributor of dangerous drugs that dispenses drugs to patients in the state (as specified in rules adopted by the Board) and each wholesale distributor of dangerous drugs that delivers drugs to prescribers in the state to submit to the Board for entry into the database certain prescription and purchase information. The bill is silent on how the drug database and its related costs are to be funded.

As of this writing, the Board's plan is to utilize two federal grant awards totaling $530,000 for the purpose of starting up the drug database. These moneys will be used to: (1) create and fill two new staff positions (a database administrator and a computer systems manager), (2) purchase necessary supplies and equipment, and (3) provide educational training to prescribers, pharmacists, and law enforcement agencies. It is unclear as to how the ongoing operating expenses associated with the drug database will be paid for once the federal grant moneys awarded to date have been fully expended.

Also of note is the fact that all of the states bordering Ohio and several other nearby states have some form of drug database in operation. The Board has indicated that, from its perspective, the practical effect of the absence of such a drug database in Ohio has been to increase the number of drug fraud cases in Ohio because individuals are crossing into the state to fill prescriptions and to conduct illegal business.

Agency in Brief

The following table selectively summarizes Board appropriations and staffing information. As noted below, the Board operates exclusively on non-GRF funding; it receives no GRF appropriations.

State Board of Pharmacy In Brief

Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
47	$5.73 million	$5.48 million	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

The Board is not directly affected by any of the items contained in Am. Sub. H.B. 66 that were vetoed by the Governor.

Analysis of the Enacted Budget

For budget purposes, as detailed below, the State Board of Pharmacy is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — License, Registration, and Enforcement

Purpose: To administer and enforce the laws governing the legal distribution of drugs and the practice of pharmacy.

The following table shows the two line items that are used to fund the Board's licensing, registration, and enforcement activities, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4A5	887-605	Drug Law Enforcement	$75,550	$75,550
4K9	887-609	Operating Expenses	$5,650,537	$5,400,537
		General Services Fund Subtotal	**$5,726,087**	**$5,476,087**
Total Funding: Licensing/Registration/Enforcement			**$5,726,087**	**$5,476,087**

This analysis focuses on the Board's services and activities that can be grouped as follows.

Licensure and Drug Law Enforcement

Program Description: The Board's core activities center on the licensing of all persons who distribute dangerous drugs and sites where dangerous drugs are stored and the enforcement of certain drug laws.

Funding Sources: (1) licensing and other fees collected from pharmacists, pharmacy interns, distributors of dangerous drugs, and manufacturers of controlled substances, and (2) various fines and bail or property forfeitures

Implication of the Enacted Budget: From the Board's perspective, the amount of funding appropriated for FYs 2006 and 2007 should cover its future cost of maintaining current service and staffing levels for licensure and drug law enforcement. Moneys have not, however, been appropriated for the dangerous drugs database that the Board is permitted to establish and maintain pursuant to Sub. H.B. 377. The Board plans to seek Controlling Board approval to expend federal funds that it has been awarded to establish the drug database.

State Board of Psychology

Holly Wilson, Budget Analyst

- Enacted budget calls for transferring the Board's funding and duties to the Department of Health in FY 2007
- Number of investigations and hearings on the rise

OVERVIEW

Duties and Responsibilities

The State Board of Psychology was formed in 1972 in order 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.

The Psychology Board is part of the 4K9 Fund Group. The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Services Fund that is a repository for license fees and other assessments collected by the state's professional and occupational licensing boards. The 4K9 Fund was established by Am. Sub. H.B. 152 of the 120th General Assembly. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated did not meet their expenditures. The 4K9 Fund eliminated these problems. The philosophy of the fund is that each board must generate enough revenues to cover their expenses. It is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensing

The Board acts as the enforcement and compliance body for ensuring maintenance of accountability among licensees. Licensees, currently numbering approximately 4,000, must renew their licenses biannually during the summer of odd-numbered fiscal years. 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 an FTE count of seven, although the current vacancy makes the employee count five. Of the seven FTEs, one FTE accounts for the salaries of the Board members. License renewal fees plus other revenues generate average annual receipts of approximately $700,000, allowing the Board to be self-supporting through the 4K9 Fund.

Enforcement

The Board performs on average approximately 100 investigations each year. Currently, the Board has two investigators. Two years ago, the caseload was approximately 70 open cases. According to the Board, this leaves them chronically stressed in the enforcement division. To put this in perspective, the Board held only twelve hearings during the decade of the 1990s. Currently, they have held five hearings in the last six-month period. Dealing with this hardship, the Board requested funding for 20 hours weekly of dedicated legal services from the Office of the Attorney General. The Board wanted to have more of an in-office presence from the Attorney General's Office to assist in timely processing of complaints toward hearing, Consent Agreement, or closure. According to the Board, the currently available three to ten hours per week of legal services is no longer tenable with so many cases moving toward hearings.

Summary of FY 2006-2007 Budget Issues

Board Consolidation

In the enacted version of Am. Sub. H.B. 66 of the 126th General Assembly, 20 of the independent occupational licensing boards are to be consolidated into the departments of Health, Commerce, and Public Safety in FY 2007. As a result, the affected boards received no funding in FY 2007. In the case of the Psychology Board, the Board and its duties will be consolidated into the Department of Health. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, and the Office of Budget and Management (OBM), as well as three members selected by the affected boards. According to OBM, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentives will be offered to regulatory board staff. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board members will be retained.

The biggest challenge the consolidation presents for the Psychology Board is the uncertainty of how its functions will be affected under the Department of Health. 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 $640,000 allowing the Board to be self-supporting.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
5	$566,112	$0	$0	$0	Am. Sub. H.B. 66

* Employee count obtained from the Psychology Board Executive Director.

Vetoed Provisions

There were no vetoed provisions in the enacted budget that affect the Psychology Board.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the State Board of Psychology is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 License/Registration/Enforcement

Purpose: To enforce and regulate the practice of psychology and nonschool-based school psychology.

The following table shows the line items that are used to fund the License/Registration/Enforcement program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
GSF	4K9	Operating Expenses	$566,112	$0
		General Services Fund Subtotal	**$566,112**	**$0**
Total Funding: Psychology Board			**$566,112**	**$0**

License/Registration/Enforcement

Program Description: In accordance with Chapter 4732. of the Revised Code, the State Board of Psychology tests, licenses, and regulates all psychologists and nonschool-based school psychologists who practice in Ohio.

Funding Source: GSF Fund 4K9. Currently, all revenue from the 27 occupational licensing boards is placed in Fund 4K9 and then reallocated to each board. Each board is expected to raise enough revenue through its license fees to cover its expenses.

Implication of the Enacted Budget: The most notable change in the Board's budget comes from the move the Psychology Board, along with other licensing and regulatory boards, will make into the Department of Health. The biggest challenge the consolidation presents for the Psychology Board is the uncertainty of how its functions would be affected under the Department of Health. 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 $640,000, allowing the Board to be self-supporting.

Both the Board and LSC are uncertain at this time if the consolidation will affect the Board's staffing level. Under the budget, the Board would be subject to a hiring freeze and early retirement buy-outs in FY 2007. The Board currently has a staffing level of five FTEs. Also uncertain at this time is whether the Board would move its office from the Vern Riffe Center.

Temporary and Permanent Law Provisions: ***Consolidation of Regulatory Boards (Section 315.03).*** The executive budget contains a temporary law provision that: (1) expresses the intent to consolidate health-related regulatory boards, including the Psychology Department of Health not later than July 1, 2006, (2) creates a transition team to develop a plan to ensure the smooth and timely transition of those boards into the Department, and (3) expresses the intent to introduce a bill in FY 2006 that will include the necessary statutory changes to effect the consolidation and include revised appropriations for FY 2007.

Ohio Public Defender Commission

Joseph Rogers, Senior Analyst

- Indigent defense reimbursement rate likely to be less than 30%
- Application fee and billing practice changes to offset GRF cuts
- Civil filing fee increase to assist Legal Aid Fund

OVERVIEW

Duties and Responsibilities

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 that person in criminal court. The Commission itself consists of nine appointed members. The Governor appoints five of the members, including the chair. The Supreme Court of Ohio appoints the other four members. To foster a nonpartisan structure, no more than five Commission members can be from one of the two major political parties. The Commission appoints a state public defender that maintains and administers the Office of the Ohio Public Defender. The Commission and the Office of the Public Defender share a common state budget (hereinafter referred to as the Public Defender).

Arguably, from a fiscal perspective, the Public Defender's most significant role is as administrator of the 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. Other notable Public Defender activities include: (1) providing legal services to inmates at the state's correctional facilities, trial level representation in some capital cases, and appellate and post-appeals representation in capital and noncapital cases, and (2) acting as a conduit to pass funds to the Ohio Legal Assistance Foundation (OLAF) for the purpose of providing financial assistance to legal aid societies throughout the state.

County Indigent Defense Services Delivery Systems

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, and (5) contracting with a nonprofit corporation. A county may use one or any combination of these options, and, in point of fact, most opt to utilize county public defender offices or appointed counsel systems.

Agency in Brief

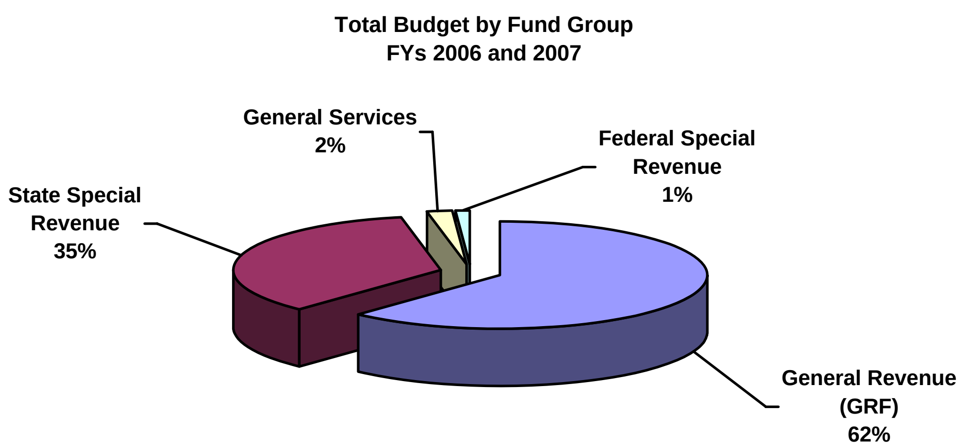
The statutory responsibilities performed by the Public Defender are financed primarily through the GRF. Also of note is the fact that approximately 25% of the Public Defender's total annual budget has been used to provide non-GRF support to legal aid societies around the state through the Ohio Legal Assistance Foundation. The following table selectively summarizes Public Defender appropriations and staffing information.

Public Defender In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
118	$59.06 million	$64.02 million	$38.15 million	$38.08 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

FYs 2006-2007 Expense by Fund Summary

The pie chart immediately below shows total Public Defender appropriations (FYs 2006 and 2007) by fund group. This information is shown for both the GRF and all other funds.



Civil Case Filing Fees

The enacted budget provides for an increase in the surcharge on civil actions not in a small claims division (from $15 to $26) and on civil actions in a small claims division (from $7 to $11) that are used for the charitable purpose of providing financial assistance to legal aid societies, and adds a $26 fee on name change, guardianship, adoption proceedings, and decedent estate proceedings to be used for the same purpose. The enacted budget requires 4% of the funds collected be deposited in the state treasury to the credit of the newly enacted Civil Case Filing Fee Fund (Fund 5CX) to be used by the Public Defender for the purpose of appointing assistant public defenders and for providing other personnel, equipment, and facilities necessary for operation of the Public Defender, and requires the remainder of the funds collected (96%) be deposited in the state treasury to the credit of the existing Legal Aid Fund (Fund 574).

LSC fiscal staff estimates that this existing locally collected state filing fee revenue stream will potentially jump from $7.7 million to around $14.7 million annually, an increase of $7.0 million per year. Of the total collected annually, Public Defender fiscal staff projects that the Legal Aid Fund will receive $14.1 million annually, an increase of $6.4 million per year relative to current law, and the Civil Case Filing Fee Fund will receive around $342,800 in FY 2006 and $588,000 in FY 2007. The Public Defender's fiscal staff has indicated that the money deposited to the credit of Fund 5CX will be used to: (1) increase the salaries of the Public Defender's attorneys to better reflect the higher average salary paid to attorneys in comparable legal positions in other state agencies, and (2) if possible, hire back some of the assistant public defenders that have departed in recent years.

Indigent Defense Application Fee

The enacted budget contains a permanent law provision that will generate revenue from a nonrefundable $25 indigent defense application fee. Of this locally collected fee, 20% is to be deposited in the state treasury to the credit of the existing Client Payment Fund (Fund 408). The Public Defender's fiscal staff estimates that, in FYs 2006 and 2007, $448,000 and $477,000, respectively, will be generated for deposit to the credit of Fund 408. The fiscal staff has also indicated that this money will be used to support: (1) personnel that process county reimbursement claims, (2) prison legal services activities, and (3) an information technology plan initiative to develop a web-based application for reimbursing counties for their indigent defense costs.

County Representation Billing Rate

The enacted budget contains a provision in permanent law that allows the Public Defender to bill counties for services based on the statewide reimbursement rate. As one of the five statutory mechanisms for the delivery of indigent defense services, a state public defender can be appointed by a court, or requested by a county public defender, to provide representation in any case, particularly when there is no locally available qualified counsel. When appointed in such matters, the Public Defender is required to bill a county 50% of the actual cost of the case, which is based on the original intention that the state and counties share equally in the cost of providing indigent defense. Any funds collected from counties through the billing process are credited to the Public Defender's County Representation Fund (Fund 407).

This permanent law provision requires counties to pay the same percentage share whether they appoint a state public defender to a case or utilize one of the other local mechanisms for providing indigent defense services. This provision is expected to generate approximately $60,000 in additional revenues to the state in each of FYs 2006 and 2007. This change also allows the Public Defender to bill counties for 100% of the cost for mitigation, investigation, experts, and expenses, and then allows the counties to seek reimbursement back from the state at the current reimbursement rate.

Vetoed Provisions

The Public Defender is not directly affected by any of the items contained in Am. Sub. H.B. 66 that were vetoed by the Governor.

ANALYSIS OF THE ENACTED BUDGET

What follows is LSC fiscal staff's analysis of the Public Defender's enacted biennial budget covering FYs 2006 and 2007. The presentation of this analysis is organized around the following four program series.

- ***Program Series 1: State Legal Defense Services***
- ***Program Series 2: Indigent Defense Reimbursement***
- ***Program Series 3: Ohio Legal Assistance Foundation***
- ***Program Series 4: Program Management***

Program Series 1 — State Legal Defense Services

Purpose: To provide legal representation and services to indigent adults, juveniles, and incarcerated individuals in state and federal courts when Ohio law, the Ohio Constitution, or the U.S. Constitution requires representation.

The following table shows the line items that are used to fund the State Legal Defense Services program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	019-321	Public Defender Administration	$450	$450
GRF	019-401	State Legal Defense Services	$5,569,715	$5,526,364
		General Revenue Fund Subtotal	**$5,570,165**	**$5,526,814**
General Services Fund				
101	019-602	Inmate Legal Assistance	$53,086	$32,338
407	109-604	County Representation	$186,146	$188,810
408	019-605	Client Payments	$91,389	$308,107
		General Services Fund Subtotal	**$330,621**	**$529,255**
Federal Special Revenue Fund				
3S8	019-608	Federal Representation	$380,484	$315,287
		Federal Special Revenue Fund Subtotal	**$380,484**	**$315,287**
State Special Revenue Fund				
5CX	019-617	Civil Case Filing Fee	$417,600	$556,800
		State Special Revenue Fund Subtotal	**$417,600**	**$556,800**
Total Funding: State Legal Defense Services			**$6,698,870**	**$6,928,156**

The State Legal Defense Services program series consists of the five programs discussed below.

Program 1: Appeals and Postconviction Representation

Program Description: This program has nine staff attorneys and three supervising attorneys who provide legal representation in over 800 cases per year in state and federal courts to indigent persons who claim they are unlawfully incarcerated.

Funding Source: GRF

Implication of the Enacted Budget: Although the enacted budget fully funds this program, with the ongoing problem of attorney attrition, the remaining attorneys will have difficulty maintaining the same level of legal services in FYs 2006 and 2007. Since 2001, the Public Defender has lost a total of 18 attorneys, some of who worked within this program. The remaining attorneys and support staff have faced increasing workloads, and more clients have faced longer delays in the delivery of services or received no services at all.

Program 2: Death Penalty Representation

Program Description: The purpose of this program is to: (1) provide competent legal counsel to indigent persons under the sentence of death, (2) assist private appointed attorneys in death penalty cases, and (3) support training seminars on death penalty law to help ensure that the state bar meets requirements imposed under Ohio Supreme Court Superintendence Rule 20.

Funding Sources: (1) GRF, (2) payments received from counties for 50% of the actual cost of legal representation when the Public Defender is designated by a court or requested by a county public defender or joint county public defender to provide legal representation of an indigent person, (3) all moneys due the state for reimbursement for indigent defense legal services where defendants are ordered to pay back all or part of the costs of the representation, and (4) partial reimbursement payments received from federal courts as a result of federal courts appointing the Public Defender to provide legal representation in federal habeas corpus death penalty cases

Implication of the Enacted Budget: The enacted budget provides funds that will allow the continuation of the program's FY 2005 service levels, including 17 attorneys available to work on capital appeals, postconviction, and habeas corpus cases, and three attorneys that focus on capital trial cases. Public Defender staff has noted that the demand for these services may increase slightly as prior amendments to the Ohio Constitution and the postconviction statute have increased the pace of capital cases moving into federal habeas corpus, and that this quickening pace creates a need for more legal counsel in complex habeas litigation, a need the Public Defender will likely be called on to fill.

Program 3: Intake and Prison Legal Services

Program Description: Three organizational units perform the work associated with this program as follows: (1) Intake, which fields calls, handles routine questions, and receives initial requests for legal representation, (2) Records Management, which opens new case files, gathers relevant documents, delivers the files to supervisors for attorney assignment, and generates statistical reports, and (3) Prison Legal Services, which provides legal advice to inmates at the three reception centers in Ohio's prison system.

Funding Sources: (1) GRF, (2) all moneys due the state for reimbursement for indigent defense legal services where defendants are ordered to pay back all or part of the costs of the representation, and (3) quarterly legal services payments transferred from the Department of Rehabilitation and Correction

Implication of the Enacted Budget: It would appear that, all other conditions remaining the same, the enacted budget provides sufficient funding for the Public Defender to continue delivering the FY 2005 level of intake and prison legal services in FYs 2006 and 2007.

Program 4: Juvenile Legal Assistance

Program Description: The purpose of this program is to: (1) provide legal assistance and representation to juveniles who have been committed to the Department of Youth Service, and (2) coordinate and provide training to defense attorneys who handle juvenile work and provide legislative advocacy on right to counsel issues and other substantive issues involving children in the juvenile justice system.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget fully funds the Public Defender's requirements to continue delivering the FY 2005 level of juvenile legal assistance services in FYs 2006 and 2007.

Program 5: Legal Resource Center

Program Description: The purpose of this program is to support the Public Defender's Law Library required pursuant to section 120.04(B)(1) of the Revised Code.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget fully funds the Public Defender's requirements to continue the Law Library's FY 2005 level of services in FYs 2006 and 2007.

Program Series 2 Indigent Defense Reimbursement

***Purpose*:** To provide, facilitate, and improve the delivery of criminal defense services to indigent persons accused of crimes handled by common pleas, municipal, and county courts.

The following table shows the line items that are used to fund the Indigent Defense Reimbursement program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	019-403	Multi-County: State Share	$823,620	$823,620
GRF	019-404	Trumbull County-State Share	$256,380	$256,380
GRF	019-405	Training Account	$31,324	$31,324
GRF	019-501	County Reimbursement	$30,000,000	$30,000,000
		General Revenue Fund Subtotal	**$31,111,324**	**$31,111,324**
State Special Revenue Fund				
4C7	019-601	Multi-County: County Share	$2,028,309	$2,104,367
4X7	019-610	Trumbull County-County Share	$642,106	$665,860
		State Special Revenue Fund Subtotal	**$2,670,415**	**$2,770,227**
Total Funding: Indigent Defense Reimbursement			**$33,781,739**	**$33,881,551**

The Indigent Defense Reimbursement program series consists of the two programs discussed below.

Program 1: Indigent Defense Reimbursement

Program Description: Under this program, the Public Defender most notably subsidizes counties for the cost of providing counsel to indigent persons in criminal and juvenile matters pursuant to the requirements of sections 120.18, 120.28, and 120.33 through 120.35 of the Revised Code. The Revised Code stipulates that the Public Defender shall reimburse counties 50% of the costs of operating their local indigent defense systems, unless the legislature appropriates less funding than needed to reimburse at 50%, in which case each county receives a reduced share.

The program also funds the contractual arrangement under which a county reimburses the Public Defender for the provision of that county's required local indigent defense services as an alternative to traditional appointed counsel or county public defender offices. The Public Defender currently maintains two operations in support of such a contractual arrangement: the Trumbull County Branch Office and the Multi-County Branch Office. The former office, established in FY 1985, provides local indigent defense services for Trumbull County. The latter office, established in January 1991, provides local indigent defense services to the following ten counties in the south and southeastern part of Ohio: Adams, Athens, Brown, Fayette, Jackson, Meigs, Pickaway, Pike, Ross, and Washington.

Funding Sources: (1) GRF, (2) payments from ten counties in south and southeastern Ohio for their portion of the costs of operating the Public Defender's Multi-County Branch Office, and (3) payments from Trumbull County for their portion of the costs of operating the Public Defender's Trumbull County Branch Office

Implication of the Enacted Budget: The level of funding in the enacted budget is not expected to permit the Public Defender to reimburse counties at the current FY 2005 level of 31% of their annual cost of providing indigent defense legal services. The enacted level of funding corresponds to a reimbursement rate of about 28% in FY 2006 and 27% in FY 2007.

The Public Defender's fiscal staff has calculated that it would need additional GRF funding in the amount of $25,413,500 in FY 2006 and $28,843,000 in FY 2007 to reimburse counties for the full 50% of their annual cost of providing indigent defense legal services. It is likely that the revenues that counties will retain from the new $25 indigent defense application fee will help offset a lower state reimbursement rate. The additional fee revenue retained by counties statewide, estimated at just under $2 million per year, would be roughly equivalent to an increase in the reimbursement rate of between one and two percentage points.

Program 2: Pro Bono Training Program

Program Description: Under the Pro Bono Training program, the Public Defender contracts with private and nonprofit training companies to provide continuing legal education (CLE) certified seminars at no cost to attorneys who practice criminal indigent defense law and provide one pro bono (for free) case for every seminar attended. The seminar companies presently charge the Public Defender $125 per attorney for a regular one-day seminar and $250 per attorney for the two-day Rule 20 seminars.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget will allow for approximately the same number of attorneys to be trained in FYs 2006 and 2007 as were trained in FY 2005, which assumes that neither the demand nor the cost will significantly increase over the course of the next two years.

Program Series 3 — Ohio Legal Assistance Foundation

Purpose: To administer and fund the state's civil legal services program.

The following table shows the single line item that is used to fund the Ohio Legal Assistance Foundation program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2005	FY 2006
State Special Revenue Fund				
574	019-606	Legal Services Corporation	$16,569,282	$21,294,190
		State Special Revenue Fund Subtotal	$16,569,282	$21,294,190
Total Funding: Ohio Legal Assistance Foundation			$16,569,282	$21,294,190

The Ohio Legal Assistance Foundation program series only contains one program as described below.

Program 1: Ohio Legal Assistance Foundation

Program Description: The Ohio Legal Assistance Foundation (OLAF) is a nonprofit 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, receives moneys from four dedicated funding sources that are passed through the Public Defender to the Foundation. These moneys are then 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.

Funding Source: (1) Interest-bearing trust accounts established and maintained by attorneys, law firms, or legal professional associations pursuant to sections 4705.09 and 4705.10 of the Revised Code, (2) interest-bearing trust accounts established and maintained by title insurance agents or title insurance companies pursuant to section 3953.231 of the Revised Code, (3) additional filing fees collected by municipal, county, and common pleas courts on each new civil action or proceeding pursuant to sections 1901.26, 1907.24, and 2303.201 of the Revised Code, and (4) gifts, bequests, donations, contributions, and income from investments

Implication of the Enacted Budget: The enacted budget fully funds the Ohio Legal Assistance Foundation program series for FYs 2006 and 2007, with most of the money being distributed to the state's legal aid societies. The remaining portion of each fiscal year's appropriation for line item 019-606, Legal Services Corporation, will be allocated to cover administrative costs as follows: (1) pursuant to permanent law, 4.5% ($745,618 in FY 2006 and $958,239 in FY 2007) will be reserved for the Foundation's actual, reasonable costs in administering the program, and (2) $5,718 in FY 2006 and $5,810 in FY 2007 will be charged as administrative costs borne by the Public Defender for salaries and telephone expenses associated with managing Foundation activities.

Program Series 4 — Program Management

Purpose: To provide quality support services that are responsive to the Public Defender's needs, goals, and objectives.

The following table shows the line items that are used to fund the Program Management program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2005	FY 2006
General Revenue Fund				
GRF	019-321	Public Defender Administration	$1,295,120	$1,261,989
GRF	019-401	State Legal Defense Services	$174,886	$177,753
		General Revenue Fund Subtotal	**$1,470,006**	**$1,439,742**
State Special Revenue Fund				
574	019-606	Legal Services Corporation	$5,718	$5,810
		State Special Revenue Fund Subtotal	**$5,718**	**$5,810**
General Services Fund				
406	019-603	Training and Publications	$16,000	$16,000
408	019-605	Client Payments	$522,638	$453,999
		General Services Fund Subtotal	**$538,638**	**$469,999**
Total Funding: Program Management			**$2,014,362**	**$1,915,551**

The Program Management program series only contains one program as described below.

Program Management

Program Description: This program encompasses the Public Defender's Administrative Division, which consists of the following six sections: Human Resources, Information Systems, Fiscal, Office Services, County Reimbursement, and the Legal Resource Center. Much of the Division provides the necessary services common to most state agencies, including fiscal and accounting, personnel and training, computer information systems, purchasing, fleet management, and delivery.

Funding Source: (1) GRF, (2) fees received by the Public Defender for conducting educational seminars, and from the sale of publications on topics concerning criminal law and procedure, (3) all moneys due the state for reimbursement for indigent defense legal services where defendants are ordered to pay back all or part of the costs of the representation, and (4) an amount the Public Defender is permitted to assess the Legal Aid Fund for the reasonable costs of administering the state's legal aid society law

Implication of the Enacted Budget: The enacted budget provides a program funding level that will largely be devoted toward maintaining FY 2005 levels of service in FYs 2006 and 2007.

Department of Public Safety

Sara D. Anderson, Budget Analyst

- Motor vehicle fuel tax funding phase-out continues
- CJS abolished; merged with Public Safety
- Revenue streams enhanced

OVERVIEW

Duties and Responsibilities

The mission of the Department of Public Safety is to save lives, reduce injuries and economic loss, administer Ohio's motor vehicle laws, and preserve the safety and well being of all citizens with the most cost-effective and service-oriented methods available. Prior to FY 2006, the Department was organized into seven divisions as follows.

- ***Administration.*** Provides management, coordination, and oversight for the Department.
- ***Ohio State Highway Patrol.*** Enforces traffic laws and commercial motor safety regulations and protects state property, the Governor, and visiting dignitaries.
- ***Bureau of Motor Vehicles.*** Oversees driver and motor vehicle licensing and registration.
- ***Investigative Unit.*** Enforces Ohio's liquor, tobacco sale, and food stamp rules.
- ***Emergency Management Agency.*** Coordinates statewide preparation, response, and recovery to emergencies and disasters.
- ***Emergency Medical Services.*** Oversees the certification of emergency medical technicians (EMTs) and firefighters and provides that these people are properly trained, educated, and prepared for emergency situations.
- ***Homeland Security.*** Coordinates all homeland security activities of state agencies, as well as local entities and oversees the licensing and regulation of private investigators and security guards.

Under the enacted budget, the Office of Criminal Justice Services was abolished and its personnel and functions transferred to the Division of Criminal Justice Services, which was created within the Department of Public Safety. The Division's primary role will be to administer federal financial assistance grant programs intended to improve state and local criminal justice systems and related matters.

Agency in Brief

The following table selectively summarizes Public Safety appropriations and staffing information. Funding for the Department's biennial operating budget covering FYs 2006 and 2007 is split between two bills enacted by the 126th General Assembly: Am. Sub. H.B. 66, the main operating appropriations act, and Am. Sub. H.B. 68, the appropriations act for programs related to transportation and public safety.

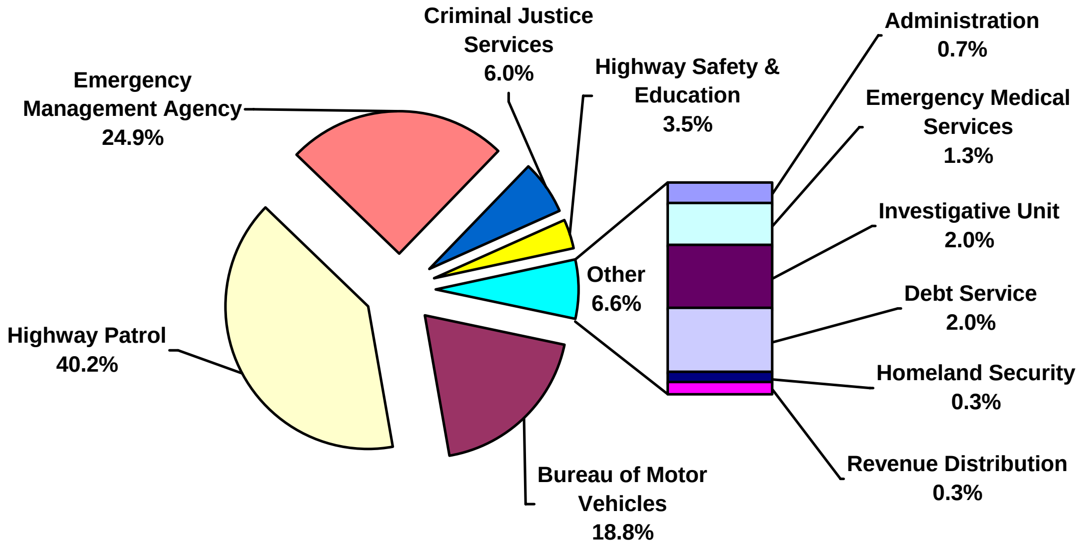
Pubic Safety In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
4,106	$694.76 million	$695.78 million	$6.53 million	$6.84 million	Am. Sub. H.B. 66 Am. Sub. H.B. 68

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Expense by Program Series Summary

The pie chart immediately below shows total Department of Public Safety appropriations (FYs 2006 and 2007) by program series. A program series is a method of categorizing or grouping good and/or services provided by a given agency that are closely related or similar in nature. For the purposes of this analysis, LSC fiscal staff has grouped the Department's biennial appropriations into 11 program series. This appropriations information includes all of the Department's revenue streams.

Total Budget by Program Series
FYs 2006 and 2007



Motor Vehicle Fuel Tax

The Taft Transportation Financing Plan shifts the Ohio State Highway Patrol from the state motor fuel tax and provides it with dedicated new funding from licenses and registration fees. This shift began during the prior biennium when, in FY 2004, the motor fuel tax cash transfer was reduced to 75% of the FY 2003 receipts (a cash transfer of $140.14 million), and, in FY 2005, the motor fuel tax transfer was reduced to 50% of the FY 2003 receipts (a cash transfer of $94.36 million). Under the enacted budget, the motor fuel tax cash transfer will be reduced to 30% of the FY 2003 receipts in FY 2006 (a cash transfer of $57.18 million) and to 20% of the FY 2003 receipts in FY 2007 (a cash transfer of $38.50 million).

In order to make up for the above-mentioned loss in revenue from the motor fuel tax, Am. Sub. H.B. 87 of the 125th General Assembly included several provisions that increased driver's license, vehicle registration, and temporary tag fees. According to the Department, this replacement fee revenue fell $10.0 million short from what had previously been received in the form of cash transferred from the motor fuel tax. In order to make up the shortfall, the enacted budget allows the Department to retain the entire existing $10 fee for a special state reserved license plate and the entire existing $35 fee for a special reserved license plate for deposit to the credit of the State Highway Safety Fund (Fund 036). Under preexisting law, $2.50 of the $10 fee for a special state reserved license plate and $30 of the $35 fee for a special reserved license plate was deposited to the credit of the Department of Transportation's Highway Operating Fund (Fund 002).

Permanent and Temporary Law Provisions

The previously mentioned bills enacted by the 126th General Assembly – Am. Sub. H.B. 66 and Am. Sub. H.B. 68 – contained numerous permanent and temporary law provisions that affect operations of the Department of Public Safety, including, but not limited to, the following.

- ***Division of Criminal Justice Services.*** The Office of Criminal Justice Services is abolished and its personnel, functions, and funding are transferred to the newly created Division of Criminal Justice Services in the Department of Public Safety.
- ***Ohio Medical Transportation Board.*** Effective FY 2007, the Ohio Medical Transportation Board is to be consolidated within the Department of Public Safety.
- ***Private Security/Security Guard.*** Existing law that requires the licensure and registration of private investigators, security guard providers, and employees is amended to change five preexisting fees and to provide for one new fee. Prior law, unchanged by either bill, directs these fees for deposit into the Private Investigator and Security Guard Provider Fund (Fund 5B9). This new fee structure is estimated to generate approximately $1.2 million annually in additional revenues.
- ***Drive Education Certificate of Completion Fee.*** The Department of Public Safety is required to provide each driver training school with certificate of completion forms at a fee of $4 for each certificate of completion and to deposit the fees collected into the State Highway Safety Fund (Fund 036). Based on prior history, it appears that the amount of fee revenue that might be generated annually would be roughly $660,000.
- ***License Plate Fees.*** The fees for personalized and initial reserved license plates are redirected from the Highway Operating Fund (Fund 002) to the State Highway Safety Fund (Fund 036). The redirection of these fees is expected to generate approximately $10 million annually in additional revenues for Fund 036 and produce a related loss of a similar magnitude in annual revenues that would otherwise have been deposited into Fund 002.
- ***Criminal Forfeiture Proceeds.*** Two new funds are created – the Federal Contraband, Forfeiture, and Other Fund (Fund 3BF) and the Federal Equitable Share Account Fund (Fund 5CM) – to segregate the proceeds the State Highway Patrol and the Investigative Unit receive for a forfeiture of property pursuant to federal law from the proceeds of property forfeited pursuant to state law. This provision brings the Department into compliance with a federal law that requires state and federal funds from criminal forfeiture cases be kept separate.

- ***Commercial Driver's Licenses.*** A court is prohibited from ordering the Bureau of Motor Vehicles to delete a record of conviction unless the court finds that the deletion is necessary to correct an error, and prohibits the Bureau from complying with an order unless it states that the deletion is to correct an error. This provision and other related changes were made to comply with the federal Motor Carrier Safety Improvement Act, which dictates that all states adopt certain rules involving commercial driver's licenses by September 30, 2005. Failure to meet these federal requirements could cause Ohio to lose federal highway funds exceeding $20 million in the first year.

- ***Family Violence Prevention Fund.*** New fees for each certified copy of a birth certificate, certification of birth, or death certificate, and on the filing for a divorce or dissolution of marriage are created. According to the Department of Health, the fee increase for birth and death certificates could generate a total of over $1.0 million annually statewide, while the amount of revenue that could be generated annually by the fee increase for divorce and dissolution decrees is uncertain. If the fee is collected locally, the local official may retain a portion of the fee to cover administrative costs. The remainder of the fee is forwarded to the state for deposit into the newly created Family Violence Prevention Fund (Fund 5BK), to be used to provide grants to family violence shelters.

- ***Public Safety Services Fund.*** Cash totaling $375,000 in FY 2006 and $325,000 in FY 2007 is transferred from the Department of Commerce's State Fire Marshal's Fund (Fund 546) to the newly created Public Safety Services Fund (Fund 5CC). Of those amounts, $100,000 in FY 2006 and $200,000 in FY 2007 is earmarked as a grant to the city of Warren for the purpose of assisting in the provision of essential public safety services to its citizens, $125,000 in each fiscal year is earmarked for the Southern Ohio Drug Task Force, and $150,000 in FY 2006 is earmarked as a grant to the city of Eastlake for the purpose of assisting in the provision of essential public safety services to its citizens.

- ***Utility Radiological Safety Board Assessments.*** The maximum amount that may be assessed per fiscal year against nuclear utilities by the Utility Radiological Safety Board for the purpose of enabling the Emergency Management Agency to fulfill its authority and duties under the statutes related to nuclear safety or the Utility Radiological Safety Board, or under agreements with the Nuclear Regulatory Commission, is capped at $1,260,000 in each of FYs 2006 and 2007.

- ***Surrendered Drivers' Licenses.*** The Registrar is required, when a driver's license applicant surrenders a license from another jurisdiction, to prepare a report of the surrender for the other issuing authority rather than returning the physical license. It is anticipated that this provision will result in savings to the Bureau of Motor Vehicles Fund (Fund 4W4) of around $22,000 annually.

Vetoed Provisions

The Governor vetoed the provision requiring the Division of Homeland Security and the Department of Public Safety to distribute any homeland security funds on a county basis, and prohibiting the distribution of the funds on a regional basis unless required by federal law.

Staffing Levels

The table below displays the number of staff employed, or that will be employed, by each of the Department's divisions from FYs 2002 through 2007.

Department of Public Safety Staffing Levels by Fiscal Year						
Division	**2002**	**2003**	**2004**	**2005***	**2006***	**2007***
Administration	104	104	97	97	97	97
Bureau of Motor Vehicles	915	915	894	891	891	891
Emergency Management Agency	84	92	97	97	97	97
Emergency Medical Services	24	24	27	27	27	27
Investigative Unit	139	139	133	133	133	133
State Highway Patrol	2,679	2,681	2,699	2,699	2,699	2,699
Homeland Security	N/A	N/A	10	13	13	13
Criminal Justice Services**	N/A	N/A	N/A	N/A	35	35
Totals	**3,945**	**3,955**	**3,957**	**3,957**	**3,992**	**3,992**

* The staffing levels displayed in the above table for FYs 2005, 2006, and 2007 are estimates.
** As of this writing, it appears that, of the Office of Criminal Justice Services approximately 44 currently funded full-time equivalent (FTE) staff positions, there is sufficient funding in the Division of Criminal Justice Services' biennial operating budget to support the payroll costs of an estimated 35 FTEs. If possible, the Department plans to absorb any remaining Office of Criminal Justice Services' staff into other departmental programs.
Note: The figures above do not include ten positions transferred from Commerce to Public Safety for the Private Investigator/Security Guard function.
Note: At this time, EMA has on board three positions above their ceiling related to a disaster relief grant.

ANALYSIS OF THE ENACTED BUDGET

What follows is LSC fiscal staff's analysis of the Department of Public Safety's biennial operating budget covering FYs 2006 and 2007 as contained in two bills enacted by the 126th General Assembly: Am. Sub. H.B. 66 and Am. Sub. H.B. 68. The presentation of this analysis is organized around the following eleven program series.

- ***Program Series 1: Traffic Safety and Education***
- ***Program Series 2: Bureau of Motor Vehicles***
- ***Program Series 3: Ohio State Highway Patrol***
- ***Program Series 4: Emergency Medical Services***
- ***Program Series 5: Investigative Unit***
- ***Program Series 6: Emergency Management Agency***
- ***Program Series 7: Homeland Security***
- ***Program Series 8: Public Safety Revenue Distribution***
- ***Program Series 9: Criminal Justice Services***
- ***Program Series 10: Debt Service***
- ***Program Series 11: Administration***

Program Series 1 — Traffic Safety and Education

Purpose: To save lives, reduce injuries, and minimize loss to Ohioans through the dissemination of information regarding the Department's safety programs and the distribution of federal funds to support safety programs

The following table shows the line items that are used to fund the Traffic Safety and Education program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
Highway Safety Fund (HSF)				
036	761-321	Operating Expense – Information/Education	$3,475,147	$3,645,598
036	761-402	Traffic Safety Match	$277,137	$277,137
83N	761-611	Elementary School Seat Belt Program	$447,895	$447,895
831	761-610	Information and Education – Federal	$468,982	$468,982
832	761-612	Traffic Safety – Federal	$16,577,565	$16,577,565
844	761-613	Seat Belt Education Program	$482,095	$482,095
846	761-625	Motorcycle Safety Education	$2,299,204	$2,391,172
		Highway Safety Fund Subtotal	**$24,028,025**	**$24,290,444**
Agency Fund (AGY)				
5J9	761-678	Federal Salvage/GSA	$100,000	$100,000
		Agency Fund Subtotal	**$100,000**	**$100,000**
Total Funding: Traffic Safety and Education			**$24,128,025**	**$24,390,444**

This analysis focuses on the following specific three programs within the Traffic Safety and Education program series:

- ***Program 1: Governor's Highway Safety Office***
- ***Program 2: Motorcycle Ohio***
- ***Program 3: Driver Training***

Program 1: Governor's Highway Safety Office

Program Description: The Governor's Highway Safety Office (GHSO) consist of two components: (1) the distribution of federal funds to support safety programs, and (2) the dissemination of information to the public relative to the Department's safety programs.

Funding Sources: (1) Federal funds, (2) Fund 036, which consists of moneys derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highways or to fuels used for propelling such vehicles, and (3) portion of seat belt fines

Implication of the Enacted Budget: Based on the Department's budget request, it appears that the enacted budget provides sufficient funding for the GHSO to disburse grants and to prepare and communicate public safety messages, including the payroll costs associated with the equivalent of roughly 50 full-time equivalent (FTE) staff.

Program 2: Motorcycle Ohio

Program Description: The Motorcycle Ohio program provides the following three motorcycle safety courses to the public: (1) a basic riding course, (2) an experienced rider course, and (3) a course for those interested in becoming a motorcycle instructor. The program also develops and distributes public information and education materials, makes presentations regarding motorcycle safety issues, and works to improve the licensing system for motorcyclists.

Funding Sources: (1) Six dollars from each motorcycle registration, and (2) $25 course tuition charged to all motorcycle safety program participants, except minors

Implication of the Enacted Budget: Based on the Department's budget request, it appears that the enacted budget provides funding sufficient to cover the costs associated with maintaining and building program capacity, including outsourced instructors, motorcycles, mechanical services, training sites, seven full-time equivalent staff, and training an additional 1,400 participants each year.

Program 3: Driver Training

Program Description: The Driver Training program is responsible for administration and enforcement of rules concerning the following driver training courses and related instructor courses: novice, juvenile and adult remedial courses, persons with disabilities, truck driver training, and mature drivers. This activity includes regulatory authority over 2,000-plus licensed instructors, around 400 licensed training managers, and 300-plus licensed enterprises, which conduct training at around 700 locations.

Funding Source: Fund 036, which receives most of its revenue from the gas tax and fees generated from the sale of driver licenses, vehicle registrations, and temporary tags

Implication of the Enacted Budget: Based on the Department's budget request, it appears that the enacted budget provides sufficient funding to support 1 existing full-time program manager and add 12 contract office and field support staff to assist with processing driver training enterprise and instructor applications, reviewing log sheets, issuing certificates, inspecting schools, and observing and assessing instructors and training managers.

Program Series 2 — Bureau of Motor Vehicles

Purpose: To provide services related to motor vehicle titling, registration of motor vehicles, and driver licenses

The following table shows the line items that are used to fund the Bureau of Motor Vehicles (BMV) program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund (SSR)				
539	762-614	Motor Vehicle Dealers Board	$239,902	$239,902
		State Special Revenue Fund Subtotal	**$239,902**	**$239,902**
Highway Safety Fund (HSF)				
4W4	762-321	Operating Expenses – BMV	$77,257,480	$73,702,629
4W4	762-410	Registrations Supplement	$32,480,610	$32,480,610
5V1	762-682	License Plate Contributions	$2,388,568	$2,388,568
83R	762-639	Local Immobilization Reimbursement	$850,000	$850,000
835	762-616	Financial Responsibility Compliance	$6,551,535	$6,551,535
849	762-627	Automated Title Processing Board	$12,818,675	$13,146,218
		Highway Safety Fund Subtotal	**$132,346,868**	**$129,119,560**
Total Funding: Bureau of Motor Vehicles			**$132,586,770**	**$129,359,462**

This analysis focuses on the following three specific programs within the Bureau of Motor Vehicles program series:

- ***Program 1: Titling of Motor Vehicles***
- ***Program 2: Registration of Motor Vehicles***
- ***Program 3: Licensing Motor Vehicle Operators***

Program 1: Titling of Motor Vehicles

Program Description: The Titling of Motor Vehicles program implements and maintains Ohio's centralized motor vehicle titling system, which is a repository for over 76 million motor vehicle and watercraft titles. An integral component of this process is the Automated Title Processing System (ATPS), which is a computerized system that maintains all of the motor vehicle and watercraft titles in Ohio.

Funding Sources: (1) Fund 849, which receives various titling fees, and (2) Fund 4W4, which receives most of its revenue from vehicle registration, driver licensing, abstracts, and reinstatements

Implication of the Enacted Budget: Based on the Department's budget request, it appears that the enacted budget provides funding sufficient for the BMV to:

- Retain an accurate central repository title database for Ohio's titled vehicles;
- Maintain the ATPS and provide support for this system to ensure maximum system availability and continued high quality service for Ohio's clerks of court;
- Appropriately implement and administer titling procedures for financial institutions, law firms, towing companies, federal and state agencies, statistical survey companies, and the general public;
- Assure appropriate security measures related to titling, including the requirement of a certificate of title that has a variety of security features which significantly diminish the likelihood of tampering or fraudulent duplication, and work with the National Motor Vehicle Title Information System to reduce title fraud involving vehicles from other states; and
- Support the payroll expenses of around 80 full-time equivalent staff.

Program 2: Registration of Motor Vehicles

Program Description: The Registration of Motor Vehicles program is charged with regulating the registration of all motor vehicles and ensuring the proper collection and distribution of vehicle licensing revenue for taxing districts and other governmental entities. Another function of the program is the licensing and regulation of motor vehicle sales, leasing, and salvage industries.

Funding Sources: (1) Fund 4W4, which receives most of its revenue from vehicle registration, driver licensing, abstracts, and reinstatements, (2) Fund 5V1, which receives specialty license plate contribution fees ranging from $10 to $25, and (3) Fund 539, which receives four cents from each motor vehicle title

Implication of the Enacted Budget: Based on the Department's budget request, it appears that the enacted budget provides funding sufficient to maintain FY 2005 service levels, including the payroll costs associated with around 530 full-time equivalent staff. In addition, the Bureau will be able to replace the Deputy Registrar System. This is a planned replacement, not a new initiative. By replacing the existing system, the Bureau will save money in the long run. This is a result of increasing maintenance costs and downtime on the current system.

Program 3: Licensing of Motor Vehicle Operators

Program Description: The Licensing of Motor Vehicle Operators program provides a credentialing process for over 8.5 million individuals who have driver licenses or state identification cards. The program serves as a means to identify individuals, including citizenship status, and to ensure a safe driving environment for the citizens of Ohio.

Funding Sources: (1) Fund 4W4, which receives most its revenue from vehicle registration, driver licensing, abstracts, and reinstatements, (2) fines for failure to provide proof of financial responsibility, and (3) $100 immobilization fee

Implication of the Enacted Budget: Based on the Department's budget request, it appears that the enacted budget provides funding sufficient to maintain FY 2005 service levels, including: (1) providing service locations so that customers can conveniently acquire vehicle operator licenses and identification cards, (2) overseeing Deputy Registrar locations, (3) maintaining a central repository of the most up-to-date information for driver licenses and identification cards, (4) providing a means to identify financially irresponsible and unsafe drivers so their driving privileges can be suspended until all requirements have been met, and (5) covering the payroll costs associated with approximately 370 full-time equivalent staff.

Program Series 3 — Ohio State Highway Patrol

Purpose: To provide statewide police traffic services to keep Ohio's roadways safe, provide statewide emergency response and support services to the public and criminal justice community, investigate criminal activities on state owned or leased property, and provide security for the Governor and other dignitaries

The following table shows the line items that are used to fund the Ohio State Highway Patrol program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund (GSF)				
4S2	764-660	MARCS Maintenance	$252,432	$262,186
		General Services Fund Subtotal	**$252,432**	**$262,186**
Federal Special Revenue Fund (FSR)				
3BF	764-692	Federal Contraband, Forfeiture, and Other	$1,942,000	$1,942,000
		Federal Special Revenue Fund Subtotal	**$1,942,000**	**$1,942,000**
Highway Safety Fund (HSF)				
036	764-033	Minor Capital Projects	$1,250,000	$1,250,000
036	764-321	Operating Expenses – Highway Patrol	$229,293,561	$237,364,988
036	764-605	Motor Carrier Enforcement Expenses	$2,643,022	$2,670,911
5AY	764-688	Traffic Safety Operating	$3,082,962	$1,999,437
831	764-610	Patrol – Federal	$2,430,950	$2,455,484
831	764-659	Transportation Enforcement – Federal	$4,880,671	$5,027,091
837	764-602	Turnpike Policing	$9,942,621	$10,240,900
838	764-606	Patrol Reimbursement	$222,108	$222,108
83C	764-630	Contraband, Forfeitures, Other	$622,894	$622,894
83F	764-657	Law Enforcement Automated Data System	$7,324,524	$7,544,260
83G	764-633	OMVI Fines	$820,927	$820,927
840	764-607	State Fair Security	$1,496,283	$1,496,283
840	764-617	Security and Investigations	$7,176,422	$7,165,955
840	764-626	State Fairgrounds Police Force	$788,375	$788,375
841	764-603	Salvage and Exchange – Highway Patrol	$1,305,954	$1,339,399
		Highway Safety Fund Subtotal	**$273,281,274**	**$281,009,012**
Total Funding: Ohio State Highway Patrol			**$275,475,764**	**$283,213,238**

This analysis focuses on the following two specific programs within the Ohio State Highway Patrol program series:

- ***Program 1: Highway Enforcement***
- ***Program 2: Non-Highway Enforcement***

Program 1: Highway Enforcement

Program Description: The Highway Enforcement program aims to increase highway safety by enforcing traffic laws on Ohio highways, investigating traffic crashes, assisting motorists, interdicting illegal drugs, enforcing vehicle size and weight restrictions, conducting driver license examinations, and enforcing criminal laws related to auto title fraud.

Funding Sources: (1) Fund 036, which consists of moneys derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highways or to fuels used for propelling such vehicles, (2) reimbursement from the Ohio Turnpike Commission, (3) various fine moneys, (4) LEADS user fees, (5) federal grants, (6) assets seized in drug busts, (7) Department of Transportation moneys related to the Ohio Turnpike initiative, and (8) proceeds from sale of salvaged automobiles and equipment

Implication of the Enacted Budget: Based on the Department's budget request, it appears that the enacted budget provides funding sufficient to maintain FY 2005 service levels. The Department's future costs include: (1) maintaining new programs, such as the one that was initiated in FY 2005 with the assistance of the Department of Transportation that involves enforcing trucking regulations along routes parallel to the Ohio Turnpike in order to move trucking traffic back to the Turnpike, (2) covering the wage, fringe benefits, and equipment costs associated with around 2,630 full-time equivalent staff, (3) upgrading information technology, and (4) hiring 23 additional dispatchers to provide coverage of the state's Multi-Agency Radio Communications System (MARCS).

Program 2: Non-Highway Enforcement/Communications

Program Description: The Non-Highway Enforcement/Communications program provides a variety of statewide services, including: (1) off-highway investigations, (2) security for the Governor and other officials and dignitaries, Capitol Square, and other state property, (3) traffic control and security for the Ohio Expositions Commission, (4) non-highway related duties of the Ohio State Highway Patrol at the Ohio State Fair, (5) homeland security, and (6) the Law Enforcement Automated Data System (LEADS), a communication and database network that provides law enforcement agencies with immediate access to information.

Funding Sources: (1) User fees from criminal justice agencies in Ohio, and (2) fines resulting from arrests made by Ohio State Highway Patrol troopers

Implication of the Enacted Budget: Based on the Department's budget request, it appears that the enacted budget provides funding sufficient to maintain FY 2005 service levels, including the wage, fringe benefits, and equipment costs associated with approximately 100 full-time equivalent staff and the implementation of cost effective technological advances.

Program Series 4 — Emergency Medical Services

Purpose: To save lives and minimize disability to Ohio citizens and visitors by developing and continually enhancing a statewide, comprehensive, systematic response to injury, illness, and fire

The following table shows the line items that are used to fund the Emergency Medical Services program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
Highway Safety Fund (HSF)				
83M	765-624	Operating Expenses – Trauma and EMS	$2,587,627	$2,587,627
83P	765-637	EMS Grants	$5,836,744	$5,836,744
831	765-610	EMS/Federal	$582,007	$582,007
		Highway Safety Fund Subtotal	**$9,006,378**	**$9,006,378**
Total Funding: Emergency Medical Services			**$9,006,378**	**$9,006,378**

This analysis focuses on the Firefighters, Emergency Medical Technicians (EMTs), and EMS Grants program within the Emergency Medical Services program series.

Firefighters, Emergency Medical Technicians (EMTs), and EMS Grants

Program Description: The Division of Emergency Medical Services serves as the administrative arm of the State Board of Emergency Medical Services. The Division's services and activities include: (1) certifying and training of Ohio's emergency first responders, firefighters and emergency medical technicians (EMTs), fire safety inspectors, and fire and EMS instructors, (2) accrediting and approving EMS training sites and continuing education programs, and (3) administering $6-plus million in annual grant funding directed primarily to local EMS agencies in support of training and patient care equipment; a portion of grant funding is also earmarked for trauma injury prevention, medical research, and rehabilitation issues.

Funding Sources: (1) 98% of seat belt fine revenue, and (2) federal funds

Implication of the Enacted Budget: Based on the Department's budget request, it appears that the enacted budget provides funding sufficient to maintain FY 2005 service levels, including: (1) paying the wage and fringe benefits costs of around 30 full-time equivalent staff, (2) providing administrative support to the Board, (3) servicing the first responder community through education and certification, and (4) distributing training and equipment grants to over 800 local EMS agencies.

Program Series 5 Investigative Unit

Purpose: To primarily enforce Ohio 's liquor and food stamp laws.

The following table shows the line items that are used to fund the Investigative Unit program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund (GRF)				
GRF	769-321	Food Stamp Trafficking Enforcement Ops	$752,000	$752,000
		General Revenue Fund Subtotal	**$752,000**	**$752,000**
State Special Revenue Fund (SSR)				
5CM	767-691	Equitable Share Account	$642,175	$642,175
622	767-615	Investigative Contraband and Forfeiture	$404,111	$404,111
850	767-628	Investigative Unit Salvage	$120,000	$120,000
		State Special Revenue Fund Subtotal	**$1,166,286**	**$1,166,286**
Liquor Control Fund (LCF)				
043	767-321	Liquor Enforcement – Operations	$10,120,365	$10,423,976
		Liquor Control Fund Subtotal	**$10,120,365**	**$10,423,976**
Highway Safety Fund (HSF)				
831	767-610	Liquor Enforcement – Federal	$514,184	$514,184
831	769-610	Food Stamp Enforcement – Federal	$992,920	$1,032,135
		Highway Safety Fund Subtotal	**$1,507,104**	**$1,546,319**
Total Funding: Investigative Unit			**$13,545,755**	**$13,888,581**

This analysis focuses on the Investigations and Evidence program within the Investigative Unit program series.

Investigations and Evidence

Program Description: The Investigative Unit has four major enforcement responsibilities for laws, rules, and regulations pertaining to: (1) the illegal sale of alcohol beverages, (2) the illegal sale and/or trading of food stamp benefits, (3) the sale of tobacco to underage persons where a liquor permit premise is involved, and (4) the state's gambling laws and narcotics trafficking as they pertain to liquor permit premises.

Funding Sources: (1) Liquor sales, (2) seized assets and cash, (3) federal funds, and (4) sale of salvaged equipment

Implication of the Enacted Budget: From the Department's perspective, the Investigative Unit's future ability to maintain existing service levels will face a significant challenge, as, due to reductions in GRF funding in recent biennia, 20 investigator positions have been eliminated while the Unit's state and federal duties and responsibilities have remained the same. Thus, it is unclear whether, absent enhanced funding, the enacted budget provides sufficient moneys for the Unit to cover its ongoing costs of doing business in FYs 2006 and 2007, including the wage and fringe benefits expenses associated with the equivalent of roughly 130 full-time staff.

Program Series 6 — Emergency Management Agency

Purpose: To coordinate the activities of all state agencies charged with emergency management, address mitigation, preparedness, response, and recovery functions before, during, and after a disaster and minimize the effects of all hazards on the general public

The following table shows the line items that are used to fund the Emergency Management Agency (EMA) program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund (GRF)				
GRF	763-403	Operating Expenses – EMA	$4,164,697	$4,164,697
GRF	763-507	Individual and Households Program – State	$650,000	$650,000
		General Revenue Fund Subtotal	**$4,814,697**	**$4,814,697**
State Special Revenue Fund (SSR)				
4V3	763-662	EMA Service and Reimbursement	$696,446	$696,446
657	763-652	Utility Radiological Safety	$1,260,000	$1,260,000
681	763-653	SARA Title III HAZMAT Planning	$271,510	$271,510
		State Special Revenue Fund Subtotal	**$2,227,956**	**$2,227,956**
Federal Special Revenue Fund (FED)				
329	763-645	Federal Mitigation Program	$8,937,624	$8,937,624
337	763-609	Federal Disaster Relief – State Assistance	$27,269,140	$27,280,000
339	763-647	Emergency Management Assistance and Training	$129,622,000	$129,622,000
3N5	763-644	US DOE Agreement	$275,000	$275,000
		Federal Special Revenue Fund Subtotal	**$166,103,764**	**$166,114,624**
Total Funding: Emergency Management Agency			**$168,331,720**	**$168,342,580**

This analysis focuses on the following three specific programs within the Emergency Management Agency program series:

- ***Program 1: Operations, Planning, and Training***
- ***Program 2: Technical Support***
- ***Program 3: Mitigation and Recovery***

Program 1: Operations, Planning, and Training

Program Description: Under the Operations, Planning, and Training program, EMA staff: (1) act as a central point of coordination with county EMA programs, (2) manage the state's Emergency Operations Center (EOC), where agencies gather to coordinate response activities during a disaster, (3) disburse significant amounts of federal emergency management grant moneys annually to counties and other governmental entities, and (4) guide the development, implementation, and evaluation of emergency management planning, training, and exercises.

Funding Sources: (1) Federal funds, (2) GRF, and (3) grant moneys awarded by the state's Emergency Response Commission

Implication of the Enacted Budget: The Department's budget narrative suggests that, even though its requested level of funding for the program was provided under the enacted budget, it is unclear whether there will be sufficient moneys to cover the ongoing costs of doing business in FYs 2006 and 2007. It appears that additional actions may need to be taken to contain or reduce program costs, for example, the amount of training provided to other entities could be limited and funding to county EMAs might be reduced. The Department's budgetary plan called for sufficient moneys to be allocated for the wage and fringe benefits expenses associated with the equivalent of 50-plus full-time equivalent staff.

Program 2: Technical Support

Program Description: The Technical Support program involves: (1) oversight and development of county emergency management centers, (2) establishment and management of state emergency communications and warning systems, (3) support of all EOC functions and related personnel, (4) operation of the Ohio Radiological Instrument Maintenance and Calibration Laboratory, (5) liaison with the Nuclear Regulatory Commission, and (6) coordination of emergency preparedness efforts that involve radiological materials.

Funding Sources: (1) GRF, (2) federal funds, (3) Utility Radiological Safety Board assessments against nuclear electric utilities, and (4) fees generated from services provided under the STORMS maintenance contract and the radiological instrumentation contract

Implication of the Enacted Budget: The Department's budget narrative suggests that, even though its requested level of funding for the program was provided under the enacted budget, it is unclear whether there will be sufficient moneys to cover the ongoing costs of doing business in FYs 2006 and 2007. It appears that additional actions may need to be taken to cut program costs, including the possibility of reducing equipment purchases, delaying EOC building maintenance, leaving vacant staff positions temporarily or permanently unfilled, and decreasing county EMA funding for special projects and warning systems. The Department's budgetary plan called for sufficient moneys to be allocated for the wage and fringe benefits expenses associated with the equivalent of 30-plus full-time equivalent staff.

Program 3: Mitigation and Recovery

Program Description: The Mitigation and Recovery program: (1) provides funding assistance to help individuals and state and local governments recover from the impact of a disaster, and (2) supports the management and implementation of Ohio's mitigation efforts, which are intended to reduce or minimize the impact of future disasters on individuals, businesses, and property.

Funding Source: (1) Federal grants, (2) state moneys transferred from the Controlling Board's budget, and (3) GRF

Implication of the Enacted Budget: The enacted budget includes an additional $350,000 in GRF funding above the Department's requested amounts in each fiscal year for line item 763-403, Operating Expenses – EMA. This additional GRF funding is for payroll expenses related to managing the Individual Public Assistance and Mitigation Program. The federal government reimburses the state for funds used for this purpose. Also included is an additional $600,000 in GRF funding above the Department's requested amounts in each fiscal year for line item 763-507, Individual and Households Program – State. This additional GRF funding is to be used as the state match for disasters affecting individuals and households. The GRF funding was allocated to the line item so that the EMA does not have to come to the Controlling Board for smaller state match requests. The Department's budgetary plan called for sufficient moneys to be allocated for the wage and fringe benefits expenses associated with the equivalent of around 15 full-time staff.

Program Series 7 Homeland Security

Purpose: To coordinate homeland security activities among state agencies, local governments, and the private sector

The following table shows the line items that are used to fund the Homeland Security program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund (SSR)				
5B9	766-632	PI & Security Guard Provider	$1,188,716	$1,188,716
		State Special Revenue Fund Subtotal	**$1,188,716**	**$1,188,716**
Highway Safety Fund (HSF)				
840	764-617	Security and Investigations	$968,770	$979,237
		Highway Safety Fund Subtotal	**$968,770**	**$979,237**
Total Funding: Homeland Security			**$2,157,486**	**$2,167,953**

This analysis focuses on the Homeland Security program within the Homeland Security program series.

Homeland Security

Program Description: The Homeland Security program involves: (1) coordinating state, local, and private sector efforts to prepare for terrorist attacks and protect critical infrastructure and assets, (2) licensing and oversight of the private investigator and security guard industry, and (3) coordinating and implementing homeland security information sharing programs.

Funding Sources: (1) License fees for private investigators and security guards and for businesses in this industry, and (2) fines resulting from arrests made by Ohio State Highway Patrol troopers

Implication of the Enacted Budget: Based on the Department's budget request, it appears that the enacted budget provides funding sufficient to perform its duties and responsibilities, including the wage and fringe benefits costs of around 20 full-time equivalent staff.

Program Series 8 — Public Safety Revenue Distribution

Purpose: To hold funds until revenue is properly identified for disbursement.

The following table shows the line items that are used to fund the Public Safety Revenue Distribution program series, as well as the enacted funding levels

Fund	ALI	Title	FY 2006	FY 2007
Holding Account Redistribution Fund (090)				
R24	762-619	Unidentified Public Safety Receipts	$1,885,000	$1,885,000
R52	762-623	Security Deposits	$250,000	$250,000
		Holding Account Redistribution Fund Subtotal	**$2,135,000**	**$2,135,000**
Total Funding: Public Safety Revenue Distribution			**$2,135,000**	**$2,135,000**

This analysis focuses on the Revenue Distribution program within the Public Safety Revenue Distribution program series.

Revenue Distribution

Program Description: The Revenue Distribution program: (1) refunds certain contingent fees received by the Ohio State Highway Patrol to the appropriate individual, agency, or fund, (2) refunds or otherwise disburses moneys that at time of collection by the Bureau of Motor Vehicles were provisional in nature or for which proper identification or disposition could not immediately be determined, and (3) administers security deposits received from uninsured motorists involved in traffic accidents, and, upon notification by the court, makes payment to the injured party in the accident or returns the money to the depositor if no claim is made against the deposit.

Funding Sources: (1) Certain moneys collected by the Bureau of Motor Vehicles and the Ohio State Highway Patrol being held to effect refunds or to properly identify for distribution, and (2) security deposits made by uninsured individuals involved in traffic accidents

Implication of the Enacted Budget: The appropriated amounts contained in the enacted budget for the Revenue Distribution program appear to be sufficient for the Department to make payments or return moneys to the appropriate individuals or governmental entities.

Program Series 9 — Criminal Justice Services

Purpose: To primarily administer state and federal grant programs intended to support state and local criminal justice system-related activities

The following table shows the line items that are used to fund the Criminal Justice Services program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund (GRF)				
GRF	768-424	Operating Expenses – CJS	$965,899	$1,276,192
		General Revenue Fund Subtotal	**$965,899**	**$1,276,192**
State Special Revenue Fund (SSR)				
5BK	768-689	Family Violence Shelter Programs	$500,000	$650,000
5CC	768-607	Public Safety Services	$375,000	$325,000
		State Special Revenue Fund Subtotal	**$875,000**	**$975,000**
General Services Fund (GSF)				
4P6	768-601	Justice Program Services	$100,000	$100,000
		General Services Fund Subtotal	**$100,000**	**$100,000**
Federal Special Revenue Fund (FED)				
3AY	768-606	Federal Justice Grants	$11,200,000	$11,500,000
3L5	768-604	Justice Program	$31,019,750	$25,214,623
3V8	768-605	Federal Program Purposes FFY01	$50,000	$0
		Federal Special Revenue Fund Subtotal	**$42,269,750**	**$36,714,623**
Total Funding: Criminal Justice Services			**$44,210,649**	**$39,065,815**

This analysis focuses on the Criminal Justice Services program within the Criminal Justice Services series.

Criminal Justice Services

Program Description: The range of the Criminal Justice Services program's functions includes, but is not limited to: (1) disbursement of assorted federal criminal justice system-related grant moneys to various state and local recipients, (2) provision of research, development, needs assessments, and statistical analysis on emerging trends and updated criminal justice information, (3) improvement of the scope, functionality and quality of criminal and juvenile justice system information services throughout the state, (4) dissemination of information to prevent family violence and disbursement of state and federal grants to assist in establishing, maintaining, and expanding programs and projects to prevent family violence, and to provide immediate shelter and related assistance for victims of family violence and their dependents, and (5) maintenance of the Ohio Incident Based Reporting System (OIBRS).

Funding Sources: (1) federal funds, (2) GRF, (3) fees for birth records, death certificates, and divorce and dissolution of marriage decrees, (4) cash transferred from the Department of Commerce's State Fire Marshal's Fund (Fund 546), and (5) fees charged to law enforcement agencies for goods and services

Implication of the Enacted Budget: The enacted budget abolished the Office of Criminal Justice Services and transferred its personnel, functions, and operating budget to the newly created Division of Criminal Justice Services within the Department of Public Safety. The effect of the appropriated levels of state and federal funding can be summarized as follows:

- The Office of Criminal Justice Services requested funding to support 43 full-time equivalent (FTE) positions. It appears that the level of funding associated with its merger within the Department of Public Safety as the Division of Criminal Justice Services will likely result in a reduction of 14 funded positions, and that the Department will make an effort to reassign Criminal Justice Services staff to other departmental programs as necessary and appropriate.
- General Revenue Fund line items that were used exclusively to support development of the state's Criminal Justice Information System (CJIS) and to subsidize activities of the Center for Violence Prevention were eliminated.
- GRF grant moneys previously disbursed in the form of grants to assist in establishing, maintaining, and expanding programs and projects to prevent family violence, and to provide immediate shelter and related assistance for victims of family violence and their dependents have been eliminated and replaced with non-GRF funding generated in the form of fees for birth certificates, death certificates, and divorce and dissolution of marriage decrees.
- The non-GRF appropriations in each of FYs 2006 and 2007 will permit the Division of Criminal Justice Services to maintain Ohio Incident Based Reporting System (OIBRS).
- Roughly $30 million to $40 million or so will be disbursed annually in federal criminal justice system-related grants to various state and local recipients.

Program Series 10 Debt Service

Purpose: To support the retirement of bond debt related to various capital projects.

The following table shows the lone line item that is used to fund the Debt Service program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
Highway Safety Fund (HSF)				
036	761-401	Lease Rental Payments	$13,387,100	$14,407,000
		Highway Safety Fund Subtotal	**$13,387,100**	**$14,407,000**
Total Funding: Debt Service			**$13,387,100**	**$14,407,000**

The Debt Service program series only contains one program as noted below.

Debt Service

Program Description: The Debt Service program/line item 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.

Funding Sources: (1) Cash transferred from the Department of Transportation's Highway Operating Fund (Fund 002) to cover its portion of the Hilltop Building Project, (2) cash transferred from the State Bureau of Motor Vehicles Fund (Fund 4W4) to meet the Bureau's obligations for certain capital projects, and (3) moneys appropriated from the Highway Safety Fund (Fund 036) for all other bond projects

Implication of the Enacted Budget: The debt service funding level contained in the enacted budget will permit the state to meet its legal and financial obligations to the OBA in each of FYs 2006 and 2007.

Program Series 11 — Administration

Purpose: To provide centralized leadership and support for the Department's eight divisions.

The following table shows the line items that are used to fund the Administration program series, as well as the enacted funding levels

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund (GSF)				
4S3	766-661	Hilltop Utility Reimbursement	$500,000	$500,000
		General Services Fund Subtotal	**$500,000**	**$500,000**
Highway Safety Fund (HSF)				
036	766-321	Operating Expense – Administration	$4,461,836	$4,461,836
830	761-603	Salvage and Exchange – Administration	$22,070	$22,070
		Highway Safety Fund Subtotal	**$4,483,906**	**$4,483,906**
Total Funding: Traffic Safety and Education			**$4,983,906**	**$4,983,906**

This analysis focuses on the Program Management program within the Administration program series.

Program Management

Program Description: The Program Management program funds activities that maintain, facilitate, and enhance operations of various divisions of the Department. The program includes the offices of the Director, Business Services, Data Services, Fiscal Services, Human Resources, Information Technology, and Internal Audit. These offices provide the Department of Public Safety and other outside customers with a variety of resources, e.g., provides technical support and direction, prepares the state budget and acquires financial resources, provides a high public awareness of highway safety through a variety of campaigns, supplies data to a multitude of public and private customers, provides supplies and purchases services for the Department, ensures proper use of department equipment, monitors employee pay records, and manages personnel employee training, and benefits issues.

Funding Sources: (1) Fund 036, which receives revenues from the gas tax, vehicle registrations, driver licenses, and miscellaneous fees motor vehicle fuel tax, (2) charge-backs to other funds in the departments of Public Safety and Transportation, and (3) proceeds from the sale of motor vehicles and related equipment.

Implication of the Enacted Budget: Based on the Department's budget request, it appears that the enacted budget provides funding sufficient to maintain FY 2005 program management service levels, including the payroll costs associated with 40 full-time equivalent staff.

Public Utilities Commission of Ohio

Ross Miller, Senior Economist

- Funded primarily by assessments on regulated companies; no GRF funding
- Am. Sub. H.B. 66 accelerates payment of a portion of the assessments

OVERVIEW

Duties and Responsibilities

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.[22] The commercial carriers regulated by PUCO include railroad companies, commercial trucking companies, household moving companies, bus companies, towing 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." The PUCO is governed by five commissioners, including the chairman, who are appointed by the Governor for five-year terms.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
419*	$55.02 million	$54.74 million	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services payroll reports as of June 2005.

Many changes have come about in the utility industries in the past few years. Many aspects of the telephone, natural gas, and electric industries have been opened up to competition in a process known as restructuring; one might consider this concept synonymous with deregulation. Despite these efforts, the PUCO retains a transitional role in setting rates that utilities may charge their customers, and a more permanent role in monitoring the actions of utility companies to ensure that they provide customer service of at least the required level of quality, and to ensure that monopoly owners of pipeline, electric, and telephone networks truly provide access to their networks as required by law.

[22] 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 nonprofit entities.

The transportation regulation program has attained a higher profile since homeland security has emerged as an important concern of governments at both the state and federal levels. The Federal Motor Carrier Safety Administration (FMCSA) has recognized the PUCO as operating one of the best and most comprehensive transportation audit, compliance review, and enforcement programs in the United States.

Summary of FYs 2006-2007 Budget Issues

The enacted budget provides total funding of $55,017,608 in FY 2006, an increase of 8.6% compared to FY 2005 expenditures, and of $54,742,608 in FY 2007, a decrease of 0.5% from FY 2000. For the most part, the funding provided is for the continuation of current programs and operations. The appropriations for the main operating lines for motor carrier regulation – 870-625, Motor Transportation Regulation, and 870-608, Motor Carrier Safety – were increased by 15.3% and by 3.9%, respectively, compared with FY 2005 expenditures, but were not increased from their FY 2004 (or FY 2005) appropriation levels.[23]

The FY 2006 appropriation for the main operating line item for utility regulation, 870-622, Utility & Railroad Regulation, was increased by 4.9% compared to FY 2005 expenditures, and by $650,000 as compared with the FY 2005 appropriation. The $650,000 increase was intended to provide funding to expand the telephone call center for utility consumer complaints. Am. Sub. H.B. 66 (H.B. 66) included language requiring the PUCO to operate a telephone call center for consumer complaints and prohibiting the Office of Consumers' Counsel (OCC) from operating such a call center. It is expected that there will be an increase in call volume to the PUCO call center due to the referral of consumer complaints from OCC to PUCO. Also, the bill requires PUCO to "expeditiously provide the consumers' counsel with all information concerning residential consumer complaints" received by PUCO through the operation of its call center. PUCO officials indicate that the additional funding will be used to hire additional staff for the call center; this will be done gradually as the call center gains experience with the change in call volume. Also, they expect some reorganization of staffing, with the creation of a Customer Education and Contact Division within the existing Service Monitoring and Enforcement Department. Discussions with OCC officials are continuing, as of this writing, regarding how to implement both OCC forwarding complaints received by telephone to PUCO and a system for PUCO to provide information regarding complaints to OCC. Those discussions have not yet yielded final decisions about a number of implementation issues.

The three line items discussed above account for approximately 80% of the Commission's biennial appropriations. Appropriations to all other continuing line items were either maintained at the FY 2005 appropriation level for each year of the biennium, or reduced.

H.B. 66 established a new appropriation line item to fund the 9-1-1 Service Program that was created by Am. Sub. H.B. 361 of the 125th General Assembly. H.B. 361 created a new fund, the Wireless 9-1-1 Administrative Fund, and a revenue stream for the fund to help PUCO cover the costs of implementing the new program. The revenue stream is derived from monthly charges on cellular telephone customers' bills, and is expected to raise approximately the amounts appropriated to the new line item. The primary function of the new program is to administer the 9-1-1 Government Assistance Fund, which will provide assistance to counties and municipalities that implement wireless enhanced 9-1-1 services. This fund receives the substantial majority of the revenue raised by the monthly charges on telephone customers' bills.

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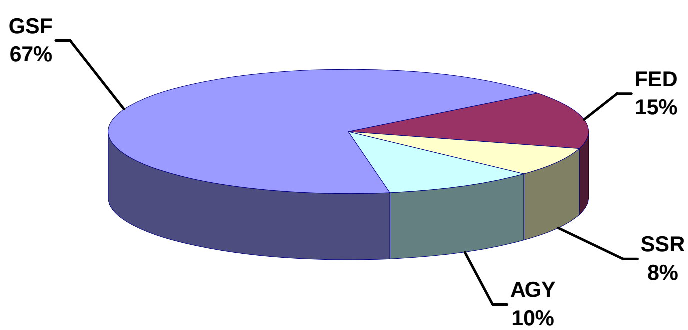
[23] The federal government wants states to expand their programs for monitoring new motor carrier companies, which will require additional personnel. The additional personnel can be hired with the budgetary resources provided by the enacted budget.

Operating costs for the PUCO are funded primarily by the assessments levied against railroads and utilities that are deposited into Fund 5F6. The enacted budget increases the minimum annual assessment against a railroad and a public utility from $50 to $100. It also revises the schedule by which the PUCO collects the assessments. Currently PUCO assesses these companies on or before October 1 of each year and the money is typically received in October. The current system requires the Director of Budget and Management to transfer money from the GRF to Fund 5F6 at the beginning of each fiscal year to cover operating costs until receipts from the assessment are received (at which time the amounts transferred are returned to the GRF). H.B. 66 will alter this schedule beginning in calendar year 2006, allowing PUCO to assess companies half the amount they were assessed on October 1 by the following May 15 if the company paid more than $1,000 in assessments for that fiscal year, with the amount assessed due by June 20. The remainder of the assessment would be payable on the current schedule. This provision essentially accelerates payment of the annual assessment, in the process increasing the total assessment paid in FY 2006, but not changing it significantly in future fiscal years. The acceleration means that approximately half of the assessment will be due by June 20 rather than in October.

The enacted bill also increases the maximum forfeiture amounts the PUCO is permitted to levy for violations of certain laws and rules. Specifically, it increases the amount the PUCO can assess for gas pipeline safety violations from $10,000 for each day of each violation to $100,000 per day (to a maximum of $500,000). It also increases the maximum amount the PUCO may assess for violations of statutes or orders by railroads and public utilities from $1,000 for each violation to $10,000. Any forfeiture amount collected as a result of these assessments is deposited into the GRF. The amount of revenue raised due to these provisions would depend on the degree of compliance of natural gas pipeline companies, railroads, and public utilities with state laws.

The PUCO has only one program series, the Utility Regulation program series. The following chart represents the breakdown of the enacted budget by Fund Group.

Total Budget by Fund Group



ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Public Utilities Commission of Ohio is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Utility Regulation

Purpose: To ensure Ohio residential and business customers access to adequate, safe, secure, and reliable utility services at fair prices, while facilitating an environment that provides competitive choices, and to achieve safe commercial transportation on public highways, on railroads, and at transportation facilities.

The following table shows the line items that are used to fund the Utility Regulation program series, as well as the appropriations in the enacted budget.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
4A3	870-614	Grade Crossing Protection Devices - State	$1,349,757	$1,349,757
4L8	870-617	Pipeline Safety - State	$187,621	$187,621
4S6	870-618	Hazardous Material Registration	$464,325	$464,325
4S6	870-621	Hazardous Materials Base State Registration	$373,346	$373,346
4U8	870-620	Civil Forfeitures	$284,986	$284,986
559	870-605	Public Utilities Territorial Administration	$4,000	$4,000
560	870-607	Special Assessment	$100,000	$100,000
561	870-606	Power Siting Board	$337,210	$337,210
5BP	870-623	Wireless 9-1-1 Administration	$650,000	$375,000
638	870-611	Biomass Energy Program	$40,000	$40,000
661	870-612	Hazardous Materials Transportation	$900,000	$900,000
		State Special Revenue Fund Subtotal	**$4,691,245**	**$4,416,245**
General Services Fund				
5F6	870-622	Utility and Railroad Regulation	$31,272,222	$31,272,223
5F6	870-624	NARUC/NRRI Subsidy	$167,233	$167,233
5F6	870-625	Motor Transportation Regulation	$5,361,239	$5,361,238
		General Services Fund Subtotal	**$36,800,694**	**$36,800,694**
Federal Special Revenue Fund				
3V3	870-604	Commercial Vehicle Information Systems/Networks	$300,000	$300,000
333	870-601	Gas Pipeline Safety	$597,957	$597,957
350	870-608	Motor Carrier Safety	$7,027,712	$7,027,712
		Federal Special Revenue Fund Subtotal	**$7,925,669**	**$7,925,669**

Fund	ALI	Title	FY 2006	FY 2007
Agency Fund				
4G4	870-616	Base State Registration Program	$5,600,000	$5,600,000
		Agency Fund Subtotal	**$5,600,000**	**$5,600,000**
Total Funding: Utility Regulation			**$55,017,608**	**$54,742,608**

This analysis focuses on the following specific programs within the Utility Regulation program series:

- ***Program 1: Safety and Service Quality Oversight***
- ***Program 2: Registration and Certification***
- ***Program 3: Tariff and Economic Oversight***

Program 1: Safety and Service Quality Oversight

Program Description: This program enforces service quality and safety standards on utilities and investigates consumer complaints against utilities, including natural gas, electric, telecommunications, and water utilities. The program enforces safety standards on railroads and motor carriers, and provides funding for training emergency responders in handling accidents involving hazardous materials (HAZMAT).

The program operates a call center for consumer complaints about utilities, which serves as the primary source for a total of over half a million contacts with consumers each year. PUCO tracks the status of each contact with its Contact Management System database. The information gathered via such consumer contacts serves to alert PUCO to patterns in customer service problems, and thus to situations that may require investigation of utilities. The program conducted over 100 safety inspections of natural gas pipelines in FY 2004. Chairman Schriber served on the U.S.-Canada Task Force investigating the August 14, 2003 blackout that affected northern Ohio and parts of Canada and the northeastern U.S., and PUCO staff worked with the task force in conducting the investigation. During FY 2004 this program collected over $3.1 million in civil forfeitures and penalties from utilities that were not in compliance with Ohio's rules and statutes; the resulting revenue was deposited into the GRF.

Monitoring service quality takes on a broader meaning in the partially deregulated environment of some Ohio utilities. While a number of companies are able to compete in providing utility services at the retail level, that ability to compete depends on comparable access to the distribution network owned, in most cases, by an incumbent utility. For example, electric generation was deregulated by S.B. 3, but the ability of a new entrant to provide electricity to customers depends on the ability of the new entrant to deliver the electricity generated to the customer. That requires access to the electric transmission and distribution network. New competitors in supplying natural gas and telephone services are similarly dependent on access to the relevant distribution networks. The PUCO monitors the markets for evidence that incumbent utilities are not providing the access that the law requires them to provide to competitors, at an acceptable quality.

PUCO personnel employed in this program cooperate with other state and federal agencies in protecting Ohio's citizens from unsafe practices by motor carriers and railroads. Personnel inspect vehicles employed by motor carriers and conduct audits of their records on drivers and vehicles. Of the $3.1 million in civil forfeitures collected during FY 2004 by this program, over $2 million came from motor carriers that were in violation of state laws. A significant portion of motor carrier auditing and inspecting activities is funded by a federal grant from the Federal Highway Safety Administration. The total amount received from three separate grants was slightly over $6.8 million in federal fiscal year 2004.

Personnel conduct inspections of rail industry structures and operational practices, and monitor railroad worker safety issues. In FY 2004 they participated in 94 grade crossing safety projects including 59 involving the installation of lights and gates.

Funds generated from the HAZMAT civil forfeiture program are used to fund training grants for emergency responders in handling HAZMAT situations. The program series distributes approximately $800,000 per year for this purpose, of which $400,000 goes to an established program at Cleveland State University and the balance goes to other educational institutions, state agencies, and political subdivisions.

Funding Sources: GSF, SSR, and FED: assessments on utilities and railroads, fees paid by motor carriers, filing and processing fees paid by electric and natural gas companies, state motor vehicle fuel taxes, and federal grants

Implication of the Enacted Budget: H.B. 66 provides sufficient funding to continue the program at its current level of service. It also provides funding to increase staffing in the telephone call center, and to implement operations for providing data derived from consumer complaints against utilities to the Office of Consumers' Counsel. The enacted budget includes an appropriation for operations of the new 9-1-1 Service Program; funding for the program was established by H.B. 361 of the 125th General Assembly.

Program 2: Registration and Certification

Program Description: The PUCO registers and certifies utilities to operate in Ohio. The Power Siting Board, supported by the activities of this program, issues permits for the construction of major electric generation, electric transmission, and natural gas transmission facilities in Ohio. This program has certified 700 telecommunication companies (e.g., local telephone companies, long-distance companies, cellular companies), 121 electric utilities (including brokers/aggregators and marketers), 134 natural gas companies, 27 water and sewer companies, 15 heating and cooling companies, and 5 gas pipeline companies.

Similarly, the PUCO registers and certifies motor carriers, HAZMAT haulers, and rail companies to operate in the state. This program has certified 66,275 interstate motor carriers, 8,245 intrastate motor carriers, 2,524 HAZMAT carriers, over 7,000 rail cars, 3,000 HAZMAT rail cars, 38 rail companies, and 5 water transportation carriers to operate in Ohio. The PUCO is the lead agency in implementing the federally mandated Commercial Vehicle Information Systems and Networks (CVISN) project. CVISN streamlines the licensing, registration, regulation, and taxation of commercial motor carriers. For motor carriers, CVISN represents a single contact point for all interactions with the state of Ohio, as opposed to contacting four separate agencies (the PUCO and the departments of Public Safety, Transportation, and Taxation).

This program also administers Ohio's participation in the Single State Registration Program (SSRP, formerly known as the Base State Registration Program). The SSRP allows trucking companies that operate on an interstate basis to register in one state only, their base state, rather than in every SSRP-participating state in which they operate. Currently 36 of the states participate in this federal program. Motor carrier registration fees that are ultimately to be transferred to other states are kept in a separate fund, Fund 4G4, and there is a separate appropriation line item to authorize spending from the fund.

Funding Sources: GSF, SSR, FED, and AGY: assessments on utilities and railroads, filing and processing fees paid by electric and natural gas companies, fees paid by motor carriers, and federal grants

Implication of the Enacted Budget: H.B. 66 provides sufficient funding to continue the program at its current level of service, with the possible exception of the Base State Registration Program line. The sufficiency of the appropriation for that line depends on whether additional states join the SSRP and on changes that the federal government may make to the program. The reduced appropriation amount could result in Ohio not being able to fulfill obligations to other states under the SSRP.

Temporary and Permanent Law Provisions: The enacted budget creates the Commercial Vehicle Information Systems and Networks Fund in the state treasury to receive funding from a federal grant conferred by the U.S. Department of Transportation. These funds are to be used to deploy the Ohio Commercial Vehicle Information Systems and Networks Project. This fund has been created by each main operating budget bill since Am. Sub. H.B. 94 of the 124th General Assembly. It has not been created in statute because the federal funding that is its source is temporary.

Program 3: Tariff and Economic Oversight

Program Description: This program continues the traditional business of the PUCO of setting the rates (i.e., tariffs) that utilities are able to charge customers in those markets that remain noncompetitive. It settles disputes between utilities through mediation, arbitration, and adjudication. The program also monitors markets that are considered to have become competitive to prevent the possibility of market manipulation of the type that the Federal Energy Regulatory Commission determined that California experienced in 2000 and 2001. Due to the emerging need to monitor the financial activities of regulated utilities and their affiliated companies, PUCO established a Financial Analysis and Auditing Division. This division will work to prevent the financial stability of a regulated utility being undermined by resources being diverted from that regulated utility to an unregulated affiliate.

The electric restructuring law, S.B. 3, defined market development periods (MDPs) for the electric utilities; those periods will end on December 31, 2005. The PUCO adopted rules for electric utilities to determine a market-based standard service offer following the end of the MDPs. Under these rules, and as of February 2005, PUCO has approved rate stabilization plans for four of the electric utilities in Ohio: Dayton Power and Light, Cincinnati Gas and Electric, AEP, and First Energy.

Funding Sources: GSF and SSR: assessments on utilities and railroads, filing and processing fees paid by electric and natural gas companies, fees paid by motor carriers, special assessments on utilities, a grant from the Council of Great Lakes

Implication of the Enacted Budget: The enacted budget provides sufficient funding to continue the program at its current level of service.

Public Works Commission

Jonathan Lee, Senior Analyst

- The budget allows for implementation of program years 19 and 20 of the SCIP and LTIP programs, and program years 3 and 4 of the Clean Ohio program
- Current service and staffing levels will be maintained over the biennium

OVERVIEW

Duties and Responsibilities

The Public Works Commission (PWC) administers the State Capital Improvement Program (SCIP), the Local Transportation Improvement Program (LTIP), and a portion of the Clean Ohio Conservation Program (COCP). These programs provide grants and loans to local governments for local infrastructure projects, as well as brownfields revitalization and open space acquisition. The SCIP receives funding from infrastructure bonds, the LTIP receives funding from one cent of the motor fuel tax, and the COCP receives funding from Clean Ohio bonds. Administration of the programs requires coordination among local government officials, landowners, metropolitan planning organizations, and various state agencies.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
12	$241.90 million	$256.85 million	$174.42 million	$189.31 million	Am. Sub. H.B. 66 Am. Sub. H.B. 68

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Summary of FYs 2006-2007 Enacted Budget Issues

The enacted budget provides $242 million in FY 2006 and $257 million in FY 2007, for a total of $499 million over the biennium. GRF appropriations are the lion's share of PWC's budget and are used solely to service the debt on SCIP bonds and Clean Ohio bonds. Overall, GRF funding in FY 2006 increases 10.8% above FY 2005 spending, and FY 2007 levels increase 8.5% above FY 2006 appropriations. Non-GRF funding largely supports the LTIP program, which received level funding at $66 million each year of the biennium. The enacted budget also provides approximately $3 million in non-GRF appropriations to support the operating expenses of the SCIP, LTIP, and Clean Ohio program.

Overall, the enacted budget will allow the PWC to maintain current service and staffing levels, as well as provide for a 4% cost of living adjustment, merit increases, healthcare costs, travel, and bond counsel fees.

Funding Sources

PWC's funding is appropriated in several bills. The main appropriations bill contains the debt service appropriations for the SCIP and the COCP, as well as operating dollars for the latter program. The transportation budget bill, Am. Sub. H.B. 68 of the 126th General Assembly, contains the operating dollars for the LTIP and the SCIP, as well as the capital dollars for the LTIP. Also, the capital bill and the capital reappropriations bill contain the capital dollars for the SCIP.

State Issue 1 and Future SCIP Funding

State Issue 1, a $2 billion funding issue on the November 2005 ballot, authorizes the state to issue general obligation bonds for the purposes of local government public infrastructure capital improvements, research and development, the development of certain sites and facilities, and to expand state and local government authority regarding economic development. A total of $1.35 billion in general obligation bonds with a maximum of 30 years' maturity period may be issued for local government public infrastructure capital improvement purposes.

The new issuances are estimated to start in December 2009 and continue each year until 2018 (or later). These new bonds will not be issued until the prior constitutional authority for the same purpose has been exhausted. There is approximately $240 million in remaining authority to be issued. The proceeds will continue to be distributed to each of the PWC's 19 District Public Works Integrating Committees (DPWIC) through the SCIP program, and debt service on the bonds will be paid from the General Revenue Fund.

Vetoed Provisions

The Governor did not veto any provisions affecting the Public Works Commission.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Public Works Commission is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Aid to Local Government Improvements

Purpose: To provide grants and loans to address Ohio's local public infrastructure needs.

The following table shows the line items that are used to fund the Aid to Local Government Improvements program series, as well as the enacted appropriation levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	150-904	Conservation General Obligation Debt Service	$13,687,300	$17,168,800
GRF	150-907	State Capital Improvements General Obligation Debt Service	$160,731,400	$172,145,100
		General Revenue Fund Subtotal	**$174,418,700**	**$189,313,900**
Clean Ohio Revitalization Fund				
056	150-403	Clean Ohio Operating Expenses	$298,245	$311,509
		Clean Ohio Revitalization Fund Subtotal	**$298,245**	**$311,509**
Local Transportation Improvement Fund				
052	150-402	LTIP-Operating	$294,245	$306,509
052	150-701	Local Transportation Improvement Program	$66,000,000	$66,000,000
		Local Transportation Improvement Fund Subtotal	**$66,294,245**	**$66,306,509**
Local Infrastructure Improvement Fund				
038	150-321	SCIP-Operating	$891,324	$919,397
		Local Infrastructure Improvement Fund Subtotal	**$891,324**	**$919,397**
Total Funding: Public Works Commission			**$241,902,514**	**$256,851,315**

The Aid to Local Government Improvements program series includes three programs:

- ***Program 1.01: State Capital Improvement Program (SCIP)***
- ***Program 1.02: Local Transportation Improvement Program (LTIP)***
- ***Program 1.03: Clean Ohio Conservation Program (COCP)***

Program 1.01 – State Capital Improvement Program (SCIP)

Program Description: The SCIP uses infrastructure bond proceeds to provide grants and loans to local governments for improvement of their infrastructure systems. Bond issuing authority is provided in Section 2m, Article VIII of the Ohio Constitution. Each year approximately $120 million in bonds are issued to provide the grants and loans. Eligible projects include improvements to roads, bridges, culverts, water supply systems, wastewater systems, storm water collection systems, and solid waste disposal systems. The SCIP also has two subprograms, the Small Government Program, which sets aside $12 million each fiscal year for villages and townships less than 5,000 in population, and the Emergency Assistance Program, which provides $2.5 million for infrastructure emergencies.

Funding Sources: Bond issuances; GRF used for debt service

Implication of the Enacted Budget: The enacted budget will allow debt service payments to continue as scheduled, and will allow the PWC to implement program years 19 and 20 of the SCIP. The PWC estimates they will approve over 1,144 projects over these program years, resulting in over $276 million in financial assistance.

Program 1.02 – Local Transportation Improvement Program

Program Description: The LTIP provides grants to assist in the costs associated with local road and bridge projects. Grants are distributed on a per capita basis and are used to make cash payments to consultants and contractors for work performed on behalf of the local government. The majority of grants are distributed to cities and counties.

Funding Source: One cent of the motor fuel tax

Implication of the Enacted Budget: The enacted budget will maintain current program and staffing levels and allow the PWC to implement program years 19 and 20 of the LTIP. The Commission estimates this will result in the approval of 220 projects representing over $132 million in grants over the biennium.

Program 1.03 – Clean Ohio Conservation Program

Program Description: The Clean Ohio Conservation Program (COCP) was created by Am. Sub. H.B. 3 of the 124th General Assembly. This program provides grants for brownfields revitalization projects and open space acquisition. The COCP consists of two funds: the Clean Ohio Revitalization Fund (which is administered by the Department of Development and the Ohio Environmental Protection Agency) and the Clean Ohio Conservation Fund (which is administered by the Public Works Commission).

Grant funding is from bond sales, of which 75% is used for open space acquisition, 12.5% for agricultural easements, and 12.5% for recreational trail construction. One bond is usually issued in a calendar year and the funds are disbursed over a two-year program. The COCP provides cash payments to various property owners to acquire and provide access improvements to open space and enhance riparian corridors. The program primarily services local governments in Ohio, nonprofit organizations, and consultants and contractors hired to perform work on approved projects.

Funding: GRF and investment income; the GRF supports the program's debt service payments and bond investment income pays for the program's operating expenses.

Implication of the Enacted Budget: The enacted budget will allow debt service payments to continue as scheduled and will allow current service and staffing levels to be maintained. The PWC will implement program years 3 and 4 of the COCP over the biennium. The PWC estimates they will approve over 250 projects over these program years resulting in over $75 million in financial assistance.

Ohio State Racing Commission

Phil Cummins, Economist

- The Commission promotes and regulates Ohio horse racing on which pari-mutuel betting is permitted
- This agency's budget, all non-GRF, depends on fees and a share of wagering on these horse races

OVERVIEW

The Ohio State Racing Commission (RAC) promotes and regulates horse racing in Ohio. Its five members are appointed to four-year terms by the Governor.

Duties and Responsibilities

The Racing Commission prescribes rules under which horse racing with pari-mutuel wagering may be conducted, licenses participants, and oversees races at seven commercial tracks and most of Ohio's county fairs. It contracts for laboratory testing of specimens collected from horses and sometimes also from humans. It promotes horse racing by providing purse subsidies and supplements that encourage breeding and racing. The Racing Commission employs administrators, inspectors, and investigators, and contracts with officials and veterinarians at tracks.

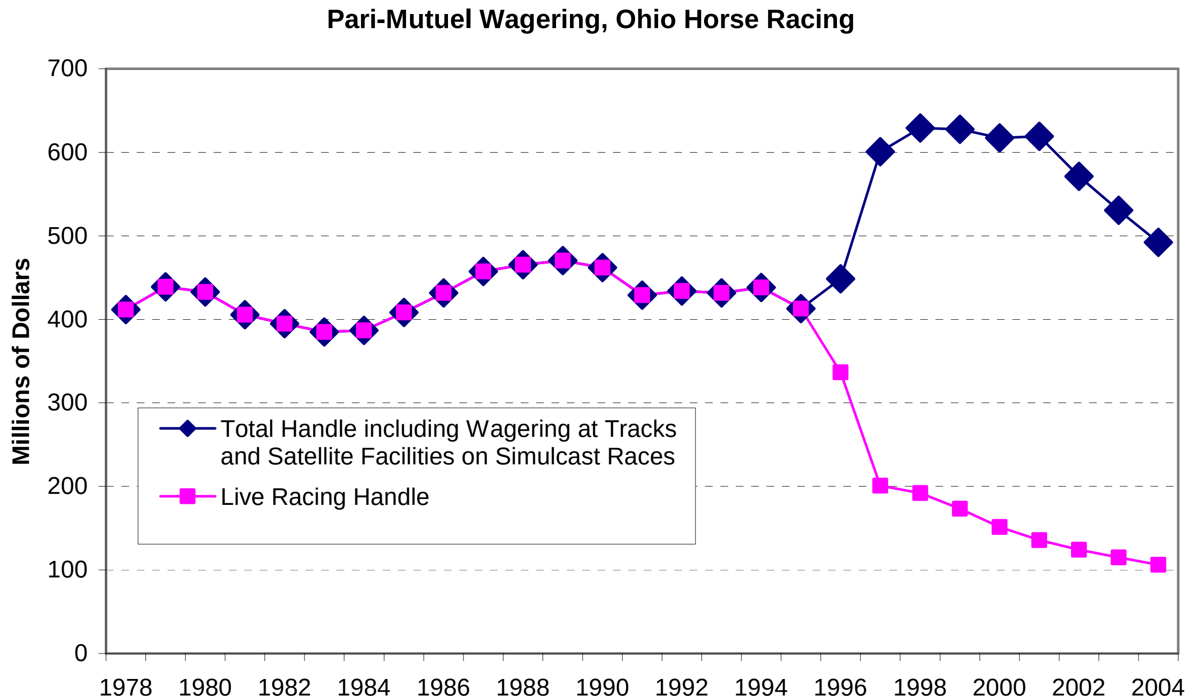
The Commission's budget consists of five state special revenue funds and one holding account redistribution fund. Commissions on wagers on simulcast horse races account for about two-thirds of RAC's receipts. Simulcast wagering, on live races elsewhere, takes place at Ohio's commercial tracks and at 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 and from 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. As of August 2005, the Racing Commission had 16 full-time and 4 part-time employees, not including stewards, judges, veterinarians, or the 5 Commission members.

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. The total of pari-mutuel betting at live horse races in Ohio as well as simulcast and satellite wagering peaked in 1998, as shown in the accompanying chart. The amount bet is referred to as the handle. The decline since 1998 appears to be partly a reflection of the 2001 recession and slow recovery in the economy and partly due to competition from out-of-state gambling venues and Internet betting. (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. The Racing Commission does not currently receive revenues from bets placed through the Internet.

The ability of tracks in other states to offer larger purses is in part a result 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 racetracks 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.

Two sources of funding to the Racing Commission expired at the end of FY 2005. The budget bill for the 125th General Assembly directed an additional one-quarter percent of wagers other than win, place, or show, referred to as exotic wagers, to the Racing Commission for two years. This added revenue, nearly $900,000 per year, ended June 30. The budget bill for the 126th General Assembly took away interest earnings previously credited to two of the Racing Commission's funds, also effective June 30.

The Racing Commission has coped with these financial stringencies in various ways. Staffing was cut in 2005 through an early retirement program. Vacated positions were left unfilled. One inspector is being employed at each commercial track, instead of two as in the past, and some inspectors are part-time. Travel by inspectors that is eligible for reimbursement has been reduced. Two investigators are employed, down from three in the past, and the agency has reduced the number of state cars it uses, also to two. A charge of $40 to $54.50 per race at the seven commercial tracks is being deducted from purse money to pay part of the cost of drug testing. Use of digital licenses is expected to save $22,000 per year.

The Racing Commission's long-time relationship with the laboratory at the Ohio State University College of Veterinary Medicine is ending in September 2005. Beginning in October and continuing through June 2007, drug testing is to be performed for the Commission by a laboratory in Ohio's Department of Agriculture. The Racing Commission plans to seek bids on a contract to do its testing beginning in July 2007.

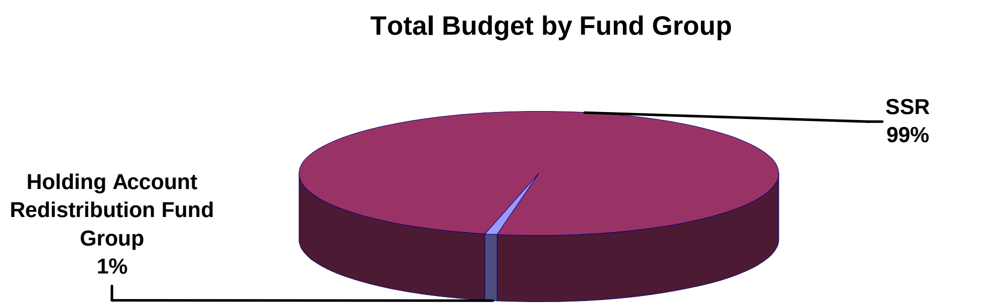
Agency in Brief

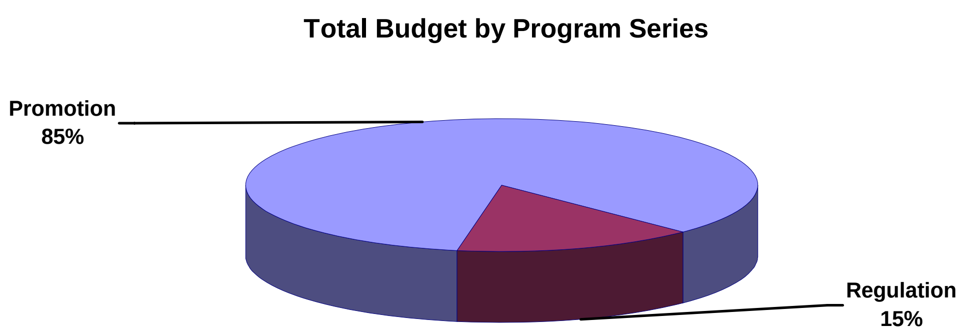
Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
24	$29.08 million	$29.08 million	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

No provisions of Am. Sub. House Bill 66 affecting the Racing Commission were vetoed.





ANALYSIS OF THE ENACTED BUDGET

Program Series 1 Promotion

Purpose: To promote horse racing in Ohio.

The following table shows the line items that are used to fund the promotion program and the enacted funding levels. Note that the amounts shown for the first three of these line items are less than the full amounts budgeted for those line items, with the rest included in the regulation program.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
SSR 5C4	875-607	Simulcast Horse Racing Purse	$17,000,000	$17,000,000
SSR 562	875-601	Thoroughbred Race Fund	$4,519,128	$4,519,128
SSR 563	875-602	Standardbred Development Fund	$3,094,810	$3,092,082
SSR 564	875-603	Quarterhorse Development Fund	$2,000	$2,000
		State Special Revenue Fund Subtotal	**$24,615,938**	**$24,613,210**
Total Funding: Promotion			**$24,615,938**	**$24,613,210**

This analysis focuses on the following specific programs within the promotion program series:

- ***Simulcast Horse Racing Purse***
- ***Thoroughbred Race Fund***
- ***Standardbred Development Fund***
- ***Quarterhorse Development Fund***

Simulcast Horse Racing Purse

Program Description: Simulcasting is a process of presenting horse races from tracks other than the one where live racing is occurring. By simulcasting races, a track can present more races on which fans can wager, increasing revenues for track and horse owners. A portion of every wager on a simulcast race is returned to the track, to horsemen's associations, race purses, and the state. Monthly distributions to purse accounts are made according to a formula based on average amounts wagered at all tracks on live racing days.

Funding Source: The Simulcast Horse Racing Purse Fund receives revenues from a portion of the wagers placed at commercial tracks when no live races are scheduled. The Ohio State Racing Commission collects the funds and then redistributes them to permit holders to be used for horsemen's purse accounts. Interest on money in this account was previously credited to the account, but instead goes to the GRF effective in FY 2006.

Implication of the Enacted Budget: The amounts appropriated for the Simulcast Horse Racing Purse Fund for FY 2006 and FY 2007 are somewhat more than actual outlays during FY 2005, when expenditures fell. If the downtrend in simulcast wagering continues, the amount of spending from this account may be less than was budgeted.

Thoroughbred Race Fund

Program Description: The Thoroughbred Program provides purse subsidies for various overnight/stake races, supplements purses for registered thoroughbreds that win open races, and provides broodmare and stallion awards to breeders of winning registered horses. It also funds equine research that is currently conducted at the Ohio State University Analytical Toxicology Laboratory.

Funding Source: 1.125% of pari-mutuel special account wagering on thoroughbred racing and 0.52% of pari-mutuel wagering on commercial harness racing plus one-twelfth of 3% of exotic wagering on thoroughbred racing

Implication of the Enacted Budget: The amount appropriated for the Thoroughbred Race Fund for each of FY 2006 and FY 2007 is considerably more than the amount actually spent during FY 2005. If the downtrend in wagering continues, the amount of spending from this account may be less than budgeted.

Standardbred Development Fund

Program Description: By providing purse subsidies for the Ohio Sires Stakes series of races, the Fund encourages breeding and racing in the state. The Standardbred Program also provides funds for research and testing.

Funding Source: 1.125% of pari-mutuel wagering on harness racing plus one-twelfth of 3% of exotic wagering on harness racing. Interest on money in this account was previously credited to the account, but instead goes to the GRF effective in FY 2006.

Implication of the Enacted Budget: The amounts appropriated for the Standardbred Development Fund for FY 2006 and FY 2007 exceed the amount actually spent during FY 2005. If the downtrend in wagering continues, the amount of spending from this account may be less than this.

Quarterhorse Development Fund

Program Description: The Quarterhorse Program provides quarterhorse racing purse subsidies. Few quarterhorse races are run in Ohio.

Funding Source: This program is funded completely by the Quarterhorse Development Fund. The Fund receives 0.625% of pari-mutuel wagering on quarterhorse racing plus one-twelfth of 3% of exotic wagering on quarterhorse racing.

Implication of the Enacted Budget: The amount appropriated for this subsidy account for each of FY 2006 and FY 2007, $2,000, matches the amount budgeted for FY 2005 and should be adequate.

Program Series 2 Regulation

Purpose: To regulate horse racing in Ohio.

The following table shows the line items that are used to fund the regulation program. Amounts shown for the simulcast, thoroughbred, and standardbred funds pay the costs for Racing Commission staff members who regulate those activities.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
SSR 5C4	875-607	Simulcast Horse Racing Purse	$61,489	$63,948
SSR 562	875-601	Thoroughbred Race Fund	$123,250	$123,250
SSR 563	875-602	Standardbred Development Fund	66,865	69,593
SSR 565	875-604	Racing Commission Operating	$4,000,000	$4,000,000
		State Special Revenue Fund Subtotal	**$4,251,604**	**$4,256,791**
Holding Account Redistribution Fund Group				
R21	875-605	Bond Reimbursements	$212,900	$212,900
		Holding Account Redistribution Fund Subtotal	**$212,900**	**$212,900**
Total Funding: Regulation			**$4,464,504**	**$4,469,691**

This analysis focuses on the following specific programs within the program series:

- ***Racing Commission Operating***
- ***Bond Reimbursements***

Racing Commission Operating

Program Description: The majority of the Commission's funding for administration is used for regulation of the horse racing industry in Ohio. Licensing is a large part of this responsibility. There are currently 60 categories of licensees listed on the Commission's website. The licensing program requires potential licensees to submit to fingerprinting sanctioned by the Ohio Bureau of Criminal Identification and the FBI. Licenses are approved by state stewards and presiding judges and issued by inspectors.

Two investigators are employed by the Commission to police the commercial tracks. They work closely with stewards and judges. Investigators examine computer printouts that detail betting patterns, investigate public complaints related to the outcomes of races, and search stable areas when they suspect that illegal activity is occurring. They complete investigations ranging from routine inquiries to full-scale operations.

The Commission also tracks the flow of dollars wagered in the state to ensure that Ohio tracks comply with wagering laws. It conducts an annual audit of the bank account records, receipts, and payments of the permit holder selected as Ohio's collection and settlement agent and investigates when a track or the collection and settlement agent fails to collect, pay, disburse, or account for money and fees. If necessary, the Commission must enforce payment to or by the collection and settlement agent.

The Racing Commission Operating Fund provides funding for most of RAC's employees. Purchased services also make up a significant portion of the Racing Commission's budget. This money funds the stewards, judges, and veterinarians who help regulate the racing industry. Stewards and judges represent the Racing Commission at racetracks, acting essentially as "referees." Stewards oversee thoroughbred tracks and judges oversee standardbred tracks. Veterinarians are responsible for drug testing at all commercial tracks. Following each race the veterinarian collects a test sample of the winning horse's blood or urine for the purpose of analysis. In addition, for two races on each racing day, samples are collected from every horse entered. Human samples are sometimes also collected. The samples are processed by the laboratory with which the Racing Commission contracts.

Funding Sources: Fees collected (license, fingerprinting, registration, permit, etc.) and a share of the horse racing wager tax

Implication of the Enacted Budget: The amount budgeted for the Racing Commission Operating Fund for each of FY 2006 and 2007, $4,000,000, is about 2% more than actual outlays during FY 2005. As detailed above, the Commission has instituted numerous efficiency measures to operate within this budget.

Bond Reimbursements

Program Description: Permit holders are required to post performance bonds. In addition, if a licensee is found to have violated one of the Commission's rules, the individual is entitled to appeal the decision. Individuals who appeal rulings must deposit a bond with the Commission. The Bond Reimbursement Fund receives these bond deposits. This fund was established on January 1, 1986, replacing an earlier fund used for the same purpose.

Funding Sources: Performance bonds collected from permit holders and bonds posted by appellants

Implication of the Enacted Budget: The amount enacted for this account for each of FY 2006 and FY 2007, $212,900, exceeds actual FY 2005 reimbursements and should be ample.

Ohio Board of Regents

David Price, Senior Analyst
Zak Talarek, Budget Analyst

- State Share of Instruction held nearly flat at $1.559 billion for FY 2006, then increases by $30 million to $1.589 billion for FY 2007
- Tuition-increase caps set at the lesser of 6% above previous year or $500 per full-time student
- New program, Ohio College Opportunity Grant, receives $58.1 million in FY 2007

OVERVIEW

Duties and Responsibilities

The Ohio Board of Regents coordinates a higher education system that consists of 62 state-assisted colleges and universities, including 13 universities, 24 university regional campuses, two separate medical colleges, 15 community colleges, and eight technical colleges. The system served a total enrollment of 474,136 students in the autumn of 2004.

The Regents' 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. Higher education is considered to help provide the educated labor force necessary for a vigorous economy. In higher education, citizens and industry are provided access to an array of research and technological knowledge. The Regents is 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.

The 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 (nonvoting) members of the board are the chairpersons of the education committees of the Senate and House of Representatives. Day-to-day administration of the board's staff agency is the responsibility of a chancellor, who is appointed by the board and is the Regents' chief administrative officer.

Agency in Brief

Agency In Brief: Board of Regents					
Number of Employees *	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
79	$2.49 billion	$2.57 billion	$2.47 billion	$2.55 billion	Am. Sub. H.B. 66

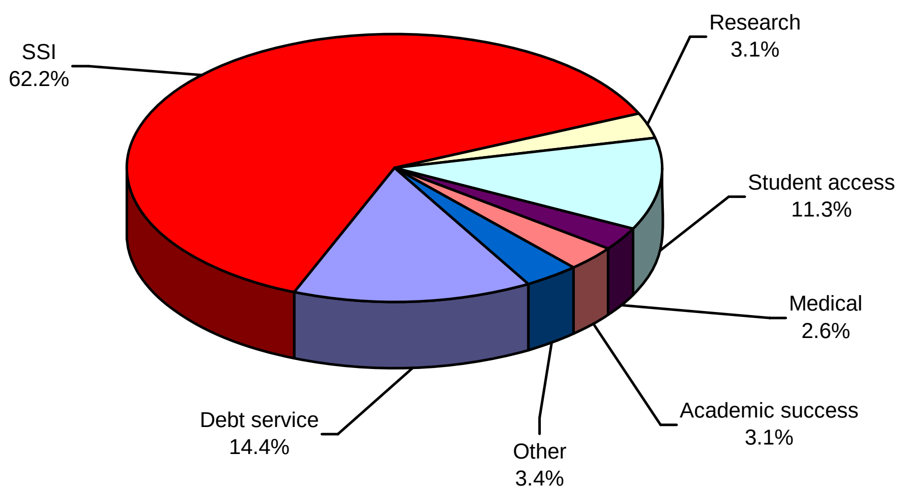
* Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

For the Regents, the total budget for FY 2006 provides an increase of $32.0 million (1.3%) over the FY 2005 expenditure level of $2.461 billion, while the increase for FY 2007 over FY 2006 is $79.1 million (3.2%). The biennial total budget of $5.065 billion is a 3.6% increase over the previous biennium's $4.887 billion.

For the GRF portion of the budget, which comprises 99.1% of the total, the amount for FY 2006 is a $27.6 million (1.1%) increase from the FY 2005 expenditure level of $2.442 billion; the FY 2007 increase over FY 2006 is $78.9 million (3.2%). The biennial GRF budget of $5.017 billion is a 3.4% increase over the previous biennium's $4.852 billion.

The Regents' budget is appropriated across some 81 appropriation items, of which 63 are funded by the GRF. The items are organized into 12 program series, which are groups of similarly oriented appropriations. The chart below shows the Regents' FY 2006-2007 biennial budget by the major program series. As can be seen, program series 1, the state share of instruction (SSI) dominates the budget at 62.2%. The SSI is the largest single source of state support to Ohio's public higher education. Following in size is program series 2, debt services, at 14.4%, and program series 4, student access, at 11.3%. While the debt services program series provides funds for the servicing of debt obligations incurred by the state for higher education capital improvements, the student access series contains various financial aid and scholarships to increase college access and participation in higher education. These three program series account for 87.9% of the total biennial budget. The remaining 12.1% of the budget is spread across the other 12 program series.

Board of Regents' budget components, FY 2006-2007 biennium



ANALYSIS OF THE ENACTED BUDGET

Due to the size and complexity of the Board of Regents' budget, only major programs or programs with major changes are discussed in each program series. For a description of each line item, please see the Catalogue of Budget Line Items (COBLI), which is available on the LSC web site.

Program Series 1 — College and University Instructional Foundations

Purpose: To provide basic state support for instructional and general operations and activities at Ohio's 62 public colleges and universities.

The following table shows the line items that are used to fund the College and University Instructional Foundations program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	235-501	State Share of Instruction	$1,559,096,031	$1,589,096,031
		General Revenue Fund Subtotal	**$1,559,096,031**	**$1,589,096,031**
Total Funding: College and University Instructional Foundations			**$1,559,096,031**	**$1,589,096,031**

The College and University Instructional Foundations program series contains just one program, the State Share of Instruction (SSI), which, in turn, consists of just one appropriation item, 235-501, State Share of Instruction. The enacted budget's FY 2006 appropriation for the SSI is a slight $366,413 (0.02%) increase over the $1,558.7 million for FY 2005; the FY 2007 amount provides a $30.0 million (1.8%) increase over FY 2006. The total biennial appropriation of $3.148 billion constitutes a $55.6 million (1.8%) increase over the FY 2004-2005 biennium. The SSI comprises 62.2% of the Regents' total budget for the FY 2006-2007 biennium.

State Share of Instruction: The SSI serves as the state's primary financial support to higher education in Ohio. It provides unrestricted operating subsidies to Ohio's 62 public colleges and universities. These funds defray a portion of the costs of providing instructional support, student services, and plant operations and maintenance for the approximately 355,000 full-time equivalent students (FTEs) enrolled in Ohio's colleges and universities. (An FTE is assumed to be taking 15 credit hours per quarter or the equivalent.) In FY 2005, it is estimated that the SSI covered approximately 38% of the institutions' instructional and related costs for nondoctoral students.

The SSI is distributed to campuses in approximately equal monthly payments during a given fiscal year through an expenditure-based empirical formula that is primarily driven by enrollment and the level and type of instruction that is being provided (e.g., undergraduate versus graduate education, or social sciences versus natural sciences). The enacted budget updates relevant parameters used in the distribution formula and sets the annual stop-loss or funding guarantee in each fiscal year at 97% of a campus's SSI allocation for the previous year. It set asides up to 10.34% of the SSI appropriation to subsidize doctoral students by a separate allocation method. An overview of the SSI formula, how the formula works, and an example are provided in "The State Share of Instruction Funding Formula" section in the Legislative Service Commission's 2005 Redbook on the Board of Regents.[24]

The enacted budget sets the limitations on increases in in-state undergraduate instructional and general fees (known as the tuition caps) at state institutions of higher education. For each academic year of the biennium the limitation is the lesser of 6% of the amount charged in the prior academic year or $500 per full-time student.

The enacted budget creates the Higher Education Funding Study Council, which is to review all aspects of higher education funding, including appropriation items, and recommend changes; in addition, it will review the instructional and general fees and room-and-board charges at the 13 state universities with the intent of setting limits on future increases in these fees and charges. The Council is to report its findings to the Governor, the Speaker of the House of Representatives, and the President of the Senate by May 31, 2006.

The enacted budget also requires the Regents to conduct three studies and report the results to the Higher Education Funding Study Council by April 15, 2006. The first study will determine the feasibility of distributing a portion of GRF appropriation item 235-501, State Share of Instruction, based on campus administrative and operational efficiency. The second study will examine the feasibility of distributing a portion of the SSI based on the number of Ohioans who are awarded degrees and certificates. The third study will consider the feasibility of devising a performance-based grant to provide incentives to all access campuses to increase the number and proportion of Ohio students who receive a certificate or an associate degree or who transfer to a four-year institution of higher education.

Tables 1 through 4 below show the actual SSI amounts for FY 2005 and the estimated SSI amounts calculated by the Regents for FY 2006 and FY 2007 for universities, university branches, community colleges and state community colleges, and technical colleges. Note that the projections for FY 2007 assume that the additional $30 million is allocated in the same manner as the current formula.

Table 1: Projected SSI Amounts for Universities

Institution	FY 2005 Actual	FY 2006 Projected	FY 2007 Projected*
University of Akron	$81,711,143	$81,609,023	$83,452,452
Bowling Green	$74,216,936	$71,990,428	$71,062,493
Central State	$5,797,491	$5,623,566	$5,758,684
University of Cincinnati	$140,384,295	$140,138,027	$147,320,901
Cleveland State	$63,255,662	$62,385,960	$62,745,764
Kent State	$83,185,386	$83,974,637	$85,177,409
MCOT	$23,943,312	$23,513,223	$24,373,215
Miami University	$58,354,436	$56,603,803	$54,905,689
NEOUCOM	$11,084,946	$10,631,386	$10,279,568
Ohio State	$301,898,378	$306,629,323	$311,851,066
Ohio University	$102,353,948	$99,283,330	$98,174,572
Shawnee State	$10,282,796	$10,662,047	$11,195,322

[24] The Redbook can be accessed on the LSC web site at www.lsc.state.oh.us under Budget Documents.

Table 1: Projected SSI Amounts for Universities			
Institution	**FY 2005 Actual**	**FY 2006 Projected**	**FY 2007 Projected***
University of Toledo	$77,812,626	$75,478,247	$75,735,656
Wright State	$71,618,359	$71,106,676	$72,396,414
Youngstown State	$40,434,478	$39,221,444	$39,976,886
Subtotal	$1,146,334,193	$1,138,851,120	$1,154,406,089

*Assumes that the additional $30 million in FY 2007 will be allocated based on the current SSI formula.

Table 2: Projected SSI Amounts for University Branches			
Institution	**FY 2005 Actual**	**FY 2006 Projected**	**FY 2007 Projected***
Akron-Wayne	$2,919,045	$2,906,651	$2,928,756
BGSU-Firelands	$3,365,913	$3,899,153	$4,444,407
Kent-Ashtabula	$2,839,873	$2,860,265	$2,970,980
Kent-East Liverpool	$1,836,608	$1,781,510	$1,737,349
Kent-Geauga	$1,307,818	$1,371,563	$1,380,562
Kent-Salem	$2,577,660	$2,663,913	$2,682,533
Kent-Stark	$6,704,156	$6,893,764	$7,113,367
Kent-Trumbull	$4,698,979	$4,538,266	$4,382,375
Kent-Tuscarawas	$4,099,895	$4,001,914	$3,991,345
Miami-Hamilton	$5,765,693	$5,784,165	$5,799,079
Miami-Middletown	$5,980,847	$5,801,422	$5,627,379
OSU-Lima	$3,872,849	$3,756,664	$3,643,964
OSU-Mansfield	$3,918,559	$3,878,735	$3,782,812
OSU-Marion	$3,580,264	$3,700,605	$3,675,720
OSU-Newark	$5,019,717	$4,869,126	$4,778,942
OU-Chillicothe	$4,356,226	$4,646,763	$5,136,891
OU-Eastern	$3,011,823	$2,921,468	$2,833,824
OU-Lancaster	$3,700,647	$3,589,627	$3,481,938
OU-Southern	$4,110,536	$4,369,651	$4,668,997
OU-Zanesville	$4,793,534	$4,889,755	$5,255,273
UC-Clermont	$4,672,282	$5,233,644	$5,601,749
UC-Walters	$8,793,144	$9,325,985	$9,880,396
Wright-Lake	$2,272,950	$2,216,357	$2,225,275
Subtotal	$94,199,019	$95,900,968	$98,023,914

*Assumes that the additional $30 million in FY 2007 will be allocated based on the current SSI formula.

Table 3: Projected SSI Amounts for Community Colleges and State Community Colleges			
Institution	**FY 2005 Actual**	**FY 2006 Projected**	**FY 2007 Projected***
Cincinnati State	$20,743,696	$20,975,099	$21,717,765
Clark State	$6,032,033	$6,336,057	$6,777,464
Columbus State	$45,790,460	$44,416,746	$43,084,244
Cuyahoga	$44,892,003	$48,892,781	$52,330,974
Edison State	$5,255,147	$5,234,756	$5,272,135
Jefferson	$3,050,099	$3,133,911	$3,248,589
Lakeland	$13,909,184	$13,857,277	$14,158,156
Lorain County	$17,438,298	$17,974,754	$19,087,233
Northwest State	$6,815,085	$6,643,176	$6,713,690
Owens State	$32,211,958	$33,671,303	$35,599,973
Rio Grande	$3,858,493	$4,081,070	$4,370,334
Sinclair	$40,755,223	$39,869,759	$41,681,748
Southern State	$4,498,658	$4,626,411	$4,896,175
Terra State	$5,191,844	$5,041,489	$5,291,199
Washington State	$4,635,943	$4,763,344	$4,958,807
Subtotal	$255,078,126	$259,517,933	$269,188,485

*Assumes that the additional $30 million in FY 2007 will be allocated based on the current SSI formula.

Table 4: Projected SSI Amounts for Technical Colleges			
Institution	**FY 2005 Actual**	**FY 2006 Projected**	**FY 2007 Projected***
Agricultural	$4,442,937	$4,309,649	$4,180,360
Belmont Tech	$4,436,898	$4,486,264	$4,461,453
Central Ohio	$5,415,836	$6,023,251	$6,630,079
Hocking	$14,394,245	$13,956,933	$14,132,843
James Rhodes State	$6,893,920	$7,071,398	$7,504,603
Marion Tech	$4,054,942	$4,343,583	$4,563,476
Zane State	$4,376,186	$4,244,900	$4,117,553
North Central	$6,831,630	$6,729,210	$6,914,063
Stark Tech	$12,271,687	$13,411,680	$14,723,971
Subtotal	$63,118,280	$64,576,868	$67,228,401

*Assumes that the additional $30 million in FY 2007 will be allocated based on the current SSI formula.

Program Series 2 Facilities and Debt Service

Purpose: To service debt obligations incurred by the state and administer capital-related activities.

The following table shows the line items that are used to fund the Facilities and Debt Service program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	235-401	Lease Rental Payments	$200,619,200	$200,795,300
GRF	235-552	Capital Component	$19,058,863	$19,058,863
GRF	235-909	Higher Education General Obligation Debt Service	$137,600,300	$152,114,100
		General Revenue Fund Subtotal	**$357,278,363**	**$371,968,263**
State Special Revenue Fund				
4E8	235-602	Higher Educational Facility Commission Administration	$55,000	$55,000
		State Special Revenue Fund Subtotal	**$55,000**	**$55,000**
Total Funding: Facilities and Debt Service			**$357,333,363**	**$372,023,263**

For the Facilities and Debt Service program series, the enacted budget's appropriation of $357.3 million for FY 2006 provides a 4.2% increase over FY 2005 while the $372.0 million for FY 2007 is a 4.1% increase over FY 2006. The total biennial appropriation constitutes a 6.1% increase. This program series contains three programs: Rental and Debt Service Payments, which receives 94.8% of the series' biennial funding, Capital Component, which receives 5.2%, and Higher Educational Facility Commission, which receives 0.02%.

Rental and Debt Service Payments: This program provides the funds necessary to make all required debt service payments that would be due from the Regents during the FY 2006-2007 biennium. The Lease Rental Payments item (235-401) provides funds to service and retire the debt on special obligation (revenue) bonds that, until FY 2001, were sold to finance capital improvements for higher education. Since FY 2001 the state has issued general obligation bonds to finance these capital projects, so the Higher Education General Obligation Debt Service item (235-909) will continue to take a larger and larger portion of the total debt service amount.

For GRF appropriation item 235-401, Lease Rental Payments, the enacted budget's appropriation of $200.6 million for FY 2006 is a decline of $15.3 million (7.1%) from FY 2005. The FY 2007 appropriation of $200.8 million is a slight increase of $0.2 million (0.1%) over FY 2006. For GRF appropriation item 235-909, Higher Education General Obligation Debt Service, the appropriation of $137.6 million for FY 2006 is an increase of $29.7 million (27.5%) over FY 2005. The FY 2007 appropriation of $152.1 million is a further increase of $14.5 million (10.5%) over FY 2006.

Am. Sub. H.B. 16 of the 126th General Assembly, the most recent capital appropriations bill, required the State Architect to establish a local-administration competency certification program to certify public institutions of higher education to administer their own state-funded capital facilities projects without the oversight of the Department of Administrative Services. The enacted budget sets a deadline of December 30, 2005 for the establishment of the program. Further, it provides that certification will remain in effect for as long as the State Architect determines that a given institution maintains a sufficient number of employees who have successfully completed the certification program and that the institution is performing the required biennial audits of its self-administered capital projects.

Capital Component: Funds under GRF appropriation item 235-552, Capital Component, are distributed to a campus whose estimated campus debt service attributable to new qualifying capital projects in a given capital bill is less than its formula-determined capital allocation. The campus's total benefit is determined by subtracting the estimated debt service amount from the formula-determined capital amount. Then 10% of this amount is distributed to the campus from this appropriation item each fiscal year for 15 years. The capital component distributions are calculated for each capital bill beginning with Am. H.B. 748 of the 121st General Assembly, which began the program in FY 1997. The campuses may use these proceeds only for capital projects.

On the other side of the program, the Regents is required to subtract from a campus's SSI allocation in each fiscal year the amount by which the estimated campus debt service attributable to new qualifying capital projects in a given capital bill exceeds the campus's formula-determined capital allocation. The funds so subtracted are to be transferred to the Capital Component appropriation item from GRF appropriation item 235-501, State Share of Instruction.

The enacted budget's appropriation of $19.1 million for each of FY 2006 and FY 2007 is a slight 0.1% decline from the FY 2005 expenditure. In addition to its appropriation, this item will receive approximately $249,142 in each fiscal year from the SSI appropriation because five institutions exceeded their formula-determined capital allocation.

Program Series 3 Pre-K through 16 Preparation and Access

Purpose: To support initiatives that facilitate access to college through improved readiness and through initiatives that focus on improving the capability of the "P-16" educational system to prepare students for success in college and in professional careers.

The following table shows the line items that are used to fund the Pre-K through 16 Preparation and Access program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	235-434	College Readiness and Access*	$6,375,975	$7,655,425
GRF	235-435	Teacher Improvement Initiatives**	$2,697,506	$2,697,506
		General Revenue Fund Subtotal	**$9,073,481**	**$10,352,931**
Federal Special Revenue Fund				
312	235-609	Tech Prep	$183,850	$183,850
312	235-611	Gear-up Grant	$1,370,691	$1,370,691
312	235-615	Professional Development	$523,129	$523,129
312	235-617	Improving Teacher Quality	$2,900,000	$2,900,000
312	235-621	Science Education Network	$1,686,970	$1,686,970
312	235-631	Federal Grants	$250,590	$250,590
		Federal Special Revenue Fund Subtotal	**$6,915,230**	**$6,915,230**
Total Funding: Pre-K through 16 Preparation and Access			**$15,988,711**	**$17,268,161**

*This new appropriation item consolidates previous appropriation items 235-404, College Readiness Initiatives, and 235-477, Access Improvement Projects. These two items are funded as earmarks under the new appropriation item.

**This new appropriation item consolidates previous appropriation items 235-403, Mathematics and Science Teaching Improvement, and 235-588, Ohio Resource Center for Mathematics, Science, and Reading. These two items are funded as earmarks under the new appropriation item.

For the Pre-K through 16 Preparation and Access program series, the enacted budget's appropriation of $16.0 million for FY 2006 provides a 39.4% increase over FY 2005 while the $17.3 million for FY 2007 is an 8.0% increase over FY 2006. The total biennial appropriation constitutes a 51.3% increase. This program series contains two programs: College Readiness and Access, which receives 51.5% of the series' biennial funding, and Teacher Improvement, which receives 48.5%.

College Readiness and Access: This program consists of three appropriation items: College Readiness and Access (235-434), Tech Prep (235-609), and Gear-up Grant (235-611). It supports early assessment testing and promotes collaboration among primary and secondary schools and higher education. It is intended to improve the ability of high school students to enroll and succeed in higher education and to reduce the need for college remediation. The program also supports the development of pilot projects aimed at increasing access to and retention in higher education for students in under-represented populations.

GRF appropriation item, 235-434, College Readiness and Access, is intended to support programs that improve the academic preparation and increase the number of students who enroll and succeed in higher education. It supports such programs as the Ohio College Access Network (OCAN) and provides the state match for the federal Gaining Early Awareness and Readiness for Undergraduate

Program (Gear-up) under federally funded appropriation item 235-611 (Fund 312), Gear-up Grant. The Gear-up program supports efforts to increase college participation among rural Appalachian and inner-city Ohioans by promoting college awareness among low-income students, helping them prepare for college, and enhancing their transition to higher education. Federally funded appropriation item 235-609 (Fund 312), Tech Prep, supports efforts to facilitate the seamless transition from high school to college by reducing remediation rates and preparing students for high-technology jobs. The program enables either the direct entry into the workplace after high school, the continuation of study at a two-year college leading to an associate degree with advanced skills, or the completion of a baccalaureate degree.

For the program's three appropriation items, the enacted budget's FY 2006 total appropriation of $7.9 million is an increase of $1.6 million (24.7%) over FY 2005. The FY 2007 appropriation of $9.2 million is a further increase of $1.3 million (16.1%) over FY 2006. The total biennial appropriation of $17.1 million constitutes a $5.5 million (47.0%) increase. For the College Readiness and Access appropriation item alone, the biennial appropriation is $14.0 million, for an increase of $6.3 million (81.5%) over the previous biennium. The total biennial appropriation for the program's two federally funded items, Tech Prep and Gear-up Grant, declines by $0.8 million (20.9%) to $3.1 million.

Funds are earmarked in the College Readiness and Access appropriation item to support the Ohio Appalachian Center for Higher Education at Shawnee State University, the Student Achievement in Research and Scholarship Program at Miami University, and the Early College High School Pilot Program with the Ohio Department of Education.

Teacher Improvement: This program consists of five appropriation items: Teacher Improvement Initiatives (235-435), Professional Development (235-615), Improving Teacher Quality (235-617), Science Education Network (235-621), and Federal Grants (235-631). Only the first of these items is funded by the GRF; the others receive federal funds. The program supports efforts to improve the quality of mathematics and science teaching in primary, secondary, and higher education, as well as identifying best teaching practices.

GRF appropriation item, 235-435, Teacher Improvement Initiatives, consolidates two former appropriation items, Mathematics and Science Teaching Improvement; and Ohio Resource Center for Mathematics, Science, and Reading. It supports programs such as OSI–Discovery and the Centers of Excellence in Mathematics and Science, which are designed to raise the quality of mathematics and science teaching in primary and secondary education. The four federal line items in this program support a variety of teacher improvement initiatives and connect colleges and universities to the Third Frontier Network in order to improve K-12 and undergraduate science education.

The enacted budget's FY 2006 total appropriation of $8.1 million for this program is a sizable increase of $2.9 million (57.6%) over FY 2005, chiefly because of major funding increases in two of the federal line items, Improving Teacher Quality Grant and Science Education Network. The program's FY 2007 appropriation of $8.1 million is the same as for FY 2006. The total biennial appropriation of $16.1 million constitutes a $5.8 million (56.2%) increase.

Funds are earmarked in the Teacher Improvement Initiatives appropriation item to support the Mathematics and Science Center in Lake County, the Ohio Mathematics and Science Coalition, the Teacher Quality Partnerships study, and the Ohio Resource Center for Mathematics, Science, and Reading. The enacted budget prohibits the Resource Center from making available resources that are inconsistent with the K-12 science standards and policies that are adopted by the State Board of Education.

Program Series 4 Student Access

Purpose: To increase college access and participation in higher education by providing a variety of student aid, from direct financial assistance to college students to institutional subsidies that help institutions maintain a lower and more affordable tuition.

The following table shows the line items that are used to fund the Student Access program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	235-414	State Grants and Scholarship Administration	$1,352,811	$1,382,881
GRF	235-418	Access Challenge	$73,513,302	$73,004,671
GRF	235-502	Student Support Services	$795,790	$795,790
GRF	235-503	Ohio Instructional Grants	$121,151,870	$92,496,969
GRF	235-504	War Orphans Scholarships	$4,672,321	$4,672,321
GRF	235-520	Shawnee State Supplement	$1,918,830	$1,822,889
GRF	235-531	Student Choice Grants	$50,853,276	$52,985,376
GRF	235-534	Student Workforce Development Grants	$2,137,500	$2,137,500
GRF	235-549	Part-time Student Instructional Grants	$14,457,721	$10,534,617
GRF	235-563	Ohio College Opportunity Grant	$0	$58,144,139
		General Revenue Fund Subtotal	**$270,853,421**	**$297,977,153**
Federal Special Revenue Fund				
3N6	235-605	State Student Incentive Grants	$2,196,680	$2,196,680
		Federal Special Revenue Fund Subtotal	**$2,196,680**	**$2,196,680**
Total Funding: Student Access			**$273,050,101**	**$300,173,833**

For the Student Access program series, the enacted budget's appropriation of $273.1 million for FY 2006 provides a 1.6% increase over FY 2005 while the $300.2 million for FY 2007 is a 9.9% increase over FY 2006. The total biennial appropriation constitutes a 7.4% increase. This program series contains nine programs. The three largest of these are Need-based Student Financial Aid, which receives 51.8% of the series' biennial funding, Access Challenge, which receives 25.6%, and Student Choice Grants, which receives 18.1%.

Need-based Student Financial Aid: This program includes three appropriation items that provide the state's primary need-based financial aid programs. GRF appropriation item 235-503, Ohio Instructional Grants (OIG), provides tuition assistance to full-time undergraduate students from low- and moderate-income families. Awards are granted only to eligible Ohio resident undergraduates based on family income, dependency status, the number of dependent children in the family, and the type of institution the student is attending (public, private, or career college). GRF appropriation item 235-549, Part-time Student Instructional Grants (PSIG), provides need-based financial assistance to Ohio residents who are enrolled in part-time undergraduate studies at a public, private, or career college in Ohio.

GRF appropriation item 235-563, Ohio College Opportunity Grant, is a new item that will begin the phase-in of a new need-based financial aid program that will eventually replace the other two appropriation items in this program. The Ohio College Opportunity Grant (OCOG) Program, created in the enacted budget, will use the federally determined "Expected Family Contribution," or EFC, as the basis for determining the grant awards. The EFC is calculated using the information that students provide when they fill out their Free Application for Federal Student Aid (FAFSA) form, and is the same method that the federal government uses to determine eligibility for Pell Grants. The EFC system is considered to be a more sophisticated measure of a family's ability to pay for higher education than using family income only, by taking into account a number of other factors, including family assets, student income, number of family members in college, and the ages of the parents. The phase-in of OCOG will begin in FY 2007; only students who have not received college credit (excluding post-secondary enrollment option and early college high school students) prior to the start of the 2006-2007 academic year will be eligible to receive an Ohio College Opportunity Grant. The enacted budget provides the tables under which the awards are to be made beginning in FY 2007.

The enacted budget's FY 2006 appropriation for the OIG is a 5.5% increase over FY 2005; the sharply reduced OIG amount for FY 2007 reflects that year's phase-in of the OCOG program. The PSIG appropriation for FY 2006 is a 4.3% increase over FY 2005; as for the OIG, the PSIG appropriation declines sharply for FY 2007 as the OCOG program begins to phase in. The $135.6 million total appropriation in FY 2006 for these three appropriation items is a $6.9 million (6.7%) increase over FY 2005. The $161.2 million total appropriation for FY 2007 is a $25.6 million (18.9%) increase over FY 2006; it will fund both the expected numbers of grant recipients remaining in the OIG and PSIG programs, as well as the grants to be provided under the new OCOG system. For the biennium the total appropriation for the three items is $296.8 million, for an increase of $42.1 million (16.5%).

The enacted budget changes the name of the Instructional Grant Reconciliation Fund (Fund 5Y5) to the State Need-based Financial Aid Reconciliation Fund and expands its use to include refunds of payments made under the OCOG program in addition to the refunds of payments made under the OIG program.

The enacted budget also calls for the Regents, on or soon after August 1 of each year, to certify to the Director of Budget and Management the amount necessary to pay any outstanding prior-year obligations to higher education institutions for the state's need-based financial aid programs. Further, the amounts certified are appropriated to appropriation item 235-618, State Need-based Financial Aid Reconciliation, from revenues received in the State Need-based Financial Aid Reconciliation Fund (Fund 5Y5).

Access Challenge: This program consists of a single GRF appropriation item 235-418, Access Challenge, which supports efforts, by designated "access" campuses, to buy down or restrain tuitions for in-state undergraduate students enrolled in introductory undergraduate courses. The program is intended to enable more Ohioans to afford and attend college, thereby serving to improve Ohio's educational attainment levels. Access campuses include all 47 two-year public colleges, as well as Central State University, Cleveland State University, Shawnee State University, and the two-year technical-community college components of the University of Akron, the University of Cincinnati, and Youngstown State University.

In FY 2000 the access campuses were required to hold their tuitions flat and in FY 2001 they were required to reduce their tuitions by 5%. However, since then there has been no specific requirement in the program regarding tuition restraints or reductions. In essence, then, the Access Challenge appropriation is currently providing funds to the access campuses to offset the foregone tuition revenue they would have received had they increased their tuition in FY 2000 and FY 2001.

The funds for the Access Challenge are allocated to the campuses solely in proportion to their shares of the statewide average total of General Studies full-time equivalent (FTE) students. For FY 2006 the calculations of the campuses' shares are to be based on the General Studies FTEs in fiscal years 2003 and 2004; for FY 2007 the calculations will use the data for fiscal years 2004 and 2005.

The enacted budget provides a new earmark under the Access Challenge. In previous budgets the Central State Supplement had been funded by a separate appropriation item; in this budget the subsidy has been converted to an earmark. The purpose of the supplement is to help Central State University to keep undergraduate fees below the statewide average, consistent with its mission of service to many first-generation college students from groups historically underrepresented in higher education and from families with limited incomes.

For the program's GRF appropriation item, 235-418, Access Challenge, the enacted budget's FY 2006 appropriation of $73.5 million is an increase of $10.2 million (16.1%) over FY 2005, chiefly because of the addition of the Central State University supplement, which was $10.7 million in FY 2005. The FY 2007 appropriation declines by $0.5 million (0.7%) from the FY 2006 amount. The total biennial appropriation of $146.5 million constitutes an $18.5 million (14.4%) increase.

Net of the effect of the Central State University earmark, the enacted budget's appropriations for the Access Challenge are approximately the same as for FY 2005. Given this flat funding and the expected increase in enrollments during the FY 2006-2007 biennium, it is possible that the amount of Access Challenge dollars per FTE may decline in each fiscal year if enrollments indeed increase as expected.

Student Choice Grants: This program attempts to narrow the tuition gap between the state's public and private non-profit colleges and universities by providing a uniform amount of grants to all full-time baccalaureate students who are residents of Ohio and attending a private non-profit college or university in Ohio. The goal of the program is to increase college access for more Ohioans by helping to reduce the cost of attending the state's private non-profit colleges and universities.

The program's maximum grant is revised every two years, and is set to equal 25% of the average State Share of Instruction paid for full-time in-state undergraduate enrollments at public university main campuses in the previous biennium. Approximately 56,000 Ohio students in each fiscal year receive the grant awards, which averaged $900 per student per academic year in the FY 2004-2005 biennium. A student is eligible to receive the award for a maximum of five academic years.

For this program's single GRF appropriation item, 235-531, Student Choice Grants, the enacted budget's FY 2006 appropriation of $50.9 million is a reduction of $1.5 million (2.8%) from FY 2005. The FY 2007 appropriation provides a $2.1 million (4.2%) increase to $53.0 million. The total biennial appropriation of $103.8 million constitutes a slight $0.35 million (0.34%) increase. Even though the appropriation decreases from FY 2005 to FY 2006, the biennial appropriations are expected to completely fund the students in the program. The enacted budget allows the unencumbered balance at the end of FY 2006 to be transferred to FY 2007 to maintain grant award amounts in FY 2007 equal to the awards provided in FY 2006.

Program Series 5 Academic Success

Purpose: To improve the successful completion of baccalaureate degree programs among Ohio's college students and to raise the state's educational attainment levels.

The following table shows the line items that are used to fund the Academic Success program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	235-420	Success Challenge	$52,601,934	$52,601,934
GRF	235-518	Capitol Scholarship Program	$125,000	$125,000
GRF	235-530	Academic Scholarships	$7,800,000	$7,800,000
		General Revenue Fund Subtotal	**$60,526,934**	**$60,526,934**
Total Funding: Academic Success			**$60,526,934**	**$60,526,934**

For the Academic Success program series, the enacted budget's appropriation of $60.5 million for each of the fiscal years 2006 and 2007 represents a slight 0.2% decline from FY 2005 to FY 2006 and a flat appropriation for FY 2007. The total biennial appropriation constitutes a 3.0% increase. This program series contains three programs: Success Challenge, which receives 86.9% of the series' biennial funding, Academic Scholarships, which receives 12.9%, and Capitol Scholarship Program, which receives 0.2%.

Success Challenge: This program supports and rewards Ohio's 13 state universities in their efforts to promote successful degree completion by "at-risk" baccalaureate students and timely degree completion by all baccalaureate students. The program's objective is to provide incentives to Ohio's state universities to help students successfully complete baccalaureate programs within a reasonable time, and to improve baccalaureate graduation rates among at-risk populations, both with a view to raising Ohio's educational attainment level, which is currently below the national average. Universities must submit plans to the Regents describing their efforts to improve degree completion for "at-risk" students and timely degree completion for all students, which are reviewed and made available to all institutions.

Two-thirds of the Success Challenge appropriation are to be allocated to universities according to their shares of the total statewide baccalaureate degrees awarded to "at-risk" students. The enacted budget modifies the definition of an "at-risk" student from one who was eligible to receive an Ohio Instructional Grant (OIG) award within the past ten years to one who was eligible to receive an Ohio need-based financial aid award within the past ten years. This change is a result of the phasing-out of the OIG program and the phasing-in of the Ohio College Opportunity Grant program beginning in FY 2007.

The remaining one-third of the Success Challenge appropriation is to be used for timely degree completion; these funds are allocated to universities according to their shares of the total statewide number of timely degree credits. A timely degree credit measures not only the completion of a bachelor's degree in a "timely manner," but also takes into account the courses taken at the university in which the student received the degree. Because of this, the total number of degree credits will differ from the total number of degrees granted by a campus. For the purpose of this appropriation, "timely manner" is generally meant to be four years.

For the program's single GRF appropriation item, 235-420, Success Challenge, the enacted budget's FY 2006 appropriation of $52.6 million is an increase of just $3,263 (0.01%) over FY 2005. The FY 2007 appropriation is the same as FY 2006. The total biennial appropriation of $105.2 million constitutes a $3.6 million (3.6%) increase.

Program Series 6 Basic and Applied Research

Purpose: To improve the quality of research programs at Ohio's public universities and in Ohio's industries.

The following table shows the line items that are used to fund the Basic and Applied Research program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	235-433	Economic Growth Challenge*	$20,343,097	$23,186,194
GRF	235-451	Eminent Scholars	$0	$1,370,988
GRF	235-508	Air Force Institute of Technology	$1,925,345	$1,925,345
GRF	235-510	Ohio Supercomputer Center	$4,271,195	$4,271,195
GRF	235-527	Ohio Aerospace Institute	$1,764,957	$1,764,957
GRF	235-535	Ohio Agricultural Research and Development Center	$35,955,188	$35,955,188
GRF	235-553	Dayton Area Graduate Studies Institute	$2,806,599	$2,806,599
GRF	235-554	Priorities in Collaborative Graduate Education	$2,355,548	$2,355,548
		General Revenue Fund Subtotal	**$69,421,929**	**$73,636,014**
State Special Revenue Fund				
649	235-607	The Ohio State University Highway/Transportation Research	$760,000	$760,000
		State Special Revenue Fund Subtotal	**$760,000**	**$760,000**
Federal Special Revenue Fund				
312	235-619	Ohio Supercomputer Center	$6,000,000	$6,000,000
		Federal Special Revenue Fund Subtotal	**$6,000,000**	**$6,000,000**
Total Funding: Basic and Applied Research			**$76,181,929**	**$80,396,014**

*This new appropriation item includes previous appropriation item 235-454, Research Challenge, as an earmark.

For the Basic and Applied Research program series, the enacted budget's appropriation of $76.2 million for FY 2006 provides a 12.3% increase over FY 2005 while the $80.4 million for FY 2007 is a 5.5% increase over FY 2006. The total biennial appropriation constitutes an 11.9% increase. This program series contains nine programs. The three largest of these are Ohio Agricultural Research and Developmen*t* Center, which receives 45.9% of the series' biennial funding, Economic Growth Challenge, which receives 27.8%, and Ohio Supercomputer Center, which receives 13.1%.

Ohio Agricultural Research and Development Center: This program supports a variety of activities at the Ohio Agricultural Research and Development Center (OARDC). The OARDC is the research arm of The Ohio State University's College of Food, Agricultural, and Environmental Sciences.

Located at 12 Ohio facilities in addition to OSU's main campus, the OARDC is active in various basic and applied research areas, including agricultural, environmental, and development economics; food, agricultural, and biological engineering; animal sciences; entomology; food-animal health; food science and technology; horticulture and crop science; human and community resource development; human ecology; natural resources; and plant pathology. The center serves such diverse groups as consumers, farmers, and other producers, food processors, environmentalists, landfill managers, and researchers. The program is intended to help Ohio's agricultural industries improve their competitiveness and profitability.

For this program's GRF appropriation item 235-511, Ohio Agricultural Research and Development Center, the enacted budget appropriates $36.0 million for each of the fiscal years 2006 and 2007. This provides a slight 0.35% increase over FY 2005 in FY 2006 and a flat appropriation for FY 2007. The total biennial appropriation constitutes a 2.4% increase.

Six earmarks are funded in this appropriation item. One of them is new, providing funds for a Wilmington College project to commercialize agricultural products. The other five earmarks are the same as in the previous budget and are funded at their FY 2005 levels.

Economic Growth Challenge: This program consists of a single GRF appropriation item 235-433, Economic Growth Challenge, which is a new line item that is intended to enhance the basic research capabilities of Ohio's colleges and universities, support improved graduate programs throughout the state, and promote the transfer of technology developed by colleges and universities to private industry to further the economic goals of the state. Previous appropriation item 235-454, Research Challenge, is renamed the Research Incentive Program and is consolidated into this line item as an earmark, along with earmarks for two new programs: the Innovation Incentive Program and the Technology Commercialization Incentive.

The Research Incentive Program, the largest of the three, seeks to improve the quality of basic research programs at Ohio's 13 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. Prior to receiving the funds, each university must submit to the Regents a plan that includes how the funds will be targeted towards for academic and state purposes, how the research program will be strengthened, and an evaluation process to provide results of the increased support. The enacted budget requires that the higher-education institutions' plans for their uses of Research Incentive funding demonstrate a significant investment in Third Frontier activities funded at the institutions.

The Innovation Incentive Program will provide funds to match the funds set aside from the State Share of Instruction's doctoral subsidy by participating universities. In FY 2006, 1.5% of a campus' allocation of the doctoral subsidy will be withheld by the Regents if the university chooses to participate in the Innovation Incentive Program. In FY 2007, the withholding percentage increases to 3%, with the goal to increase the withholding to 15% in FY 2016. Private universities are also eligible to participate, with the Regents determining the necessary contribution amount that is comparable to the state-assisted universities. The Regents will then award, on a competitive basis, the combined pool of withheld doctoral subsidy dollars and state matching funds earmarked under this appropriation item to universities participating in the Innovation Incentive Program. Grant recipients must use these funds to restructure their arrays of doctoral programs.

The Technology Commercialization Incentive will reward public and private colleges and universities for successful technology transfer to Ohio-based business and industry. The Third Frontier Commission, with input from the Third Frontier Advisory Board, will establish the eligibility criteria for public and private colleges and universities to participate in the program. The only requirement to qualify for the funds is for the college or university to maintain a significant investment in its own technology-transfer and commercialization efforts and to possess a significant history of successful research partnerships with Ohio-based business and industry.

The program's GRF appropriation item 235-433, Economic Growth Challenge, receives $20.3 million for FY 2006 and $23.2 million for FY 2007. The FY 2006 amount is 19.7% above the FY 2005 expenditures for the discontinued GRF appropriation item 235-454, Research Challenge. The FY 2007 amount is an increase of 14.0% over FY 2006. For the three earmarks, the Research Incentive Program is funded at $18.0 million in each fiscal year; the Innovation Incentive Program receives $2.3 million in FY 2006 and $4.7 million in FY 2007; and the Technology Commercialization Incentive receives $0.5 million in FY 2007 only.

Program Series 7 — Workforce and Regional Economic Development

Purpose: To improve Ohio's economic development and competitiveness by supporting services, activities, and partnerships to improve the skills of Ohioans already in the workforce, especially in underdeveloped areas.

The following table shows the line items that are used to fund the Workforce and Regional Economic Development program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	235-402	Sea Grants	$231,925	$231,925
GRF	235-415	Jobs Challenge	$9,348,300	$9,348,300
GRF	235-428	Appalachian New Economy Partnership	$1,176,068	$1,176,068
GRF	235-455	EnterpriseOhio Network	$1,373,941	$1,373,941
GRF	235-511	Cooperative Extension Service	$25,644,863	$25,644,863
GRF	235-547	School of International Business	$450,000	$450,000
GRF	235-561	Bowling Green State University Canadian Studies Center	$100,015	$100,015
		General Revenue Fund Subtotal	**$38,325,112**	**$38,325,112**
Federal Special Revenue Fund				
312	235-612	Carl D. Perkins Grant/Plan Administration	$112,960	$112,960
		Federal Special Revenue Fund Subtotal	**$112,960**	**$112,960**
Total Funding: Workforce and Regional Economic Development			**$38,438,072**	**$38,438,072**

For the Workforce and Regional Economic Development program series, the enacted budget's appropriation of $38.4 million for each of the fiscal years 2006 and 2007 represents a 1.5% reduction from FY 2005 to FY 2006 and a flat appropriation for FY 2007. The total biennial appropriation constitutes a 0.6% decline. This program series contains seven programs. The two largest of these are Cooperative Extension Service, which receives 66.7% of the series' biennial funding, and Jobs Challenge, which receives 24.3%.

Cooperative Extension Service: The Cooperative Extension Service program is operated by The Ohio State University Extension under The Ohio State University's land-grant mandate. Located in every one of Ohio's 88 counties, the OSU Extension conducts educational programs for eligible participants, including farmers, homemakers, food and fiber industries, community leaders, and young people. The programs are designed to help people improve their lives, businesses, and communities through research-based education using scientific knowledge focused on identified issues and needs. Current and near-term program areas include agriculture and natural resources, the environment, family and consumer sciences (including home economics and family living), 4-H youth development (serving nearly 300,000 young people annually), business and community assistance, and workforce development for youth and adults.

The enacted budget's appropriation of $25,644,863 for GRF appropriation item 235-511, Cooperative Extension Service, for each of the fiscal years 2006 and 2007 is the same as the actual expenditure level for FY 2005. At this level the Extension should be able to maintain existing services and fund some of its planned new initiatives for the biennium. The budget continues to fund the same five earmarks as in the previous budget, at their FY 2005 levels.

Jobs Challenge: This program consists of a single GRF appropriation item 235-415, Jobs Challenge, which seeks to address the workforce training needs of Ohio's businesses and employees by supporting a program to expand and improve noncredit job-related training provided by the 53 public two-year campuses that are members of the EnterpriseOhio Network. The program provides funds to these campuses in order to make the training services more affordable to students and employers. Campus activities supported by Jobs Challenge include: (1) pre-employment training and development activities to provide skills necessary for entry positions, career changes, or skill upgrades, (2) career advancement and professional certification, and (3) employer-assistance services to improve their competitive abilities.

The program consists of three funding components: the Targeted Industry Training Grants, the Performance Grant Plan, and the Higher Skills Incentives Program. The Targeted Industry Training Grant component assists EnterpriseOhio Network campuses in creating partnerships with Ohio businesses to accomplish their goals. These grants require campuses and businesses to collaborate since the application for the grants must be jointly submitted. The Performance Grant Plan provides grants of equal amounts that provide basic support for the operations of each EnterpriseOhio campus. The Higher Skills Incentives Program 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 noncredit job-related training.

The enacted budget appropriates $9,348,300 in each fiscal year for GRF appropriation item 235-415, Jobs Challenge, the same as the FY 2005 expenditures. These funds are earmarked to the three funding components, with $2,770,773 in each fiscal year earmarked for the Performance Grant Plan, $2,819,345 in each fiscal year earmarked for the Targeted Industries Training Grant Program, and the remaining $3,758,182 in each fiscal year earmarked for the Higher Skills Incentives Program.

Program Series 8 Higher Education Collaborations

Purpose: To serve the educational needs of Ohio Citizens through enhanced collaborations among institutions of higher education by funding efforts to increase the state's resources to deliver services to higher education consumers and to the broader community through distance education and statewide articulation and transfer policies.

The following table shows the line items that are used to fund the Higher Education Collaborations program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	235-406	Articulation and Transfer	$2,900,000	$2,900,000
GRF	235-408	Midwest Higher Education Compact	$90,000	$90,000
GRF	235-417	Ohio Learning Network	$3,119,496	$3,119,496
GRF	235-507	OhioLINK	$6,887,824	$6,887,824
GRF	235-555	Library Depositories	$1,696,458	$1,696,458
GRF	235-556	Ohio Academic Resources Network (OARNet)	$3,727,223	$3,727,223
		General Revenue Fund Subtotal	**$18,421,001**	**$18,421,001**
Total Funding: Higher Education Collaborations			**$18,421,001**	**$18,421,001**

For the Higher Education Collaborations program series, the enacted budget's appropriation of $18.4 million for each of the fiscal years 2006 and 2007 provides a 13.3% increase from FY 2005 to FY 2006 and a flat appropriation for FY 2007. The total biennial appropriation constitutes a 13.4% increase. This program series contains six programs. The four largest of these are OhioLINK, which receives 37.4% of the series' biennial funding, Ohio Academic Resources Network (OARNet), which receives 20.2%, Ohio Learning Network, which receives 16.9%, and Articulation and Transfer, which receives 15.7%.

Articulation and Transfer: This program supports the Regents' efforts to establish an effective statewide student articulation and transfer system. Such a system is to facilitate the transfers of students and credits among state-assisted institutions of higher education by the establishment and implementation of uniform course equivalencies and transfer policies. The system is also to improve access to higher education and promote college success among students by creating a seamless transfer module so that course credits earned by students at one institution may be applicable or transferable to other institutions in Ohio. The Council on Articulation and Transfer conducts a survey each year to assess the degree of institutional compliance with statewide articulation and transfer policy.

Am. Sub. H.B. 95 of the 125th General Assembly, the main operating appropriations act of the 125th General Assembly, required the Regents to develop and establish an effective statewide student articulation and transfer system. In its response to this requirement, the Regents has collaborated with the college and university campuses in a complex effort to develop specific articulation and transfer regimes for 40 academic disciplines. The Regents intends to augment its Higher Education Information (HEI) System to establish the necessary database and processing software to conduct articulation and transfer operations. The new system will include a central hub where transcripts can be reviewed and compared, as well as other necessary components. The central hub will obviate each campus' having to review the transcripts for course acceptability. In order to interact with HEI, each campus must also develop its own access programs.

A portion of the program involves the expansion of the Course Applicability System (CAS). Using the World Wide Web, CAS assists students, advisors, faculty, and administrators at colleges and universities to obtain consistent and accurate information about transfer courses and their applicabilities toward degree completions. CAS is currently being piloted to high schools to form an electronic transfer and advising system.

For the FY 2006-2007 biennium the enacted budget significantly increases funding for the program's single GRF appropriation item, 235-406, Articulation and Transfer, by $4.4 million to $5.8 million. On a year-to-year basis, the appropriation is $2.9 million in each of the fiscal years 2006 and 2007, up from the FY 2005 level of $751,133. The increased funding for FY 2006 and FY 2007 will primarily be used to develop and then maintain the new central hub.

The enacted budget expands the scope of the current articulation and transfer system to include career-technical institutions by requiring the Regents to develop policies and procedures by April 15, 2007 to ensure that students may transfer technical courses from both technical colleges and public secondary career-technical institutions to state institutions of higher education.

Program Series 9 General Public Service

Purpose: To support public service research and outreach activities that address a variety of statewide rural, urban, community, and governmental issues.

The following table shows the line items that are used to fund the General Public Service program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	235-513	Ohio University Voinovich Center	$336,082	$336,082
GRF	235-521	The Ohio State University Glenn Institute	$286,082	$286,082
GRF	235-583	Urban University Program	$4,992,937	$4,992,937
GRF	235-587	Rural University Projects	$1,147,889	$1,147,889
		General Revenue Fund Subtotal	**$6,762,990**	**$6,762,990**
Total Funding: General Public Service			**$6,762,990**	**$6,762,990**

For the General Public Service program series, the enacted budget's appropriation of $6.8 million for each of the fiscal years 2006 and 2007 represents a 2.4% reduction from FY 2005 to FY 2006 and a flat appropriation for FY 2007. The total biennial appropriation constitutes a 4.5% decline. This program series contains four programs. The two largest of these are Urban University Program, which receives 73.8% of the series' biennial funding, and Rural University Projects, which receives 17.0%.

Urban University Program: The appropriation item for the Urban University Program is allocated entirely among 13 earmarked programs that support various research and outreach activities on urban issues by providing one-to-one matching funds to Ohio's eight urban universities. The funded activities include applied research, training, technical assistance, and data base development, as well as programs that develop public policy and public administration initiatives related to the specific needs and issues of Ohio's urban communities. The program serves state, county, and municipal governments, regional and nonprofit agencies, neighborhood groups, and business organizations. The Urban Center at Cleveland State University's Levin College of Urban Affairs was established to implement the Urban University Program.

For the FY 2006-2007 biennium the enacted budget reduces the funding of the program's single GRF appropriation item, 235-583, Urban University Program, by $0.68 million (6.4%) to $9.99 million. On a year-to-year basis, the appropriation is $4.99 million in each of the fiscal years 2006 and 2007, down by $213,072 (4.1%) from the FY 2005 level of $5.2 million.

Rural University Projects: The appropriation item for the Rural University Projects is allocated entirely among five earmarked programs at several universities in support of various research and outreach activities that help local and state elected and appointed officials improve rural program performance, undertake research projects, increase human resource capacity, and form cooperative partnerships to create an environment that supports private and public sector development. Funds also support projects that develop public policy and public administration initiatives related to the specific needs and issues of Ohio's rural communities. The program targets smaller communities, which often lack staff and financial resources for research, training, and development. The goal of this program is to help improve the operational efficiencies of government and public services in rural areas of the state.

For the FY 2006-2007 biennium the enacted budget maintains the funding of this program's single GRF appropriation item, 235-587, Rural University Projects, at the FY 2005 expenditure level of $1,147,889 for each of the fiscal years 2006 and 2007. Each of the five earmarks is also retained at its FY 2005 funding level.

Program Series 10 — Public Safety

Purpose: To support and improve the safety of the general public.

The following table shows the line items that are used to fund the Public Safety program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	235-524	Police and Fire Protection	$171,959	$171,959
GRF	235-596	Hazardous Materials Program	$360,435	$360,435
GRF	235-599	National Guard Scholarship Program	$15,128,472	$16,611,063
		General Revenue Fund Subtotal	**$15,660,866**	**$17,143,457**
Total Funding: Public Safety			**$15,660,866**	**$17,143,457**

For the Public Safety program series, the enacted budget's appropriation of $15.7 million for FY 2006 provides an 11.9% increase over FY 2005 while the $17.1 million for FY 2007 is a 9.5% increase over FY 2006. The total biennial appropriation constitutes a 17.0% increase. This program series contains three programs, the largest of which is the National Guard Scholarship Program, which receives 96.8% of the series' biennial funding.

National Guard Scholarship Program: This program grants higher education scholarships to eligible Ohio National Guard members. The program serves as both a recruitment and a retention tool for the Guard. The program's purpose is to recognize the service of the Ohio National Guard by providing access to higher education for its members. GRF appropriation item, 235-599, National Guard Scholarship Program, provides funds for both the scholarship grants and the program marketing efforts. The Regents is to disburse this line item's funds at the direction of the Adjutant General.

For the FY 2006-2007 biennium the enacted budget increases the funding of this program's single GRF appropriation item, 235-599, National Guard Scholarship Program, by $4.73 million (17.5%) to $31.7 million. On a year-to-year basis, the appropriations are $15.1 million and $16.6 million in fiscal years 2006 and 2007, respectively, for increases of 12.1% and 9.8%. These increases are intended to address increases in forecast enrollments of eligible students as well as increases in college and university tuition costs.

The enacted budget creates in the state treasury the National Guard Scholarship Reserve Fund (Fund 5BM). It requires the Regents to certify every July 1 to the Director of Budget and Management the unencumbered balance of GRF appropriation item 235-599, National Guard Scholarship Program. The Director may transfer from the GRF to the reserve fund an amount not to exceed the certified amount. Moneys in the reserve fund are to be used to pay scholarship obligations in excess of the GRF funds appropriated for that purpose. Appropriations to spend these funds will require Controlling Board approval. It is expected that the transfers into the National Guard Scholarship Reserve Fund will be approximately $2.1 million in FY 2006; this amount includes the $1.5 million unencumbered balance from FY 2005 and an amount, up to $592,000, that the enacted budget requires the Director to transfer from the GRF.

The enacted budget also requires the Regents to certify to the Director of Budget and Management the amount of canceled prior-year encumbrances in GRF appropriation item 235-599, National Guard Scholarship Program. The Director may then transfer from the GRF to the National Guard Scholarship Reserve Fund an amount not to exceed the certified amount. Upon the request of the Adjutant General, the Regents is required to seek Controlling Board approval to establish Fund 5BM appropriations in item 235-623, National Guard Scholarship Reserve Fund. The Regents will then disburse funds from that appropriation item at the direction of the Adjutant General.

Program Series 11 Medical Support

Purpose: To support medical, dental, and veterinary clinical programs and other medical-related programs at Ohio's universities.

The following table shows the line items that are used to fund the Medical Support program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	235-474	Area Health Education Centers Program Support	$1,571,756	$1,571,756
GRF	235-515	Case Western Reserve University School of Medicine	$3,011,271	$3,011,271
GRF	235-519	Family Practice	$4,548,470	$4,548,470
GRF	235-525	Geriatric Medicine	$750,110	$750,110
GRF	235-526	Primary Care Residencies	$2,245,688	$2,245,688
GRF	235-536	The Ohio State University Clinical Teaching	$13,565,885	$13,565,885
GRF	235-537	University of Cincinnati Clinical Teaching	$11,157,756	$11,157,756
GRF	235-538	Medical University of Ohio at Toledo Clinical Teaching	$8,696,866	$8,696,866
GRF	235-539	Wright State University Clinical Teaching	$4,225,107	$4,225,107
GRF	235-540	Ohio University Clinical Teaching	$4,084,540	$4,084,540
GRF	235-541	Northeastern Ohio Universities College of Medicine Clinical Teaching	$4,200,945	$4,200,945
GRF	235-543	Ohio College of Podiatric Medicine Clinical Subsidy	$250,000	$250,000
GRF	235-558	Long-term Care Research	$211,047	$211,047
GRF	235-572	The Ohio State University Clinic Support	$1,277,019	$1,277,019
		General Revenue Fund Subtotal	**$59,796,460**	**$59,796,460**
State Special Revenue Fund				
4P4	235-604	Physician Loan Repayment	$476,870	$476,870
682	235-606	Nursing Loan Program	$893,000	$893,000
		State Special Revenue Fund Subtotal	**$1,369,870**	**$1,369,870**
Federal Special Revenue Fund				
3H2	235-608	Human Services Project	$1,500,000	$1,500,000
3T0	235-610	National Health Service Corps–Ohio Loan Repayment	$150,001	$150,001
3H2	235-622	Medical Collaboration Network	$3,346,143	$3,346,143
		Federal Special Revenue Fund Subtotal	**$4,996,144**	**$4,996,144**
Total Funding: Medical Support			**$66,162,474**	**$66,162,474**

For the Medical Support program series, the enacted budget's appropriation of $66.2 million for each of the fiscal years 2006 and 2007 provides a 6.0% increase from FY 2005 to FY 2006 and a flat appropriation for FY 2007. The total biennial appropriation constitutes a 5.6% increase. This program series contains 13 programs. The two largest of these are Clinical Teaching, which receives 69.4% of the series' biennial funding, and Family Practice and Primary Care Residencies Support, which receives 10.3%.

Clinical Teaching: The six GRF appropriation items (235-536 through 235-541) in this program provide subsidies in support of laboratory and clinical components of the medical and other health-related curricula at Ohio's six public medical colleges located at the University of Cincinnati, Ohio University, The Ohio State University, the Medical University of Ohio at Toledo, the Northeastern Ohio Universities College of Medicine, and Wright State University. This program is intended to offset the cost of clinical training for Ohio's student health professionals; clinical training is regarded as a fundamental component of medical education.

The biennial appropriation for each of these six items is the same as it was for the previous biennium; the combined total is $91.9 million. Further, the appropriation for FY 2006 and for FY 2007 is the same as it was for FY 2005. Thus, each of the six appropriation items has had the same funding level for all three fiscal years; the combined annual total is $45.9 million.

The enacted budget requires the Regents to study and propose to the Office of Budget and Management (OBM) by November 15, 2006 a new formula to allocate appropriations for clinical teaching support. A new method, approved by OBM and the General Assembly, is to be implemented in fiscal years 2008 and 2009 for distributing funds for clinical teaching support.

Family Practice and Primary Care Residencies Support: This program supports family practice instructional costs and residencies in the departments of family medicine within each medical college in Ohio, both public and private. State-assisted medical schools are required to establish and maintain these departments, the purpose of which is to raise the quality and number of family physicians in medical practice in Ohio. Each institution must submit and gain approval of a plan for its primary care residency program in order to obtain a full allocation of funds. The program also supports clinical training for medical students in primary care specialties of internal medicine and pediatrics as a means of increasing the number of primary care physicians in medical practice.

This program is supported by two GRF appropriation items, 235-519, Family Practice, and 235-526, Primary Care Residencies. For the FY 2006-2007 biennium the combined funding for these two items decreases by $1.9 million (12.2%) to $13.6 million. The FY 2006 combined funding of $6.8 million is a $0.75 million (10.0%) reduction from FY 2005 while FY 2007 is flat-funded at the FY 2006 level. For each of the two appropriation items the FY 2006 appropriation constitutes a 10.0% reduction from FY 2005.

Funding for this program is to be distributed in accordance with plans developed by the Regents. If an institution has not yet submitted and gained approval for a primary care residency plan, then it is to receive 5% less funding per student than it would have received from its annual allocation.

Program Series 12 Planning and Coordination

Purpose: To support the administrative operations of the Regents, including the maintenance and operation of the Higher Education Information (HEI) System.

The following table shows the line items that are used to fund the Planning and Coordination program series, as well as the enacted budget's funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	235-321	Operating Expenses	$2,897,659	$2,966,351
GRF	235-409	Information System	$1,146,510	$1,175,172
		General Revenue Fund Subtotal	**$4,044,169**	**$4,141,523**
General Services Fund				
456	235-603	Sales and Services	$700,000	$900,000
220	235-614	Program Approval and Reauthorization	$400,000	$400,000
		General Services Fund Subtotal	**$1,100,000**	**$1,300,000**
Total Funding: Planning and Coordination			**$5,144,169**	**$5,441,523**

For the Planning and Coordination program series, the enacted budget's appropriation of $5.1 million for FY 2006 provides a 17.0% increase over FY 2005 while the $5.4 million for FY 2007 is a 5.8% increase over FY 2006. The total biennial appropriation constitutes a 16.2% increase. This program series contains three programs: Program Management, which receives 70.5% of the series' biennial funding, Information System, which receives 21.9%, and Program Authorization, which receives 7.6%.

Program Authorization: The sole appropriation item in this program enables the Regents to directly contract with and reimburse consultants to review and evaluate degree program proposals and to conduct institutional reauthorization reviews for private, proprietary, and out-of-state institutions, pursuant to Chapter 1713. of the Ohio Revised Code. The purpose of the program is to ensure that Ohio's degree programs are of the highest educational quality and that programs and proposed programs are reviewed by objective outside experts.

The enacted budget provides $400,000 in each year of the FY 2006-2007 biennium for the General Service Fund group appropriation item 235-614 (Fund 220), Program Approval and Reauthorization, the same as in FY 2005. The appropriation item is supported by remittances received from those institutions seeking reviews, evaluations, and reauthorizations. The costs associated with this program are driven by the number of authorization requests that the Regents receives from private, proprietary, and out-of-state institutions, which can vary each year.

The enacted budget requires the Regents to adopt a rule establishing fees to pay the cost of reviewing applications for certificates of authorization to award degrees at nonpublic institutions. In addition, the Regents is required to adopt a rule establishing fees for any further reviews that the Regents determines are necessary upon examining an institution's annual report. The fees will be paid by the institutions.

Department of Rehabilitation and Correction

Joseph Rogers, Senior Budget Analyst

- One in four state employees works for DRC
- Some reduction in staff and services likely
- Since 2001, two prisons closed and over 1,900 staff positions cut

OVERVIEW

Duties and Responsibilities

Conceptually and historically, the Department of Rehabilitation and Correction (DRC) can be viewed as the administrator of a three-stage felony sanctioning system, beginning with an intake process on the front end, a large physical plant for housing inmates located in the middle, and ending with a release mechanism on the back end.

As its most basic mission, the Department is charged with the supervision of felony offenders committed to the custody of the state, which includes inmate housing and services provided in 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 might otherwise have spent in prison or jail.

Starting with FY 1994, the Department began directing a considerable amount of moneys into what are known as prison diversion and jail population reduction programs. The reality, however, continues to be that the lion's share of the Department's capital and operating budgets is devoted toward the building and management of correctional institutions and the inmates who inhabit them.

Local Government Impact

The principal local fiscal impact generated by the Department's budget is felt primarily 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 Department's community sanctions funding has, theoretically at least, been to reduce the size of prison and jail populations from what they might otherwise have been by diverting felony and misdemeanant offenders into alternative community controls.

Costs of Doing Business

The nature and size of the Department's operation – securing and servicing 32 correctional institutions (including two privately operated, state-owned prisons) that house 44,000-plus inmates, supervising more than 35,000 offenders who reside in communities around Ohio, and managing 14,000-plus 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 seem almost invariably to push 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 impact on institutional agency budgets.

- ***Medical Services Costs.*** Inflation has had a particularly notable impact on the cost of delivering medical/health care services in correctional institutions. The Department's inflation rate for medical/health care services over the last two years has been 10%. Some of the inflationary factors driving up DRC's cost of delivering institutional medical services include: (1) the rising contract amount with The Ohio State University Medical Center to provide inpatient care, (2) the price growth associated with the diagnosis and treatment of Hepatitis C, which has also become a growing concern for corrections systems across the country, and can cost tens of thousands of dollars per inmate for treatment, (3) the use of new diagnostic tests and required standards of care, (4) the difficulty in hiring and retaining qualified nursing staff forces the use of overtime and contracting for higher cost agency nursing services to meet minimum staffing requirements, (5) the escalating prices of prescription medications, and (6) the resolution of a class action lawsuit alleging that the correctional health care delivery system in Ohio is constitutionally inadequate.

Agency in Brief

The following table selectively summarizes DRC appropriations and staffing information.

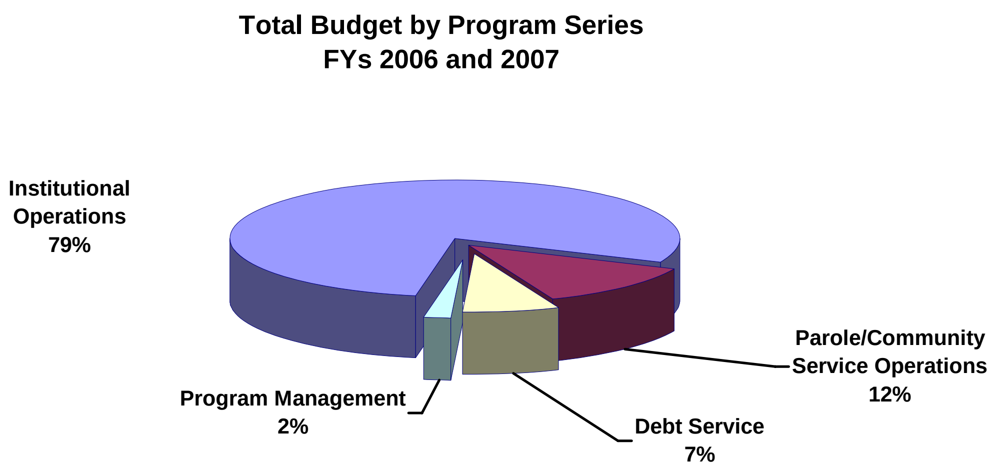
DRC In Brief

Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
14,337	$1.69 billion	$1.71 billion	$1.48 billion	$1.50 billion	Am. Sub. H. B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

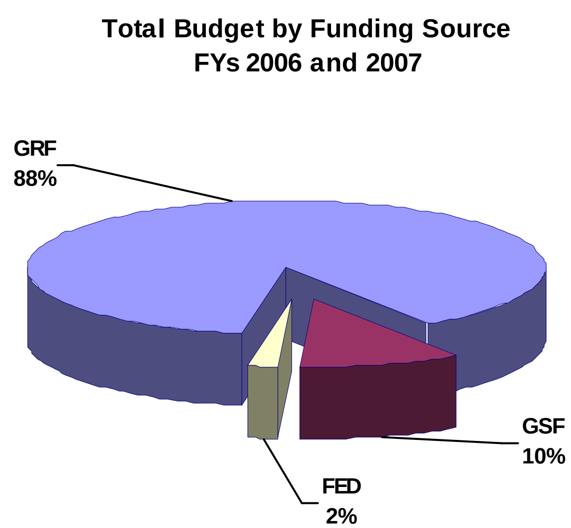
Expense by Program Series Summary

The pie chart immediately below shows total DRC appropriations (FYs 2006 and 2007) by program series. This information is shown for all funds, including the General Revenue Fund (GRF).



Expense by Fund Group Summary

The pie chart immediately below shows total DRC appropriations (FYs 2006 and 2007) by fund group. This information is shown for all funds, including the General Revenue Fund (GRF).



Staffing Levels

The table immediately below summarizes the number of staff that DRC paid, or will pay, on the last pay period of FYs 2002 through 2005. The current number of authorized staff positions, or full-time equivalents (FTEs), is in excess of 15,200. As the level of GRF funding in the enacted budget is less than what the Department calculated its costs to be in order to continue current levels of services, it seems unlikely that it will be able to support its current filled number of 14,000-plus staff positions. Over the course of FYs 2002 and 2003, the Department eliminated more than 1,800 staff positions.

Rehabilitation and Correction Program Staffing Levels by Fiscal Year*

Program	2002	2003	2004	2005
Administration	1,203	1,211	1,211	1,288
Parole/Community Operations	1,047	1,053	1,065	1,064
Education Services	467	436	431	452
Facility Maintenance	536	537	538	546
Medical Services	507	527	497	520
Mental Health Services	575	539	551	541
Recovery Services	146	131	133	136
Security	8,120	8,118	7,968	8,055
Support Services	1,206	1,169	1,166	1,183
Unit Management	736	695	681	716
TOTALS	14,543	14,416	14,241	14,501

* The number of staff by program that DRC paid or will pay on the last pay period of FYs 2002 through 2005; program staffing numbers for FY 2005 represent estimates.

Future Staffing Levels. The enacted budget provides a level of funding that is below what the Department calculated its future cost of doing FY 2005's business would be in FYs 2006 and 2007. As a result, the Department will not be able to maintain its FY 2005 level of programs and services, which means that it will have to reduce certain operating expenses (payroll, contracts, maintenance, and equipment). The Department has not yet made any firm decisions with regard as to how the fiscal effects of this funding level will be handled, including likely reductions in the size of its annual payroll; thus no estimate of future staffing levels by program area can be made with any degree of certainty at this time. That said, the Department has stated that additional staff reductions could reach several hundred.

Percentage of State Workforce. What is not clearly evident from the Department's staffing levels in the above table is the bigger picture into which these "numbers" fit. As of this writing, of the total number of state employees, around 25% work for the Department, that is one-in-four state employees. Additionally, roughly 13%, or approximately one in six, of all state employees are correction officers who work for the Department.

Privatized Correctional Institutions. The Department's staffing levels do not include the Lake Erie Correctional Institution and the North Coast Correctional Treatment Facility, which are state-owned prisons whose operations have been contracted out to private-sector vendors. If those two correctional facilities were not to be privatized, the Department would need approximately 500 total additional staff for their activation and operation.

Vetoed Provisions

The Department is not directly affected by any of the items contained in Am. Sub. H.B. 66 that were vetoed by the Governor.

ANALYSIS OF THE ENACTED BUDGET

What follows is LSC fiscal staff's analysis of the Department of Rehabilitation and Correction's enacted biennial budget covering FYs 2006 and 2007. The presentation of this analysis is organized around the following four program series.

- ***Program Series 1: Institutional Operations***
- ***Program Series 2: Parole and Community Service Operations***
- ***Program Series 3: Program Management***
- ***Program Series 4: Debt Service***

Program Series 1 — Institutional Operations

Purpose: To provide housing, security, maintenance, food, treatment programming, and other support services for adults sentenced to the custody of the Department.

The following table shows the line items that are used to fund the Institutional Operations program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund (GRF)				
GRF	501-321	Institutional Operations	$857,371,490	$873,888,880
GRF	501-403	Prisoner Compensation	$8,599,255	$8,599,255
GRF	502-321	Mental Health Services	$64,897,564	$66,055,754
GRF	505-321	Institution Medical Services	$159,926,575	$176,500,628
GRF	506-321	Institution Education Services	$22,727,366	23,114,615
GRF	507-321	Institution Recovery Services	6,946,286	7,090,212
		General Revenue Fund Subtotal	**$1,120,468,536**	**$1,155,249,344**
General Services Fund (GSF)				
148	501-602	Services and Agriculture	$95,207,653	$95,207,653
200	501-607	Ohio Penal Industries	$38,000,000	$38,000,000
483	501-605	Property Receipts	$393,491	$393,491
4B0	501-601	Sewer Treatment Facility Services	$1,758,177	$1,758,177
4D4	501-603	Prisoner Programs	$20,967,703	$20,967,703
4S5	501-608	Education Services	$4,564,072	4,564,072
571	501-606	Training Academy Receipts	$75,190	$75,190
593	501-618	Laboratory Services	$5,799,999	$5,799,999
5AF	501-609	State and Non-Federal Awards	$262,718	$262,718
5H8	501-617	Offender Financial Responsibility	$774,020	$774,020
5L6	501-611	Information Technology Services	$3,741,980	$3,741,980
		General Services Fund Subtotal	**$171,545,003**	**$171,545,003**

Fund	ALI	Title	FY 2006	FY 2007
Federal Special Revenue Fund (FED)				
323	501-619	Federal Grants	$12,198,353	$12,198,353
3S1	501-615	Truth-in-Sentencing Grants	$26,127,427	$26,127,427
		Federal Special Revenue Fund Subtotal	**$38,325,780**	**$38,325,780**
Total Funding: Institutional Operations			**$1,330,339,319**	**$1,365,120,127**

This analysis focuses on the following specific programs within the Institutional Operations program series:

- ***Program 1: Facility Maintenance***
- ***Program 2: Support Services***
- ***Program 3: Security***
- ***Program 4: Unit Management***
- ***Program 5: Medical Services***
- ***Program 6: Recovery Services***
- ***Program 7: Education Services***
- ***Program 8: Mental Health Services***
- ***Program 9: Facility Administration***

Program 1: Facility Maintenance

Program Description: This program provides for the maintenance of buildings and structures to facilitate the safe and secure operation of correctional institutions throughout the state, and to ensure that these institutions are compliant with all applicable federal, state, and local standards. Specifically, through this program, staff perform various duties, including but not limited to, providing for physical plant operations, e.g., heating, ventilation, plumbing, and electrical service, and performing preventive maintenance that falls under the threshold for capital projects, e.g., painting, roofing, and asbestos management.

Funding Sources: (1) GRF, (2) revenue from contracts with political subdivisions under which the latter are permitted to tap into a correctional facility's sewage treatment facility, (3) rent and utility charges collected from departmental personnel who live in housing under the Department's control, and (4) federal funds

Implication of the Enacted Budget: The enacted budget does not provide the level of funding that DRC calculated would be necessary to maintain the program's FY 2005 service levels over the course of FYs 2006 and 2007. This means that DRC will most likely have to trim biennial facility maintenance costs, which would include cutting payroll and canceling lower priority, nonsecurity related maintenance projects. In fact, during the first quarter of FY 2006, DRC improved its ability to work within the enacted facility maintenance funding levels as a result of losing approximately 300 employees department-wide thru natural attrition and instituting a limited hiring freeze.

Program 2: Support Services

Program Description: This program addresses quality of life issues that enhance total institutional operations, including the legal and ethical responsibilities of providing adequate food, clothing, work therapy, and spiritual support to inmates. Specific services or activities include food services, Ohio Penal Industries, institutional commissaries, quartermaster and laundry service, religious services, and agricultural farms.

Funding Sources: (1) GRF, (2) money transferred from GRF line items 501-321, Institutional Operations, and 501-403, Prisoner Compensation, (3) proceeds from the sale of excess crops and older animals, and (4) revenue generated from the manufacture and sale of various goods and services to the state and its political subdivisions

Implication of the Enacted Budget: The enacted budget does not provide the level of funding that DRC calculated would be necessary to maintain the program's FY 2005 service levels over the course of FYs 2006 and 2007. Thus, the Department will likely have to trim the Support Services program's biennial operating costs. The fact that payroll-related costs constitute approximately one-third of the program's annual operating expenses suggests that expenditure reductions will have to include more than cutting the number of program staff. Previously noted department-wide staff losses and a limited hiring freeze that occurred subsequent to the budget's enactment might improve DRC's ability to work within the available level of Support Services funding. Other cost-cutting measures include plans to increase the Department's efforts to streamline service delivery and improve program efficiencies. A recent development in that regard involves enhancing DRC's in-house capacity to process meat and milk.

Program 3: Security

Program Description: This program encompasses the Department's primary mission – security – which includes the supervision and control of approximately 44,000 incarcerated offenders, as well as observation and monitoring of security systems and hardware designed to create a safe environment for inmates and staff.

Funding Sources: (1) GRF, and (2) federal funds

Implication of the Enacted Budget: The enacted budget does not provide the level of funding that DRC calculated would be necessary to maintain the program's FY 2005 service levels over the course of FYs 2006 and 2007, including the payroll costs associated with 7,200-plus correction officers. Thus, the Department will likely have to trim Security program biennial operating costs. As a result, funding reductions to the Security program may ultimately require staff cuts that go beyond those attributable to attrition.

There will also likely be further consolidations of certain dormitories and cellblocks in order to lessen the security requirements within various correctional institutions. There is some concern in the Department that increasing the concentration of inmates in the remaining dormitories and cellblocks will increase the level of wear and tear on those facilities thereby leading to an increase in maintenance requirements. This serves to illustrate some of the interrelatedness and interdependence between the programs in this program series. The Department's responses to the reductions in one Institutional Operations program can lead to increased costs in another.

At this point in time, given the realities of the enacted budget, the Department does not anticipate the need to close any additional correctional institutions. The structure of the programs within this program series – Institutional Operations – provides the Department with a degree of flexibility that may allow it to avoid such a decision.

The Department's source of funding for institutional operations (GRF line item 501-321) is actually allocated across five of the nine programs constituting this program series. Those five programs – facility maintenance, support services, security, unit management, and facility administration – all relate to operational issues. The important point here is that when the funding is reduced in a program such as Security, the Department has some flexibility to distribute the burdens of such a cut into other related programs funded from the same line item, in this case GRF line item 501-321. Despite this fluidity, the level of funding in the enacted budget will not support the overall continuation of FY 2005 service levels in the Institutional Operations program series in FYs 2006 and 2007. From the Department's perspective, cut backs are inevitable.

Program 4: Unit Management

Program Description: This program encompasses staff that oversee the daily operation of inmate living areas. Unit management is a team approach to inmate management that is accomplished by dividing large groups of offenders into smaller groups supervised by teams of trained staff located in close proximity to inmate living areas.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget provides a level of funding that is fairly close to the amount DRC calculated would be necessary to maintain the program's FY 2005 service levels over the course of FYs 2006 and 2007. That said, there still may be some staff reductions and streamlining of services in this program as some of the funding in GRF line item 501-321, Institutional Operations, may be shifted to other programs, such as Security, where the magnitude of expenditure reductions threaten the operation of safe and secure correctional institutions.

Program 5: Medical Services

Program Description: This program provides for the delivery of comprehensive health care services by qualified personnel at all correctional institutions, as well as centralized specialty acute and chronic care in affiliation with The Ohio State University Medical Center. Other health services provided on-site include optometry, podiatry, dentistry, basic x-ray and laboratory services, nutritional counseling, and education.

Funding Sources: (1) GRF, (2) costs of incarceration or supervision that may be assessed against and collected from an offender as a debt to the state, and (3) payments collected from entities that receive laboratory services

Implication of the Enacted Budget: The enacted budget provides a level of funding that is greater than the amount DRC calculated would be necessary to maintain the FY 2005 level of medical services over the course of FYs 2006 and 2007. The Department, however, has some concern that the amount of available moneys may not be adequate to cover its institutional medical needs given the uncertainties associated with multiple inflationary variables.

Permanent law: ***Payments for Medical Care of Inmates of State Correctional Institutions (R.C. 341.192).*** The enacted budget contains a permanent law provision requiring a medical provider that is not under contract to DRC and that provides necessary care to a person who is confined in a state correctional institution or in the custody of a law enforcement officer before confinement be paid at the Medicaid reimbursement rate. Since Medicaid reimbursement rates are generally lower than the going market rate for medical care, the medical care expenditures of the Department and local law enforcement may be reduced from what those costs might otherwise have been under current law and practice. As of this writing, the annual magnitude of that potential reduction in medical care expenditures for the Department or any affected local criminal justice system is uncertain.

Program 6: Recovery Services

Program Description: This program provides a range of alcohol and other drug (AOD) treatment services for inmates under the jurisdiction of the Department.

Funding Sources: (1) GRF, (2) moneys received by the Department from commissions on telephone systems established for the use of prisoners, (3) state and nonfederal award funds, and (4) federal funds

Implication of the Enacted Budget: The enacted budget provides a level of funding that is greater than the amount DRC calculated would be necessary to maintain the FY 2005 level of recovery services over the course of FYs 2006 and 2007. At this point in time, the Department does not anticipate the need to reduce program staff or service levels.

Program 7: Education Services

Program Description: This program exists as a statutory mandate requiring the Department to establish and operate a school system that is approved and chartered by the Ohio Department of Education and designated as the Ohio Central School System. Under the program, educational programs are provided to inmates to allow them to complete adult basic education courses, earn Ohio certificates of high school equivalence, or pursue vocational training.

Funding Sources: (1) GRF, (2) commissions on collect call telephone systems established for the use of inmates, (3) nonfederal money transferred from the Ohio Department of Education, and (4) federal education grants

Implication of the Enacted Budget: The enacted budget provides a level of funding that is greater than the amount DRC calculated would be necessary to maintain the FY 2005 level of education services over the course of FYs 2006 and 2007. At this point in time, the Department does not anticipate the need to reduce program staff or service levels.

Program 8: Mental Health Services

Program Description: This program provides treatment and care for inmates with various mental health needs, including outpatient treatment and behavior management, psychiatric services, sex offender services, and preparole evaluations to assist in identifying high-risk offenders.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget does not provide the level of funding that DRC calculated would be necessary to maintain the program's FY 2005 service levels over the course of FYs 2006 and 2007. At this time, however, DRC does not anticipate the need to cut Mental Health Services program staff because of two relatively recent factors that, in combination, seem to have constrained program expenditures: (1) a reduction in the number of inmates with serious mental health problems; these are persons whose condition typically requires housing in a residential treatment unit (RTU), and (2) the difficulty in filling professional vacancies.

Program 9: Facility Administration

Program Description: This program provides funding for the management of DRC's correctional institutions, including staff (wardens, deputy wardens, business management staff, labor relations staff, personnel officers, network administrators, training officers, records management staff, food service coordinators, and executive support staff) and costs associated with prisoner compensation, prisoner programs, agriculture, and information and technology services.

Funding Sources: (1) GRF, (2) prorated charges assessed to each of the Department's institutions and its Division of Parole and Community Services that reflect the relative benefit each receives from information technology upgrades and enhancements, (3) charges to individuals from outside the Department for training received at the Corrections Training Academy, and (4) federal funds

Implication of the Enacted Budget: The enacted budget does not provide the level of funding that DRC calculated would be necessary to maintain the program's FY 2005 service levels over the course of FYs 2006 and 2007. Any program cuts required to stay within this level of funding would presumably involve some mix of staff and nonpayroll-related expenses. Previously noted department-wide staff losses and a limited hiring freeze that occurred subsequent to the budget's enactment might improve DRC's ability to work within the available level of Facility Administration program funding. Other cost-cutting measures include increasing departmental efforts to streamline service delivery and improve program efficiencies.

Program Series 2 Parole and Community Service Operations

Purpose: To protect Ohio citizens by ensuring appropriate supervision of adult offenders in community punishments, which are effective and hold offenders accountable.

The following table shows the line items that are used to fund the Parole and Community Service Operations program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	501-405	Halfway House	$38,104,924	$38,105,128
GRF	501-407	Community Nonresidential Programs	$15,383,471	$15,404,522
GRF	501-408	Community Misdemeanor Programs	$8,041,489	$8,041,489
GRF	501-501	Community Residential Programs-CBCF	$55,054,445	$55,054,445
GRF	503-321	Parole and Community Operations	$78,887,219	$80,708,911
		General Revenue Fund Subtotal	**$195,471,548**	**$197,314,495**
General Services Fund				
4L4	501-604	Transitional Control	$1,593,794	$1,593,794
5H8	501-617	Offender Financial Responsibility	$1,225,980	$1,225,980
		General Services Fund Subtotal	**$2,819,774**	**$2,819,774**
State Special Revenue Fund				
5CL	501-616	Sex Offender Supervision	$100,000	$75,000
		State Special Revenue Fund Subtotal	**$100,000**	**$75,000**
Total Funding: Parole and Community Service Operations			**$198,391,322**	**$200,209,269**

This program series provides community supervision for felony offenders, jail inspection services, victim services, and programs that fund community correction options to prison and jail. Community corrections programs provide punishment for lower risk offenders, which include electronic house arrest, day reporting, and intensive supervision. This analysis focuses on the following specific programs within the Parole and Community Service Operations program series:

- ***Program 1: Parole and Community Service Operations***
- ***Program 2: Community Sanctions: Halfway Houses***
- ***Program 3: Community Sanctions: Community-Based Correctional Facilities***
- ***Program 4: Community Sanctions: Non-Residential Felony Programs***
- ***Program 5: Community Sanctions: Non-Residential Misdemeanor Programs***

Program 1: Parole and Community Service Operations

Program Description: The activities grouped under the Parole and Community Service Operations program provide offender release and community supervision services, jail inspection services, and victim services. The largest component of the program 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 presentence investigation and supervision services to the courts of common pleas in 42 counties, (2) supplemental presentence investigation and supervision services to the courts of common pleas in 4 counties, and (3) presentence investigation services to the courts of common pleas in 5 counties. Additional areas include the Office of Victim Services and the Bureau of Adult Detention.

Funding Sources: (1) GRF, (2) money collected from prisoners who are transferred to transitional control that may be required to pay "reasonable expenses" incurred by the Department in the supervision and confinement of those prisoners while under transitional control, and (3) costs of incarceration or supervision that may be assessed against and collected from an offender as a debt to the state

Implication of the Enacted Budget: The enacted budget does not provide the level of funding that DRC calculated would be necessary to maintain the program's FY 2005 service levels over the course of FYs 2006 and 2007, including the payroll-related expenditures associated with 1,036 staff positions. This program is predominantly staff driven. Any expenditure reductions necessary for the program to stay within the available level of funding would presumably involve some mix of staff and nonpayroll-related expenses. According to the Department, the precise extent to which staff positions may need to be eliminated in this program is unknown at this time.

Permanent and Temporary Law: ***Active Global Positioning System Monitoring of Sexually Violent Predators (R.C. 2743.191, 2971.05, and Section 209.69)***. Relative to sexually violent predators, the enacted budget contains permanent and temporary law provisions that:

- Require a sexually violent predator who has been released from prison to be supervised by the APA with an active global positioning system device for the offender's entire life, unless the court removes the sexually violent predator classification from the offender;
- Specify that the cost of administering the supervision of a sexually violent predator with an active global positioning system be funded with cash transferred from the existing Victims of

Crime/Reparations Fund (Fund 402) through the Sex Offender Supervision Fund (Fund 5CL), which is created by the enacted budget; and

- Instruct the Director of Budget and Management to transfer cash in the amount of $100,00 and $75,000 in FYs 2006 and 2007, respectively, from Fund 402 to Fund 5CL for the purpose of paying the costs incurred by the APA in supervising sexually violent predators released from prison.

Based on information provided by the Department, LSC fiscal staff estimates that the appropriated amounts will be sufficient to cover the APA's costs of supervising up to ten sexually violent predators that could be released from prison over the course of FYs 2006 and 2007.

Program 2: Halfway Houses

Program Description: This is a community residential program that provides supervision and treatment services for offenders released from state prison, referred by courts of common pleas, or sanctioned because of a violation of conditions of supervision. The services provided under this program include drug and alcohol treatment, electronic monitoring, job placement, educational programs, and specialized programs for sex offenders and mentally ill offenders. In FY 2005, through the Bureau of Community Sanctions, DRC contracted with private/not for profit organizations to provide a total of 1,664 halfway house beds, serving approximately 6,656 offenders.

Funding Source: GRF

Implication of the Enacted Budget: The enacted funding levels in each of FYs 2006 and 2007 are roughly $1.0 million less than the Halfway Houses program's actual FY 2005 expenditures of $39.1 million. This fact, when combined with the possibility that the program's cost of doing today's business tomorrow is likely to be higher, means that the enacted funding levels are below the amount that would be necessary for the continuation of the FY 2005 level of programming and services in FYs 2006 and 2007. As those costs increase, the same funding will purchase fewer services. Based on information provided by DRC, the enacted funding levels will have a tangible impact in the following areas.

- ***Beds.*** The available GRF funding will not fully support a current network of 1,664 halfway house beds that serve approximately 6,656 offenders annually. As of this writing, the Department is planning to eliminate 42 halfway house beds in FY 2006, and another 95 beds in FY 2007. The elimination of these 137 beds will mean a corresponding reduction of more than 500 placements for the biennium.

- ***Electronic home monitoring.*** Electronic home monitoring (EHM) is used for both the step down of inmates transitioning toward release, and as a sanction for technical violations for those inmates who have been released and are under some form of supervision. The Department projects the available level of GRF funding will support approximately 16 fewer EHM slots in FY 2006 plus another 4 fewer slots in FY 2007. The loss of these EHM 20 slots will mean that approximately 120 fewer offenders, out of a total capacity of 850, will be subject to EHM over the course of FYs 2006 and 2007.

- ***Ancillary outpatient services.*** Ancillary outpatient services involve the placement of higher risk offenders, mostly sex offenders and some with other mental health needs, into outpatient treatment and counseling services. These offenders, who are traditionally very difficult to place, are not residents of halfway houses, but are under the supervision of the APA. The

Department projects the available level of GRF funding will support approximately 26 fewer slots over FYs 2006 and 2007. This means that, although the affected offenders will remain under APA supervision, there will likely not be sufficient funding for those offenders to receive any ancillary services.

- ***Independent housing***. The independent housing component is for offenders under the supervision of the APA who do not require expensive treatment services. The most significant immediate issue for these predominantly lower risk offenders is homelessness. The Department projects the available level of GRF funding will support approximately four fewer beds over FYs 2006 and 2007, leaving approximately 28 offenders with no viable living arrangement other than a homeless shelter.

Since FY 2002, the Department has had plans for the development of a number of additional halfway house beds that have not received the necessary funding. The status of these projects is as follows.

- ***Cuyahoga County***. The county was to host a 100-bed halfway house facility. The level of funding available in FYs 2004 and 2005, however, were not sufficient for that plan to move forward. Under the enacted budget, the available moneys will not be sufficient for this project to move forward.
- ***Allen County***. The county was seeking to renovate an existing site to host a 50-bed halfway house facility for "hard-to-place" offenders. Under the enacted budget, the available moneys will not be sufficient for this project to move forward. The Department has not yet spent any funds on planning or preparing the Allen County site where this facility will be located.
- ***Warren County***. The county hosts the 65-bed Turtle Creek halfway house facility that officially opened in January 2003. Although completed, DRC only has the resources to pay for daily operations of approximately 54 beds.
- ***Jefferson County***. The county was to host a 75-bed halfway house facility to serve the southeastern part of the state, which currently has no halfway house beds. The construction contract to build the facility was to have been put out to bid in April 2001, however, budget reductions instituted over the past two biennia have prevented this facility from being built. The Department is currently exploring potential sites, although based on the available moneys this project will not move forward.

Temporary Law: ***Halfway House Transfers (Section 209.69)***. Additional financial resources may be available for the Halfway Houses program pursuant to a temporary law provision requiring DRC to transfer in each of FYs 2006 and 2007 from the unexpended, unobligated GRF appropriations made to the Department for FYs 2006 and 2007 at least $500,000 per fiscal year in appropriation authority to GRF line item 501-405, Halfway House. As of this writing, DRC plans to use these additional moneys in each of FYs 2006 and 2007 as follows:

- $270,000 will be used to fund 12 beds that were added in FY 2005 to serve transitional control and sex offenders. Losing those 12 beds would result in 57 offenders not receiving residential programming over the course of FYs 2006 and 2007;

- $70,000 will be used as a one-time allocation to halfway houses for the purpose of making minor renovations necessary to achieve American Correctional Association (ACA) accreditation. All halfway houses are required by licensing standards to be accredited by the ACA;

- $80,000 will be used to purchase additional ancillary services for high-risk offenders who are currently placed in the community; and

- $80,000 will be used to purchase 13 additional global positioning satellite (GPS) placements to monitor an additional 70 high-risk offenders and sex offenders.

Program 3: Community Sanctions: CBCFs

Program Description: The CBCF program 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, each of which house up to 200 felony offenders and offer services such as education, job training, and substance abuse treatment as an alternative to incarceration.

Currently, there are 18 operational CBCFs providing beds to 87 of 88 counties. The total number of available CBCF beds stands at 1,869, permitting the diversion of approximately 5,219 felony offenders annually with an average length of stay at around four months. Cuyahoga County is the lone county not currently being served by a CBCF.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget provides a level of funding that is more or less around the amount that DRC calculated would be necessary to maintain the program's FY 2005 service levels over the course of FYs 2006 and 2007. As of this writing, DRC expects that the appropriated amounts in each fiscal year will be sufficient to continue funding 1,800-plus currently activated CBCF beds, but may have to reduce its financial support for the provision of specialized CBCF services.

Since FY 2002, DRC has had plans to activate 321 additional CBCF beds spread across facilities located in Seneca, Stark, Summit, Union, and Scioto counties. These facilities are all existing structures that have been expanded and upgraded to varying degrees. The annual level of GRF funding for the CBCF program has never been sufficient for any of those beds to be activated.

Program 4: Community Sanctions: Non-Residential Felony Programs

Program Description: This program, through the authority of the state's Community Corrections Act, provides grants to counties to operate intensive supervision and other community sanctions programming for felony offenders in lieu of prison or jail commitments. In FY 2005, there was sufficient funding to disburse grants to 50 local programs in 45 counties, permitting the sanctioning of nearly 9,500 offenders. The purpose of the program is to provide courts of common pleas with sentencing alternatives for felony offenders, such as intensive supervision, day reporting, work release, community service, counseling, drug testing, and electronic monitoring.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget provides a level of funding that is somewhat less than the amount that DRC calculated would be necessary to maintain the program's FY 2005 financial support levels over the course of FYs 2006 and 2007. As a result, theoretically at least, some portion of the program's cost will have to be cut. Approximately 90% of each program grant covers the staffing-related costs of local programs. As of this writing, however, DRC does not plan to reduce the number of funded felony diversion programs, but is more likely to reduce the annual grant amount for some, or all, of the FY 2005-funded programs. The Department has projected that a cut in grant amounts will likely mean that the local programs supported by this funding stream statewide will divert 213 fewer offenders from incarceration in each fiscal year plus an additional 206 fewer offenders diverted in FY 2007. From the Department's perspective, these are offenders that, absent a more appropriate community sanction, are more likely to be sentenced to, or stay longer in, a jail or prison. If these grant reductions trigger staffing cuts in local non-residential felony programs, then a related side effect may be to increase the caseloads of community supervision personnel.

Program 5: Community Sanctions: Non-Residential Misdemeanor Programs

Program Description: This program provides grants, through the authority of the state's Community Corrections Act, to counties and cities to operate pretrial release, probation, or other local programs for misdemeanor offenders in lieu of confinement in jail. These local programs provide sentencing options for municipal courts and county courts for the purpose of diverting offenders from local jails, which is a more expensive form of sanctioning. Jail diversion programs include, but are not limited to, intensive supervision, standard probation, electronic monitoring, drug testing, day reporting, work release, and community service. In FY 2005, there was sufficient funding to disburse grants to 110 programs in 76 counties, providing alternatives to confinement for around 12,600 offenders.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget provides a level of funding that is somewhat less than the amount that DRC calculated would be necessary to maintain the program's FY 2005 financial support levels over the course of FYs 2006 and 2007. As a result, theoretically at least, some portion of the program's cost will have to be cut. As of this writing, however, DRC does not plan to reduce the number of funded misdemeanant diversion programs, but is more likely to reduce the annual grant amount for some, or all, of the FY 2005-funded programs. The Department has projected that a cut in grant amounts will likely mean that the local programs supported by this funding stream statewide will divert 466 fewer offenders from jail in each fiscal year plus an additional 456 fewer offenders diverted in FY 2007.

From the Department's perspective, a reduction in the number of diverted misdemeanants may not only contribute to greater local jail crowding, but could also increase the size of the prison population. This latter effect is possible because, under current practice, certain felony offenders who have been released from prison, and subsequently violate the conditions of their release, are sanctioned by being placed in a local jail rather than being sent back to prison. If, as a result of reductions in grant funding, there are in fact hundreds of misdemeanants jailed per year statewide rather than diverted into a non-residential sanction, then a potential side effect is that some number of felony offenders who might otherwise have been placed in jail for violating the conditions of their release may instead be returned to prison.

Program Series 3 — Program Management

Purpose: To provide quality corrections in Ohio and provide centralized leadership and support for the state prison system and community corrections programs.

The following table shows the lone line item that is used to fund the Program Management series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	504-321	Administrative Operations	$27,559,389	$28,147,730
Total Funding: Program Management			**$27,559,389**	**$28,147,730**

The Program Management program series only contains one program as noted below.

Program Management Services

Program Description: This program essentially guides all of the correctional institutions and provides oversight and coordination for all departmental operations. It includes the following administrative operations: Office of the Director, Office of Human Resources (personnel, employee relations, training/assessment center, and labor relations), Public Information Office, Legal Services Division, Office of the Chief Inspector, Office of Prisons, Office of Administration (business administration, penal industries, information and technology services, and construction, activation, and maintenance), Legislative Office, and the Office of Policy and Offender Reentry.

Funding Source: GRF

Implication of the Enacted Budget: It would appear that, as of this writing, the enacted level of funding in FYs 2006 and 2007 for the Program Management Services program will permit DRC to cover its annual operating expenses in each of FYs 2006 and 2007, including the payroll-related expenditures associated with 250 staff positions.

Program Series 4 Debt Service

Purpose: To ensure payment of bond service charges for obligations issued by the Ohio Building Authority to finance the cost of the Department's capital appropriations.

The following table shows the lone and relatively large GRF line item that is used to fund this program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	501-406	Lease Rental Payments	$132,370,500	$120,600,600
Total Funding: Debt Service			**$132,370,500**	**$120,600,600**

The Debt Service program series only contains one program as noted below.

Debt Service

Program Description: This program/line item 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 levels are set and controlled by the Office of Budget and Management (OBM), and not by DRC. 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).

Funding Source: GRF

Implication of the Enacted Budget: The debt service funding level contained in the enacted budget will permit the state to meet its legal and financial obligations to the OBA in each of FYs 2006 and 2007.

Rehabilitation Services Commission

Maria E. Seaman, Senior Analyst

- While the number of individuals competitively employed is likely to remain constant at the FY 2005 level, RSC expects the hourly wage of those employed (a measure of quality) to increase over the FY 2006-2007 biennium

OVERVIEW

Duties and Responsibilities

The Rehabilitation Services Commission (RSC) provides vocational rehabilitation and other related services to eligible Ohioans with disabilities who seek employment. 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.

The Rehabilitation Services Commission is comprised of three service bureaus: the Bureau of Vocational Rehabilitation, Bureau of Services for the Visually Impaired, and Bureau for Disability Determination. Two of these bureaus provide direct vocational rehabilitation services to individuals with disabilities. The Bureau of Vocational Rehabilitation aids people with physical, mental, and emotional disabilities, while the Bureau of Services for the Visually Impaired assists Ohioans who are blind or have visual impairments. The Bureau for Disability Determination, by agreement with the Social Security Administration, is responsible for determining the medical eligibility of Ohioans seeking Social Security Disability Insurance and Supplemental Security Income.

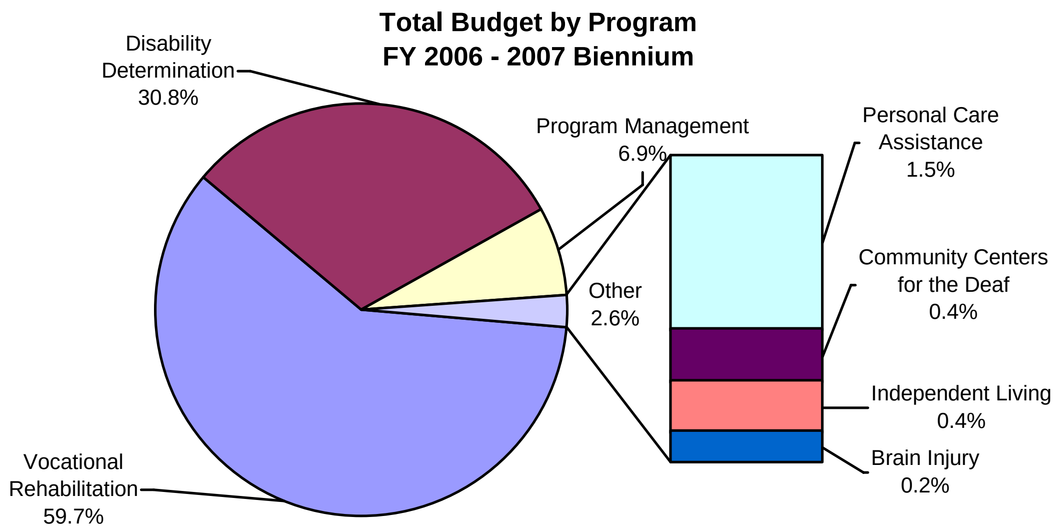
Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill
	2006	2007	2006	2007	
1,328	$268.98 million	$268.21 million	$24.30 million	$24.30 million	Am. Sub. H.B. 66

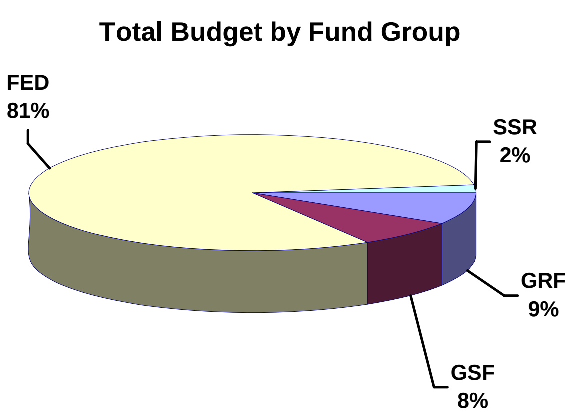
*Employee count obtained from the Department of Administrative Services (DAS) report dated June 5, 2005.

Summary of FYs 2006-2007 Budget

The majority of the Rehabilitation Services Commission's funding is for vocational rehabilitation. A significant portion is for disability determination, which is 100% federally funded.



The largest source of funding for the Rehabilitation Services Commission is from the federal government (81%). Only 9% of the Commission's budget is from the General Revenue Fund.



Rehabilitation Services Commission Spending by Fund Group		
Budget Fund Group	**FY 2006**	**FY 2007**
General Revenue Fund	$24,296,832	$24,296,832
General Services Fund	$20,189,122	$20,189,122
Federal Special Revenue Fund	$218,935,588	$218,121,563
State Special Revenue Fund	$5,555,407	$5,605,407
Total	$268,976,949	$268,212,924

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 Vocational Rehabilitation

Purpose: To primarily assist persons with disabilities in finding employment.

The following table shows the line items that are used to fund the vocational rehabilitation program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	415-100	Personal Services	$8,851,468	$8,851,468
GRF	415-403	Mental Health Services	$717,221	$717,221
GRF	415-404	MR/DD Services	$1,260,816	$1,260,816
GRF	415-405	Vocational Rehabilitation/Job and Family Services	$536,912	$536,912
GRF	415-406	Assistive Technology	$47,531	$47,531
GRF	415-431	Office for People with Brain Injury	$226,012	$226,012
GRF	415-506	Services for People with Disabilities	$12,185,215	$12,185,215
GRF	415-508	Services for the Deaf	$50,000	$50,000
GRF	415-509	Services for the Elderly	$359,377	$359,377
		General Revenue Fund Subtotal	**$24,234,552**	**$24,234,552**
State Special Revenue Fund				
4L1	415-619*	Services for Rehabilitation	$4,488,537	$4,486,000
468	415-618	Third Party Funding	$1,055,407	$1,105,407
		State Special Revenue Fund Subtotal	**$5,543,944**	**$5,591,407**
General Services Fund				
467	415-609	Business Enterprise Operating Expenses	$1,632,082	$1,632,082
		General Services Fund Subtotal	**$1,632,082**	**$1,632,082**
Federal Special Revenue Fund				
3L1	415-601	Social Security Personal Care Assistance	$3,743,740	$3,743,740
3L1	415-605	Social Security Community Centers for the Deaf	$1,100,488	$1,100,488
3L1	415-607	Social Security Administration Cost	$175,860	$175,860
3L1	415-608	Soc. Sec. Special Programs/Assistance	$2,246,991	$131,716
3L1	415-610	Soc. Sec. Vocational Rehabilitation	$1,336,324	$1,338,324
3L4	415-615	Federal-Supported Employment	$1,338,191	$1,338,191
3L4	415-617	Independent Living/Voc. Rehab. Programs	$1,508,885	$1,608,885
379	415-616	Federal-Vocational Rehabilitation	$123,565,158	$119,998,470
		Federal Special Revenue Subtotal	**$135,015,637**	**$129,435,674**
Total Funding: Vocational Rehabilitation			**$166,426,215**	**$160,893,715**

* Amount does not reflect total appropriation because line item is also used to fund the Independent Living program series.

Vocational Rehabilitation Case Services

Program Description: This program provides direct, personalized vocational rehabilitation (VR) services to help Ohioans with severe disabilities get and keep jobs and become self-sufficient. Vocational Rehabilitation Case Services is the core program of this program series. Staff of both the Bureau of Vocational Rehabilitation and the Bureau of Services for the Visually Impaired provide services for this program.

A professional VR counselor works one-on-one with a consumer to plan an individualized program designed to lead to gainful employment. Vocational rehabilitation services may include medical, psychological, and/or vocational evaluation; physical or mental restoration; vocational training; occupational tools and equipment; transportation and interpreter services; and job placement and follow-up. Rehabilitation technology may be used to modify a task or the environment to meet the needs of a person with a severe disability. The VR program provides counseling throughout the rehabilitation process.

The following table outlines performance outcomes for the VR Case Services program for FFY 2003 and FFY 2004, estimates for FFY 2005, and projections for FFYs 2006 and 2007, as reported by RSC.

Performance Outcomes for the VR Case Services Program					
Performance Measure	**FFY 2003**	**FFY 2004**	**FFY 2005 (estimated)**	**FFY 2006 (projected)**	**FFY 2007 (projected)**
Number Placed	6,781	6,779	7,600	7,600	7,600
Avg. Hourly Wage	$10.35	$10.63	$10.75	$10.85	$11.00
Avg. Hours per Week	33	33	33	33	33
Annualized Income	$17,761	$18,241	$18,447	$18,619	$18,876

Implication of the Enacted Budget: As the agency in Ohio designated to provide vocational rehabilitation services under the Federal Rehabilitation Act of 1973, as amended, RSC is able to receive federal funding for its VR programs. **For every $1 in state VR funds, RSC receives $3.69 in federal match.**

RSC receives direct appropriations for the purpose of providing VR services to mutually eligible consumers between RSC and the departments of Mental Retardation and Developmental Disabilities, Mental Health, and Job and Family Services.

A cash transfer agreement (CTA) provides GRF dollars to match federal funds that are not directly appropriated in RSC's budget. During FYs 2004 and 2005, the Commission's CTA with the Bureau of Workers Compensation (BWC) provided $1,158,428 in state moneys to leverage $4,280,200 in federal matching funds for vocational rehabilitation services to mutually eligible clients of RSC and BWC. During FYs 2006 and 2007, BWC will transfer a total of $1,193,181 to RSC pursuant to a CTA to provide vocational rehabilitation services to mutually eligible clients. As a result, RSC will be able to draw down $4,408,607 in federal matching funds.

The Rehabilitation Services Commission also works extensively with the Department of Education (ODE) to build a statewide network of resources to support "transition to work programs" for youth. The current interagency agreement with ODE expires September 30, 2005. The Commission is working with ODE to extend that agreement.

The enacted budget for the vocational rehabilitation case services program is essentially flat funding at the FY 2005 level. The Rehabilitation Services Commission is working to redesign its service delivery system to maintain the number of Ohioians placed into competitive jobs. The Commission plans to pilot several new initiatives designed to improve the efficiency and cost effectiveness of service delivery to consumers. At the enacted funding level the number of individuals placed in competitive employment will either remain constant or decrease slightly. However, RSC believes that it will be able to improve the average hourly wage.

In addition, the enacted funding will allow RSC to maintain its 45 offices located throughout the state to serve consumers throughout Ohio. However, the Commission may be able to reduce its costs by consolidating some of the office space it leases for these statewide offices. Such consolidation will not affect a consumer's ability to meet with a VR counselor, since most counselors travel to meet with their clients.

Business Enterprise Program

Program Description: The Business Enterprise program is authorized by the federal Randolph-Sheppard Act and sections 3304.28 to 3304.35 of the Revised Code to provide people who are legally blind with employment opportunities as managers and operators of food service and vending facilities. These facilities, which include cafeterias on federal and state property, are managed by licensed operators as self-employed individuals. The Surface Transportation Assistance Act of 1982 expanded the priority to include vending machine businesses along the interstate highway system.

Implication of the Enacted Budget: Beginning in FY 2004, GRF funding for the Business Enterprise program was eliminated. The enacted budget continues this policy and provides funding for the Business Enterprise program through program revenues, which are then used to draw down the federal match. The program continues to try 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.

In addition, the Commission is aggressively seeking to locate Business Enterprise facilities in post offices around the state and at Ohio colleges and universities. If successful in securing these sites for the Business Enterprise program, RSC will have to increase its efforts to recruit additional program participants.

Brain Injury

Program Description: Over 220,000 Ohioians are living with long-term disabilities resulting from a brain injury. More than 20,000 new incidences of traumatic brain injury occur annually in Ohio and that number is increasing.

The primary purpose of the Brain Injury program is to promote a statewide system of services to return persons with a brain injury to a productive role in society. The program also works toward reducing the incidence of brain injury and the severity of impairments due to such injuries. The Brain Injury program provides information and referral services to individuals and families struggling with the aftereffects of traumatic brain injuries. Through an annual grant to the Brain Injury Association of Ohio, the Brain Injury Program supports a statewide, toll-free helpline and partially funds four Community Support Network (CSN) field offices. The CSN offices are located in Cincinnati, Dover, Marietta, and Toledo. Each network site serves an average of five counties. The main goal of the helpline and CSNs is to link consumers with existing services and local community support. In addition, the Brain Injury Association of Ohio maintains and continually seeks to expand its database of programs, services, and educational materials, increase outreach and awareness efforts, and report on data collection and analysis about those served by the program.

Implication of the Enacted Budget: The enacted budget for the Brain Injury program will enable the Brain Injury Association of Ohio to provide support for its current program of providing information and referral services to individuals and families. The four Community Support Network sites, as well as the statewide Helpline, will also be maintained. The enacted funding level will also allow for training of health care professionals and educators assisting individuals with a brain injury. In addition, RSC will prepare the statutorily required biennial report documenting the incidence of brain injury in Ohio.

Personal Care Assistance Program

Program Description: The primary goal of the Personal Care Assistance (PCA) program is to provide services that allow persons with severe disabilities to live independently, and when possible, work. Created in 1981 and authorized by section 3304.41 of the Revised Code, the 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.

There are currently 297 participants in the program. The Rehabilitation Services Commission expects to maintain at least this number of individuals currently participating in the program at any given time. As individuals leave the program or reduce the number of hours needed, RSC will bring additional participants into the program.

Implication of the Enacted Budget: For the FY 2006-2007 biennium, the enacted budget provides for the use of earned Social Security reimbursement dollars for this program. (Prior to FY 2003, General Revenue Funds were appropriated for this program.) The enacted 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 enacted funding level, RSC will be unable to consider increasing either the maximum hours per week or the wage reimbursement rate.

Community Centers for the Deaf

Program Description: The primary purpose of Community Centers for the Deaf (CCDs) is to provide services to help people who are deaf, hard of hearing, or deaf-blind participate in, and benefit from, the vocational rehabilitation process and resources locally available to all members of the community. Community Centers for the Deaf provide services to enable individuals who are deaf, hard-of-hearing, or deaf-blind participate in RSC's vocational rehabilitation program and gain competitive employment. Community Centers for the Deaf provide sign language interpreter services, as well as access to support services including legal protection, health/mental health care, telecommunications, public transportation, government services, and other public and private social services. There are ten CCDs and three satellite offices throughout the state. Eight CCDs operate under the oversight of local host agencies; two are operated and governed wholly by the deaf community. Community Centers for the Deaf also pursue local sources of funding including charitable contributions, Title XX funds, and United Way grants.

Implication of the Enacted Budget: The enacted budget will allow the CCDs to continue to provide services for the deaf and hard of hearing community so that individuals who are deaf, hard of hearing, or deaf-blind can participate in, and benefit from, the vocational rehabilitation process. While many of the CCDs actively pursue local funding, the funding that the CCDs receive from RSC helps the CCDs to maintain, and in some instances expand, services provided to the community.

Program Series 2 Disability Determination

Purpose: To prepare disability determinations for Ohioans who have applied to the Social Security Administration for benefits under Supplemental Security Income, a needs-based income supplement program, and/or Social Security Disability Insurance.

The Bureau of Disability Determination is the only program within this program series.

The following table shows the line item that is used to fund the Disability Determination program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
Federal Special Revenue Fund				
FED 317	415-620	Disability Determination	$82,870,347	$87,999,369
Total Funding: Disability Determination			**$82,870,347**	**$87,999,369**

Bureau of Disability Determination

Program Description: This program was established in 1954 through the authority of federal Social Security Act Section 221(b) and Section 304, Public Law 96-265. Under an agreement with the Social Security Administration (SSA), the Bureau of Disability Determination prepares disability determinations for Ohioans who have applied to SSA for benefits under Supplemental Security Income (SSI) and/or Social Security Disability Insurance (SSDI). These programs, funded directly from the federal government, provide financial assistance to Ohioans who are totally disabled and recipients receive benefits until they are able to return to work or in the case of children, to age-appropriate activities. **The source of funding for disability determination is 100% federal.**

Implication of the Enacted Budget: The number of claims for SSI and SSDI continue to rise. To maintain the performance standards set by the federal government, RSC will need to hire an additional 60 claim adjudicators over the FY 2006-2007 biennium. Staffing levels are subject to SSA approval and will only be increased if the federal Disability Determination budget increases. The enacted funding level assumes approval of the staffing increases to handle the increasing workloads. However, RSC will be under significant pressure to explore either alternative work locations or telecommuting options so that employees can be accommodated within current space allocations.

The Social Security Administration made a decision to reengineer the disability process, including the conversion from a paper process to a totally electronic disability folder. The Bureau is currently working to convert all work units to the electronic folders. When conversion is complete, the federal government will come and certify the system to ensure proper handling of these confidential files.

Program Series 3 — Independent Living

Purpose: To provide services to maximize leadership, empowerment, independence, and productivity and to support full inclusion and integration of individuals with disabilities into the mainstream of American society.

The Independent Living program is the only program within this program series.

The following table shows the line items that are used to fund the Independent Living program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	415-402	Independent Living Council	$12,280	$12,280
GRF	415-520	Independent Living Services	$50,000	$50,000
		General Revenue Fund Subtotal	**$62,280**	**$62,280**
State Special Revenue Fund				
4L1	415-619*	Services for Rehabilitation	$11,463	$14,000
		State Special Revenue Fund Subtotal	**$11,463**	**$14,000**
Federal Special Revenue Fund				
3L4	415-612	Federal-Independent Living Centers or Services	$894,662	$686,520
3L1	415-614	Social Security Independent Living	$154,942	$0
		Federal Special Revenue Fund Subtotal	**$1,049,604**	**$686,520**
Total Funding: Independent Living			**$1,123,347**	**$762,800**

* Amount does not reflect total appropriation because line item is also used to fund the Vocational Rehabilitation program series.

Independent Living Program

Program Description: The Independent Living program is federally mandated and independent from the Rehabilitation Services Commission, which only serves as a fiscal agent. Authority for the program resides in Title VII of the federal Vocational Rehabilitation Act of 1973, as amended. **The Independent Living program receives a federal match of $9 for every $1 of state funds spent on the program.** In addition, Independent Living Services receives funds directly from the federal Independent Living Part C grant program.

Implication of the Enacted Budget: Beginning in FY 2003, the Rehabilitation Services Commission absorbed some of the budget cuts by replacing most of the GRF funding provided for the Independent Living (IL) program with Social Security reimbursement dollars. This funding stream for the IL program continued through the FY 2004-2005 biennium and is again continued in the enacted budget for FY 2006. The enacted budget for FY 2006 for the Independent Living program series will enable the Statewide Independent Living Council to continue providing support to the centers for independent living, monitoring, and evaluating the state plan for independent living, maintaining its web site, and publishing its quarterly newsletter.

The enacted budget for FY 2007 is a decrease of $360,547 (all federal funds) from the FY 2006 appropriations. According to the Executive Director of the Statewide Independent Living Council, this level of funding will require that the Council eliminate one full-time staff position and six contractors. It will no longer be able to maintain its web site or publish its quarterly newsletter. It will also only be able to provide minimal support to the Centers for Independent Living.

Program Series 4 — Program Management

Purpose: To provide administrative support and program evaluation for the Rehabilitation Services Commission as a whole.

Program Management is the only program within this program series.

The following table shows the line item that is used to fund the Program Management program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4W5	415-606	Program Management Expenses	$18,557,040	$18,557,040
Total Funding: Program Management			**$18,557,040**	**$18,557,040**

Program Management

Program Description: This program series provides administrative, budget, planning, evaluation, human resources, auditing, and information services to support the mission of RSC.

Implication of the Enacted Budget: The enacted budget will permit RSC to maintain its current administrative functions to the extent that the levels of direct consumer services are maintained.

Respiratory Care Board

Wendy Risner, Budget Analyst

- The Board received no funding for FY 2007 and will be consolidated into the Department of Health that year
- Licenses approximately 6,500 respiratory care professionals

OVERVIEW

Duties and Responsibilities

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. In addition, the Board recently acquired home medical equipment (HME) licensure and registration for certain HME facilities selling or renting HME equipment to the public in Ohio. 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 monitors continuing education compliance. The Board also approves respiratory care educational programs and, when necessary, conducts on-site reviews.

Fund 4K9

The Ohio Respiratory Care Board is part of the 4K9 Fund group. The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Services Fund that is a repository for license fees and other assessments collected by the state's professional and occupational licensing boards. The 4K9 Fund was established by Am. Sub. H.B. 152 of the 120th General Assembly. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated did not meet their expenditures. The 4K9 Fund eliminated these problems. The philosophy of the fund is that each board must generate enough revenues to cover their expenses. It is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

The Board currently administers approximately 6,500 licenses. The Board grants two types of licenses: respiratory care professional and limited permit. Respiratory care professional licenses are renewed biennially, while limited permits are renewed annually. Revenue is generated from new and renewal licensure fees. Expenditures are for operating expenses associated with the licensure, regulation, and enforcement processes. Revenues and expenditures for the FY 2003-2004 licensing cycle were $724,062 and $587,848 respectively. The Board contributed $136,214 more to Fund 4K9 than it expended during the last renewal cycle.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
4*	$441,987	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Respiratory Care Board.

Summary of FY 2006-2007 Budget Issues

Board Consolidation

In the enacted version of Am. Sub. H.B. 66 of the 126th General Assembly, 20 of the independent occupational licensing boards are to be consolidated into the departments of Health, Commerce, and Public Safety in FY 2007. As a result, the affected boards received no funding in FY 2007. In the case of the Respiratory Care Board, the Board and its duties will be consolidated into the Department of Health. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, and the Office of Budget and Management (OBM), as well as three members selected from the affected boards. According to OBM, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentive will be offered to regulatory board staff. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board members will be retained.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Respiratory Care Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 **Operating Expenses**

Purpose: To license and regulate the practice of respiratory care.

The following table shows the line items that are used to fund the Ohio Respiratory Care Board, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	872-609	Operating Expenses	$441,987	$0
		General Services Fund Subtotal	**$441,987**	**$0**
Total Funding: Ohio Respiratory Care Board			**$441,987**	**$0**

Program Description: In accordance with Chapter 4761. of the Revised Code, the Ohio Respiratory Care Board regulates the profession of respiratory care by licensing properly qualified applicants, acts on complaints filed with the Board, and monitors continuing education compliance.

Funding Source: Licensing fees and other assessments deposited into GSF Fund 4K9

Implication of the Enacted Budget: The Board received funding of $441,987 in FY 2006 and $0 in FY 2007. The enacted funding for FY 2006 will allow the Board to carry out its mission and allow for the 4% increase in payroll. In FY 2007, the Board will be consolidated into the Department of Health. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, Administrative Services, and the Office of Budget and Management, as well as three members selected by the affected boards.

Revenue Distribution Funds

Ruhaiza Ridzwan, Economist

- Local government funds "freeze" diverts moneys to GRF
- Property tax replacement fund compensates local taxing districts for revenue losses due to the phase out of the tangible personal property tax

OVERVIEW

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.

Appropriations for FY 2006 are $4.34 billion. This amount is $232 million greater than actual expenditures in FY 2005, a 5.7% increase. Appropriations for FY 2007 are $4.59 billion. This amount is $249 million greater than appropriations for FY 2006, a 5.7% increase.

ANALYSIS OF THE ENACTED BUDGET

Local Government Funds Freeze

The enacted budget "freezes" the amount of revenues to be credited to and distributed from the three local government funds – Local Government Fund (Fund 069), Local Government Revenue Assistance Fund (Fund 064), and Library and Local Government Support Fund (Fund 065) – in FY 2006 and FY 2007 to the lower of the FY 2005 "freeze" amounts or the amounts determined by the statutory formulas. Under the "freeze" tax receipts that would otherwise be credited to the local funds will instead be credited to the GRF. The freeze affects deposits and distributions of receipts from the "major" taxes: the personal income tax, the sales and use tax, the corporate franchise tax, the public utilities excise tax, and the kilowatt-hour tax.

Recent state operating budgets (H.B. 94 of the 124th General Assembly and H.B. 95 of the 125th General Assembly) included "temporary adjustments to local government distributions." After growing through FY 2001, distributions were frozen and reduced in FYs 2002 and 2003 and remained at the FY 2003 level for FYs 2004 and 2005. The FY 2005 amounts were equal to the FY 2003 amounts, which were equal to the FY 2001 amounts.[25]

[25] H.B. 94 froze, for FY 2002 and FY 2003, deposits into and distributions from the Local Government Fund and the Local Government Revenue Assistance Fund at the levels of FY 2001. Deposits into and distributions from the Library and Local Government Support Fund were also frozen at the FY 2001 level, except that distributions to each county undivided library and local government support fund were further reduced by the

Local Government Property Tax Replacement Fund - Business

The enacted budget creates this fund to reimburse local taxing districts for revenue lost due to the phase out of the tangible personal property (TPP) tax on most businesses' inventory, machinery and equipment, and furniture and fixtures. A portion of revenues from the new Commercial Activity Tax (CAT), enacted in this budget bill, will be deposited to this fund to reimburse local taxing districts for the TPP tax revenue lost. Reimbursements for the TPP tax revenue loss to local taxing districts begins in tax year 2006 and end in 2017. Reimbursements will be distributed to each county auditor on the last days of May, August, and October of each year. The county auditors must distribute the money to local taxing districts in their counties within 45 days after receiving the reimbursement funds.

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county's pro-rata share of any transfers made from the Library and Local Government Support Fund to the OPLIN (Ohio Public Library Information Network) Technology Fund.

H.B. 95 froze, for FY 2004 and FY 2005, deposits into and distributions from the three local government funds 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 was the amount before the transfer to the OPLIN Technology Fund under Section 70 of H.B. 94 of the 124th General Assembly.

State Board of Sanitarian Registration

- The Board received no funding in FY 2007 and will be consolidated into the Department of Commerce that year
- Fees increased for sanitarian professionals as of July 1, 2005

Wendy Risner, Budget Analyst

OVERVIEW

Duties and Responsibilities

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.

Fund 4K9

The State Board of Sanitarian Registration is part of the 4K9 Fund group. The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Services Fund that is a repository for license fees and other assessments collected by the state's professional and occupational licensing boards. The 4K9 Fund was established by Am. Sub. H.B. 152 of the 120th General Assembly. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated did not meet their expenditures. The 4K9 Fund eliminated these problems. The philosophy of the fund is that each board must generate enough revenues to cover their expenses. It is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

A large majority of the Board's licensees are government employees who must be licensed per government mandate. Most of these government employees work for city or county health departments. The Board currently licenses 1,570 sanitarians and sanitarians-in-training. The Board renews its licenses annually. In FY 2004, the Board had expenditures and revenues of $133,127 and $124,726, respectively. The Board contributed $8,401 more to Fund 4K9 than it expended for FY 2004.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
1.3*	$134,279	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the State Board of Sanitarian Registration.

Summary of FY 2006-2007 Budget Issues

Board Consolidation

In the enacted version of Am. Sub. H.B. 66 of the 126th General Assembly, 20 of the independent occupational licensing boards are to be consolidated into the departments of Health, Commerce, and Public Safety in FY 2007. As a result, the affected boards received no funding in FY 2007. In the case of the State Board of Sanitarian Registration, the Board and its duties will be consolidated into the Department of Commerce. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, and the Office of Budget and Management (OBM), as well as three members selected by the affected boards. According to OBM, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentive will be offered to regulatory board staff. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board members will be retained.

Fee Increases

A 7% increase in fees regulated by the Board took place July 1, 2005. The previous and current fees are listed in the table below.

Fee Type	Previous Fee	Current Fee (as of July 1, 2005)	Estimated Licensees for FY 2006
Registered Sanitarian Renewal	$69	$74	1,299
Sanitarian-in-Training Renewal	$69	$74	122
Sanitarian-in-Training Application	$75	$80	122
Advancement from Sanitarian to Registered Sanitarian	$75	$80	66
Late Renewal Fee	$25	$27	46
Registered Sanitarian Application	$150	$160	5

Notification of Sanitarian Continuing Education Courses

Currently, the Board is required to annually mail each registered sanitarian or other, by request, a list of approved continuing education courses. The enacted bill relaxes this requirement. Instead, the Board shall provide a list annually and supply a list of applicable courses upon request. This could reduce postage expenses for the Board. The exact amount of this is not known at this time.

Vetoed Provisions

There were no vetoed provisions for the State Board of Sanitarian Registration.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the State Board of Sanitarian Registration is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

Purpose: To license and regulate sanitarians in the field of environmental health.

The following table shows the line items that are used to fund the State Board of Sanitarian Registration, as well as the enacted funding levels.

Fund	ALI		Title	FY 2006	FY 2007
General Services Fund					
GSF	4K9	893-609	Operating Expenses	$134,279	$0
			General Services Fund Subtotal	**$134,279**	**$0**
Total Funding: Sanitarian Registration				**$134,279**	**$0**

Program Description: In accordance with Chapter 4736. of the Revised Code, the State Board of Sanitarian Registration protects the public health by ensuring that individuals who engage in the practice of environmental health possess and maintain specialized knowledge and skills that pertain to the field of environmental health science.

Funding Source: Licensing fees and other assessments deposited into GSF Fund 4K9

Implication of the Enacted Budget: The Board received funding of $134,279 in FY 2006 and $0 in FY 2007. The enacted funding for FY 2006 will allow the Board to carry out its mission and allow for the 4% increase in payroll. In FY 2007, the Board will be consolidated into the Department of Commerce. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, and the Office of Budget and Management, as well as three members selected by the affected boards.

Ohio State School for the Blind

Edward Millane, Budget Analyst

- Total budget increases by 7.3% in FY 2006 and 1.7% in FY 2007
- GRF funding increases by 1.5% in FY 2006 and 1.7% in FY 2007
- Serves approximately 129 blind or visually impaired students from 72 school districts in 52 counties

OVERVIEW

Duties and Responsibilities

Established in 1837, the Ohio State School for the Blind (OSB), located in Columbus, is a state-supported, national accredited educational and residential facility that provides free services to Ohio's school-aged children with visual, sensory, and developmental disabilities. The OSB operates according to a charter from the State Board of Education and is under the control and supervision of the Board and the Department of Education. Its educational program must meet the same minimum state standards that apply to any other public schools. The OSB also follows the same state Operating Standards for Ohio Schools Serving Children with Disabilities (Rule 3301-51-02).

The OSB's goal is to enable its students to become self-sufficient and contributing members of society. Accordingly, the school is dedicated to students' intellectual, social, physical, and emotional growth. The OSB'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.

Currently, the OSB serves about 129 students, ranging in age from 5 to 22 years old, representing a wide cross-section of ability and achievement levels and varying degrees of vision loss. In addition, the OSB operates several outreach programs that provide support services and professional development opportunities to school districts across the state. All teachers at the OSB are regarded as "highly qualified" as determined by the state under the federal No Child Left Behind Act (NCLB).

Agency in Brief

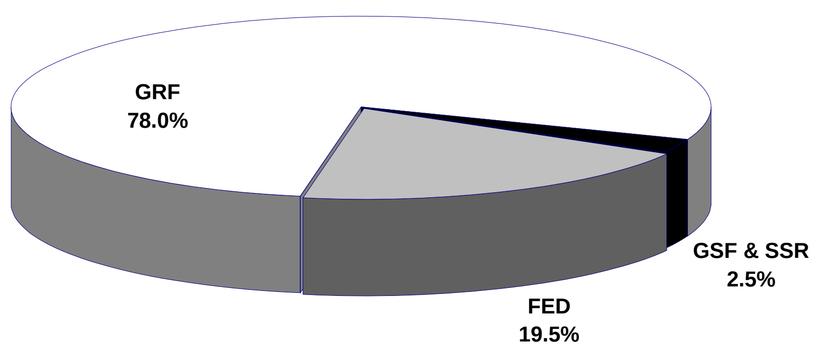
Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
134	$9.35 million	$9.50 million	$7.29 million	$7.41 million	Am. Sub. H.B. 66

*Employee count obtained from the Ohio State School for the Blind as of June 2005.

Summary of Am. Sub. H.B. 66 Appropriations

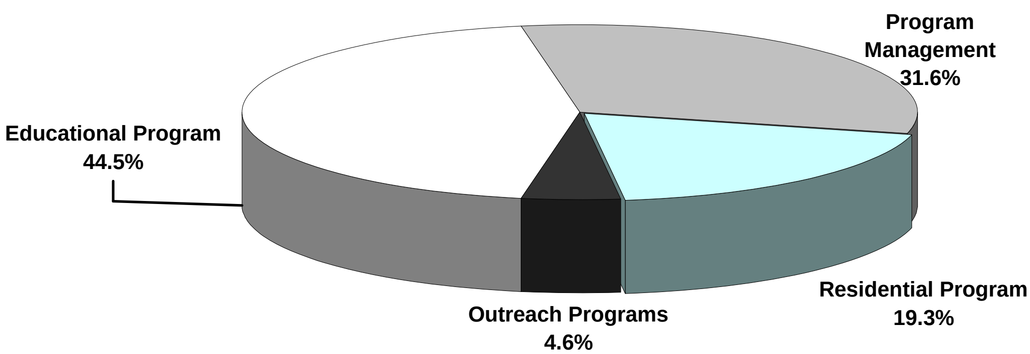
The enacted budget appropriates total funding of $9,345,309 in FY 2006, an increase of 7.3% from the FY 2005 expenditure level. Total funding for FY 2007 is $9,499,729, an increase of 1.7%, over the FY 2006 appropriation level. GRF funding increases by approximately 1.5% in FY 2006 and 1.7% in FY 2007. Chart 1 shows the OSB's biennial budget by fund group. As can be seen from the chart, 78.0% of the OSB's biennial budget comes from the GRF. Federal funding accounts for 19.5%, while state special revenue and general services fund groups account for the remaining 2.5%.

Chart 1. The OSB FY 2006 - FY 2007 Budget by Fund Group



The OSB has four program series and a total of ten programs. As can be seen in Chart 2, the Educational Program Development and Implementation program series, the OSB's largest program series, makes up 44.5% of the total biennial budget. The second largest program series, Program Management, is at 31.6% followed by the Residential Program and Services program series at 19.3%. The Outreach Programs and Services program series accounts for the remaining 4.6%. Overall, the OSB estimates that approximately 93.0% of the total budget goes towards student support, education, and services, with the remaining 7.0% funding administrative services.

Chart 2. The OSB FY 2006 - FY 2007 Budget by Program Series



ANALYSIS OF THE ENACTED BUDGET

Program Series 1 **Educational Program Development and Implementation**

Purpose: To support the educational needs of the specialized population of blind and visually impaired children at the Ohio School for the Blind, including those who are developmentally handicapped or multi-handicapped.

The following table shows the line items and the portion of the funding levels from these items that are used to fund the Educational Program Development and Implementation program series. Some line items are used to fund multiple programs in different program series. As a result, each line item's appropriations shown in the table, below, may not be the total appropriations for that item.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	226-100	Personal Services	$2,382,672	$2,428,707
GRF	226-200	Maintenance	$71,951	$71,951
GRF	226-300	Equipment	$21,312	$21,312
		General Revenue Fund Subtotal	**$2,475,935**	**$2,521,970**
State Special Revenue Fund				
4M5	226-601	Student Activity & Work Study	$169,965	$169,965
		State Special Revenue Fund Subtotal	**$169,965**	**$169,965**
Federal Special Revenue Fund				
3P5	226-643	Medicaid Professional Services Reimbursement	$81,000	$81,000
310	226-626	Coordinating Unit	$1,442,127	$1,448,707
		Federal Special Revenue Fund Subtotal	**$1,523,127**	**$1,529,707**
Total Funding: Educational Program Development and Implementation			**$4,169,027**	**$4,221,642**

The Educational Program Development and Implementation program series contains three programs. Program 1.01, Standard Visually Impaired Education Program, receives 51.3% of the funding in the series, Program 1.02, Developmentally Handicapped Education Program, receives 19.1%, and Program 1.03, Multi-Handicapped Education Program, receives 29.6%. Of the $8.4 million in total biennial funding for this program series, 59.6% comes from the general revenue fund, 4.0% from the state special revenue fund group, and 36.4% from the federal special revenue fund group.

Program 1.01, Standard Visually Impaired Education, provides for the implementation of classroom instruction and the educational needs of approximately 75 blind or visually impaired students in grades K through 12. The primary goals and objectives of the program are to provide students with the opportunity to achieve academically, develop communication, Braille, and technology skills, identify post high school training and employment opportunities, and assist students in acquiring independent living skills. All of the students are required to take state mandated tests and meet the same minimum state academic standards. In addition to receiving classroom instruction, students are also provided daily living skills, career exploration, and work simulation experiences.

Nearly 87.0% of the total $4.3 million biennial funding for this program comes from the GRF. The GRF funding supports the wages and benefits of one counselor and 23 teachers, related service therapists, and classroom aides. Additional funding from the state special revenue and federal fund groups supports the purchase of updated technology and instructional materials, as well as classroom equipment.

Program 1.02, Developmentally Handicapped Education, supports the implementation of classroom instruction and related services for 18 students in K through 12 who are cognitively handicapped as well as blind or visually impaired. In this program, students not only receive classroom instruction but are also provided with speech therapy, occupational therapy, physical therapy, orientation and mobility, adaptive physical education, vocational orientation, daily living skills, and career exploration/work simulation experiences. These students are also required to follow the minimum state academic standards and take all or part of the state mandated tests.

Of the $1.6 million in total biennial funding for this program, 54.7% comes from the federal special revenue fund group, 39.6% from GRF, and 5.7% from the state special revenue fund group. Funds from Fund 310 appropriation item 226-626, Coordinating Unit, and GRF appropriation item 226-100, Personal Services, will be used to support the wages and benefits for the 11 teachers, related service therapists, and classroom aides. The additional GRF, state special revenue, and federal funding for the program will support the purchase of updated technology and instructional materials, as well as classroom equipment.

Program 1.03, Multi-Handicapped Education, provides funding for the implementation of classroom instruction and related services for 36 students in grades K through 12 with multiple handicaps in addition to blindness and visual impairments. The program's focus is to maximize the development of communication skills, orientation and mobility skills, and daily living and self-help skills that will assist them in living in an independent or semi-independent environment in their community. Student progress in the program is largely measured against the goals and objectives identified in their Individual Education Plans (IEPs).

Of the $2.5 million in total biennial funding for this program, 75.1% comes from the federal special revenue fund group and 24.9% from GRF funding. Funds from Fund 310 appropriation item 226-626, Coordinating Unit, and GRF appropriation item 226-100, Personal Services, will be used to support the wages and benefits for the 22 program teachers, related service therapists, and classroom aides. The additional GRF and federal moneys for the program support the purchase of updated technology, instructional materials, classroom equipment, and daily living supplies.

Program Series 2 Residential Program and Services

Purpose: To provide residential and support services for students living on campus.

The following table shows the line items and the portion of the funding levels from these items that are used to fund the Residential Program and Services program series. Some line items are used to fund multiple programs in different program series. As a result, each line item's appropriations shown in the table, below, may not be the total appropriations for that item.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	226-100	Personal Services	$1,614,779	$1,645,884
GRF	226-200	Maintenance	$25,354	$25,354
GRF	226-300	Equipment	$21,314	$21,314
		General Revenue Fund Subtotal	**$1,661,447**	**$1,692,552**
State Special Revenue Fund				
4M5	226-601	Student Activity & Work Study	$44,513	$44,513
		State Special Revenue Fund Subtotal	**$44,513**	**$44,513**
Federal Special Revenue Fund				
3P5	226-643	Medicaid Professional Services Reimbursement	$54,000	$54,000
310	226-626	Coordinating Unit	$43,282	$43,282
		Federal Special Revenue Fund Subtotal	**$97,282**	**$97,282**
Total Funding: Residential Program and Services			**$1,803,242**	**$1,834,347**

The Residential Program and Services program series contains three programs. Program 2.01, Residential Program and Services, receives 73.1% of the funding in the series, Program 2.02, Health Care Services, receives 24.4%, and Program 2.03, Vocational Education Services, receives 2.5%. Of the $3.6 million in total biennial funding for this program series, 92.2% comes from the general revenue fund, 5.3% from the federal special revenue fund group, and 2.5% from the state special revenue fund group.

Program 2.01, Residential Program and Services, supports the direct service and support staff for implementing the residential program, which promotes the personal and social development of the students and intends to prepare the students to live independently in the community after graduation. Over 70% of students participate in the program. There are three different types of living environments at the OSB including group living in cottages, independent living that provides daily living and self-help skills, and apartment living. The students' resident districts provide transportation to the OSB on Sunday afternoons and return to pick up the students on Friday after the school day is over. The program is in operation from the last Monday in August to the end of the school year in June.

Of the $2.7 million in total biennial funding for this program, 95.2% comes from GRF funding and 4.8% comes from the federal special revenue fund group. Funds from GRF appropriation item 226-100, Personal Services, which makes up nearly 92.0% of the program's total funding, supports the wages and benefits for 29.5 program employees, including youth leaders and youth leader supervisors. The additional GRF and federal funding provides residential living skill supplies such as household supplies, recreational trips, office materials, televisions, and beds.

Program 2.02, Health Care Services, provides direct nursing services for the school and residential programs. Funds from GRF appropriation item 226-100, Personal Services, support five medical staff, including one registered nurse shared with the Ohio School for the Deaf, who are on staff 24 hours a day from Sunday afternoon until Friday when the students leave. Fund 3P5 appropriation item 226-643, Medicaid Professional Services Reimbursement, provides funding for the purchase of medical equipment and supplies.

Program 2.03, Vocational Education Services, provides support for the sign-making program, which produces nameplates, door signage, and other items that are sold to the staff and general public. This self-supporting program provides work experience for those students enrolled in the program. Funds are used to purchase the materials to make the signs and other items. The enacted budget renames Fund 4M5 to the Student Activity and Work Fund and places the Fund in the state treasury.

Program Series 3 — Outreach Programs and Services

Purpose: To provide outreach services to local school districts statewide to assist in meeting the educational needs of the blind and visually impaired that are being served in their home communities.

The following table shows the line items and the portion of the funding levels from these items that are used to fund the Outreach Programs and Services program series. Some line items are used to fund multiple programs in different program series. As a result, each line item's appropriations shown in the table, below, may not be the total appropriations for that item.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	226-100	Personal Services	$246,956	$251,684
		General Revenue Fund Subtotal	**$246,956**	**$251,684**
General Services Fund				
4H8	226-602	Education Reform Grants	$12,620	$12,620
		General Services Fund Subtotal	**$12,620**	**$12,620**
Federal Special Revenue Fund				
3P5	226-643	Medicaid Professional Services Reimbursement	$45,000	$75,000
310	226-626	Coordinating Unit	$116,591	$110,011
		Federal Special Revenue Subtotal	**$161,591**	**$185,011**
Total Funding: Outreach Programs and Services			**$421,167**	**$449,315**

The Outreach Programs and Services program series contains three programs. Program 3.01, Educational Clinic, receives 77.6% of the funding in the series, Program 2.02, Observation and School Visits, receives 4.6%, and Program 2.03, Professional Development, receives 17.8%. Of the $870,482 in total biennial funding for this program series, 57.3% comes from the general revenue fund, 39.8% from the federal special revenue fund group, and 2.9% from the general services fund group.

Program 3.01, Educational Clinic, provides assistance to school districts for the assessment and evaluations of blind or visually impaired students through the multi-factored evaluation (MFE). The OSB performs approximately 45 to 50 MFEs per year. Once a valuation is completed, a detailed report on the needs and abilities of the student is provided to the school district and the student's family. The OSB then provides technical assistance to the district in implementing these recommendations. The MFE report is generally used in developing the student's Individual Education Plan (IEP).

Of the $675,279 in total biennial funding for this program, 68.0% comes from the GRF, and 32.0% comes from federal funds. A portion of the program funding will be used to fill the Education Clinic Coordinator position, which will coordinate the services of approximately 12 staff persons who help with student evaluations. The remaining funding will support one therapist and one specialist and some other costs associated with MFEs.

Program 3.02, Observation and School Visits, allows the OSB to assist local school districts in meeting the needs of their visually impaired and blind students. Upon request of school districts, the OSB outreach staff will observe the student who may need additional assistance in their local classrooms. It also allows the local school districts to determine whether or not these students are being served appropriately at the local level or whether the students would be in a better environment if served by the OSB instead. On average the OSB makes approximately 20 to 25 visits to local school districts per year. Funding in this program helps support the wages of 12 teachers for their time spent on visiting various local school districts.

Program 3.03, Professional Development, offers professional development training to special education and regular education teachers who are working with blind, deaf/blind, and visually impaired students in local school districts. Over the last six years, over 850 teachers, support staff, and administrators in over 62 counties have taken part in the training programs offered by the OSB in collaboration with The Ohio State University, Bowling Green State University, Pennsylvania College of Optometry, and the Ohio Resource Center for Low Incidence Service Center. Funding for this program support staff development and parent training for individuals working with or supporting children with special needs.

Program Series 4 Program Management

Purpose: To provide administrative support of the operation of the school and residential programs.

The following table shows the line items and the portion of the funding levels from these items that are used to fund the Program Management program series. Some line items are used to fund multiple programs in different program series. As a result, each line item's appropriations shown in the table, below, may not be the total appropriations for that item.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	226-100	Personal Services	$2,225,434	$2,267,986
GRF	226-200	Maintenance	$606,857	$606,857
GRF	226-300	Equipment	$70,663	$70,663
		General Revenue Fund Subtotal	**$2,902,954**	**$2,945,506**
State Special Revenue Fund				
4M5	226-601	Student Activity & Work Study	$2,919	$2,919
		State Special Revenue Fund Subtotal	**$2,919**	**$2,919**
General Services Fund				
4H8	226-602	Education Reform Grants	$9,000	$9,000
		General Services Fund Subtotal	**$9,000**	**$9,000**
Federal Special Revenue Fund				
310	226-626	Coordinating Unit	$37,000	$37,000
		Federal Special Revenue Subtotal	**$37,000**	**$37,000**
Total Funding: Program Management			**$2,951,873**	**$2,994,425**

Program series 4 has only one program, Program Management. This program provides support services for all of the OSB's education and residential programs. Some of these support services include administration, business and fiscal operations, building and ground maintenance, security, food service, and technology infrastructure.

Of the $5.9 million in total biennial funding for this program, 98.4% comes from the general revenue fund, while the remaining 1.6% comes from state special revenue, general services, and federal special revenue fund groups. Funding from GRF appropriation item 226-100, Personal Services, supports 39 employees who provide the administrative and service support at the OSB. The remaining GRF funding, as well as the other funding sources, will be used for office and grounds maintenance equipment, a Braille printer, office furniture, etc.

The enacted budget allows the OSB to apply for and administer federal grants directly. Previously, federal funds for the OSB were generally passed through the Department of Education since the OSB is under the supervision of the Department.

Ohio State School for the Deaf

Edward Millane, Budget Analyst

- Total budget in each fiscal year is 11.4% above the FY 2005 expenditure level
- GRF budget in each fiscal year is 8.0% above the FY 2005 expenditure level
- Serves approximately 154 deaf or hearing-impaired students from 72 school districts in 40 counties

OVERVIEW

Duties and Responsibilities

Established in 1829, the Ohio School for the Deaf (OSD) is the fifth school of its kind in continuous operation in the United States. Located in Columbus, the nationally accredited school is supported by the state to provide free educational and residential services to deaf and hearing-impaired children. The OSD operates according to a charter from the State Board of Education and is under the control of the Board and the Department of Education. Its educational program must meet the same minimum state standards that apply to other public schools. The OSD also follows the state Operating Standards for Ohio Schools Serving Children with Disabilities (Rule 3301-51-04-B) in addition to being compliant with the federal Individuals with Disabilities Education Act.

The OSD's mission is to provide quality comprehensive, sequential education, vocational training, and social and cultural development services to deaf and hearing-impaired children residing in the state, so that these children can achieve their greatest potential for becoming independent and contributing citizens of Ohio. The OSD currently serves 154 students from 72 school districts in 40 counties. Ninety-four (or 61%) of the students live on campus during the school year and participate in the residential program offered by the OSD. In addition, the OSD operates several outreach programs that currently provide assistance to 121 school districts serving deaf and hearing-impaired students. All but two teachers at the OSD are regarded as "highly qualified" as determined by the state under the federal No Child Left Behind Act (NCLB). The OSD is currently assisting the remaining two teachers in their pursuit to meet the highly qualified requirements.

Agency in Brief

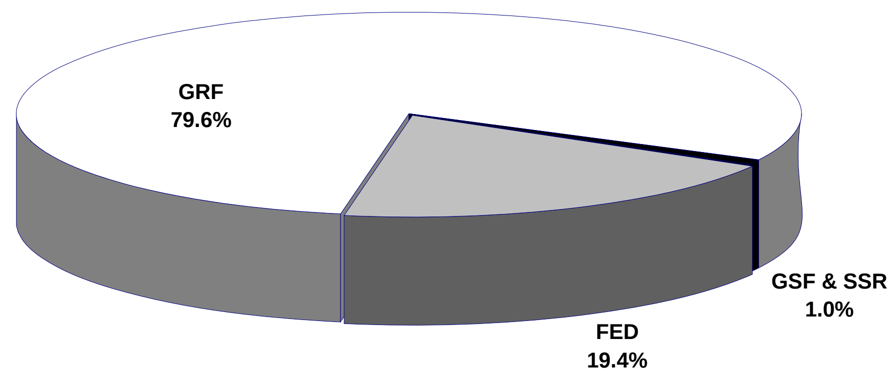
Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
155	$12.12 million	$12.12 million	$9.66 million	$9.66 million	Am. Sub. H.B. 66

*Employee count obtained from the Ohio State School for the Deaf as of June 2005, including 11 part-time and 12 intermittent staff.

Summary of Am. Sub. H.B. 66 Appropriations

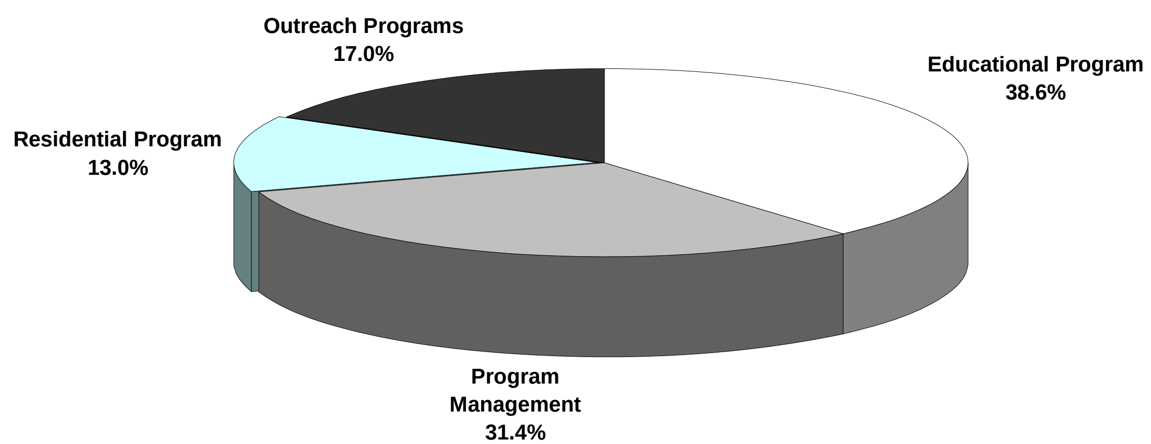
The enacted budget appropriates total funding of $12.1 million in each fiscal year, an increase of 11.4% from the FY 2005 expenditure level. GRF funding is $9.7 million in each fiscal year, an increase of 8.0% over the FY 2005 expenditure level. Chart 1 shows the OSD's FY 2006- FY 2007 biennial budget by fund group. As can be seen from the chart, 79.6% of the OSD's biennial budget comes from the GRF. Federal funding accounts for 19.4%, while state special revenue and general services fund groups account for the remaining 1.0%.

Chart 1. The OSD FY 2006 - FY 2007 Budget by Fund Group



The OSD has four program series and a total of nine programs. As can be seen in Chart 2, the Educational Program Development and Implementation program series, the OSD's largest program series, makes up 38.6% of the total biennial budget. The second largest program series, Program Management, is at 31.4% followed by the Outreach Programs and Services program series at 17.0%. The Residential Program and Services program series accounts for the remaining 13.0%.

Chart 2. The OSD FY 2006 - FY 2007 Budget by Program Series



ANALYSIS OF THE ENACTED BUDGET

Program Series 1 Educational Program Development and Implementation

Purpose: To support the educational needs of the specialized population of deaf and hearing-impaired students.

The following table shows the line items that are used to fund the Educational Program Development and Implementation program series. Some line items are used to fund multiple programs in different program series. As a result, each line item's appropriations shown in the table, below, may not be the total appropriations for that item.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	221-100	Personal Services	$4,027,490	$4,027,490
GRF	221-200	Maintenance	$5,000	$5,000
GRF	221-300	Equipment	$1,500	$1,500
		General Revenue Fund Subtotal	**$4,033,990**	**$4,033,990**
State Special Revenue Fund				
4M0	221-601	Educational Program Expenses	$32,688	$32,688
5H6	221-609	Even Start Fees & Gifts	$59,800	$59,800
		State Special Revenue Fund Subtotal	**$92,488**	**$92,488**
Federal Special Revenue Fund				
311	221-625	Coordinating Unit	$558,167	$558,167
		Federal Special Revenue Fund Subtotal	**$558,167**	**$558,167**
Total Funding: Educational Program Development and Implementation			**$4,684,645**	**$4,684,645**

The Educational Program Development and Implementation program series contains three programs. Program 1.01, Standard Hearing Impaired Education Program, receives 90.3% of the funding in the series, Program 1.02, Vocational Education, receives 0.7%, and Program 1.03, Preschool Services, receives 9.0%. Of the $9.4 million in total biennial funding for this program series, 86.1% comes from the General Revenue Fund, 2.0% from the State Special Revenue Fund group, and 11.9% from the Federal Special Revenue Fund group.

Program 1.01, Standard Hearing Impaired Education, operates based on the state model curriculum and academic content standards. The program's main goals are to meet each student's Individual Education Program (IEP) and graduation requirements, which are generally the same as at other public schools. Each OSD student, however, must complete one unit of American Sign Language (ASL) as part of the graduation requirements. Every student at the OSD has an IEP, which, among other things, specifies the plan for how the student will be involved in the state mandated testing program and determines which appropriate and acceptable accommodations will be needed for test administration. Currently, all OSD students participate in the state mandated tests with the incorporation of these accommodations.

Nearly 87.0% of the total $8.5 million biennial funding for this program comes from the GRF. The GRF funding provides wages and benefits of 56 teachers and five administrators. It also supports five presenters of professional development activities, four interpreters, and five assessors of sign language proficiency skills. Federal funding for the program supports the renovation of seven classrooms to accommodate technology requirements and allows one classroom to be fitted with interactive video distance learning equipment.

Program 1.02, Vocational Education Services, offers students work experience through programming and activities such as serving meals to visiting groups. The program is self-supporting and receives revenue through workshop fees, donations, and from serving the meals to visitors of the OSD.

Program 1.03, Preschool Services, supports the Alice Cogswell Child Development Center (ACC), a preschool and day care program that serves 31 infants, toddlers, and preschoolers (from birth to five years of age). The program's goal is to accelerate the language and literacy development for preschoolers who are deaf, with a key commitment to children who depend on access to ASL to fully participate in learning. While any family may apply to enroll its children in the program, the applications are prioritized largely based on the level of hearing loss and the family environment. About half of these children are deaf or hearing-impaired, while the other half are hearing children whose parents or siblings may be deaf or hearing-impaired. There is no fee for the preschool program and for children who have an IEP, however, the program does charge fees ranging from $110 to $130 per week for day care.

Nearly 86.0% of the total $843,334 biennial funding for this program comes from the GRF, while the remaining 14.0% comes from state Special Revenue funds. The bulk of funding for the program is used to support the wages and benefits of the six teacher aides for the nursery, toddlers, and preschoolers. A portion of funding for the program is used to replace books and other instructional supplies.

Program Series 2 — Residential Program and Services

Purpose: To provide residential and support services for the students living on campus.

The following table shows the line items that are used to fund the Residential Program and Services program series. Some line items are used to fund multiple programs in different program series. As a result, each line item's appropriations shown in the table, below, may not be the total appropriations for that item.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	221-100	Personal Services	$1,537,069	$1,537,069
		General Revenue Fund Subtotal	**$1,537,069**	**$1,537,069**
Federal Special Revenue Fund				
3R0	221-684	Medicaid Professional Services Reimbursement	$35,000	$35,000
		Federal Special Revenue Fund Subtotal	**$35,000**	**$35,000**
Total Funding: Residential Program and Services			**$1,572,069**	**$1,572,069**

The Residential Program and Services program series contains two programs. Program 2.01, Residential Program Services, is GRF funded and receives 97.8% of the funding in the series, while the federally funded Program 2.02, Health Care Services, receives the remaining 2.2%.

Program 2.01, Residential Program Services, provides 94 students with a "home-like" atmosphere in on-site dormitories, including a variety of recreation, food, and health services. The goal of the program is to enable the students to gain socialization skills, personal goal setting, intellectual development, communication skills, community living skills, and emotional maturity. The after-school program offers students tutoring services and extra-curricular activities every evening. The OSD operates a comprehensive athletic program for high school students to compete with other Ohio High School Athletic Association (OHSAA) member schools. Additionally, the OSD food service and student health service programs prepare students to eat well and obtain medical and dental care to support a healthy lifestyle.

In this program, GRF money supports 41.5 youth leaders as well as health care and food services staff members who operate the residential program's dormitory, extra-curricular, medical, and cafeteria services. GRF funding is also used to contract for van drivers to transport students and staff to off-campus activities, as well as contracts for tutors during after-school hours.

Program 2.02, Health Care Services, contains federal funds for the reimbursement of expenses incurred by providing audiological, psychological, speech therapy services, counseling, and direct nursing service to Medicaid-eligible students at the OSD. Funds may be used for general maintenance, equipment, and professional development activities for teachers and staff.

Program Series 3 — Outreach Programs and Services

Purpose: To provide outreach services to local school districts to assist them in meeting the educational needs of the deaf and hearing-impaired students that are being served in their home communities.

The following table shows the line items that are used to fund the Outreach Programs and Services program series. Some line items are used to fund multiple programs in different program series. As a result, each line item's appropriations shown in the table, below, may not be the total appropriations for that item.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	221-100	Personal Service	$277,961	$277,961
GRF	221-200	Maintenance	$3,500	$3,500
GRF	221-300	Equipment	$2,000	$2,000
		General Revenue Fund Subtotal	**$283,461**	**$283,461**
General Services Fund				
4M1	221-602	Education Reform Grants	$27,575	$27,575
		General Services Fund Subtotal	**$27,575**	**$27,575**
Federal Special Revenue Fund				
3AD	221-604	VREAL OHIO	$1,000,000	$1,000,000
3Y1	221-686	Early Childhood Grant	$250,000	$250,000
311	221-625	Coordinating Unit	$504,259	$504,259
		Federal Special Revenue Fund Subtotal	**$1,754,259**	**$1,754,259**
Total Funding: Outreach Programs and Services			**$2,065,295**	**$2,065,295**

The Outreach Programs and Services program series contains three programs. Program 3.01, Outreach and Sign Language Resources, receives 39.5% of the funding in the series, Program 3.02, VREAL OHIO, receives 48.4%, and Program 3.03, Statewide Preschool Program, receives 12.1%. Of the $4.1 million in total biennial funding for this program series, 85.0% comes from the Federal Special Revenue Fund group, 13.7% from the GRF, and 1.3% from the General Services Fund group.

Program 3.01, Outreach and Sign Language Resources, provides various services to deaf and hearing-impaired students and their parents, educational support staff, and school districts. Some of these services include comprehensive multi-factored evaluations for students, consultant services to local district teachers and specialists, professional development, and parent education and mentor services.

The Interpreting and Sign Language Resource (ISLR) program serves school districts that employ educational interpreters through workshops, mentoring services, professional development (via eight distance-learning broadcasts from the OSD), assessments, as well as information and resource sharing.

The bulk of the program's funding is used to pay wages and benefits of nine teachers and six specialists who offer assessment, assistance, resources to the deaf and hearing-impaired students and their communities, and three ISLR employees. Funding for the program also provides office supplies and equipment for outreach and summer camp activities. Furthermore, a portion of funds from appropriation item 221-625, Coordinating Unit, will be used to support a contract for one researcher to collect and analyze data on the state's deaf and hearing-impaired students to ensure the best educational practices in the future. If the position and its results are encouraging, the OSD will ask OBM to increase its authorized staff level by one in FY 2007 under program 1.01, Standard Hearing Impaired Education Program.

Program 3.02, VREAL OHIO, supports the Virtual Reality Education for Assisted Learning (VREAL) project, a federally funded technology-based virtual reality educational enhancement and remediation program for deaf and hearing-impaired children. Currently, the OSD and nine other school districts participate in the program due to their high concentrations of deaf and hearing-impaired students. The VREAL is fully aligned with the state academic content standards. Students participating in the VREAL program learn academic concepts in language arts, science and mathematics, as well as everyday living skills, through interaction with a computer-based virtual world. The program is in its third year and has received nearly $2 million through federal fiscal year 2005. These moneys provide stipends to teachers from the ten participating districts and fund software development, technical support, and evaluation for the program. Moneys are also used for the videoconferencing equipment and statewide symposiums.

Program 3.03, Statewide Preschool Program, enables one OSD outreach teacher to work with preschool teachers and providers throughout the state to relay the necessary knowledge, resources, and skills needed for the unique language and communication development skills of deaf or hearing-impaired children from infancy to age five. This program helps preschool teachers and providers understand that deaf or hearing-impaired preschool children need intensive training to acquire the skills to be ready to enter kindergarten. Fund 3Y1 moneys will support three on-campus staff members who maintain the program and fund the statewide training and research services.

Program Series 4 Program Management

Purpose: To provide administrative support for the operation of the school and residential programs.

The following table shows the line items that are used to fund the Program Management program series. Some line items are used to fund multiple programs in different program series. As a result, each line item's appropriations shown in the table, below, may not be the total appropriations for that item.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	221-100	Personal Service	$2,559,184	$2,559,184
GRF	221-200	Maintenance	$1,024,251	$1,024,251
GRF	221-300	Equipment	$219,000	$219,000
		General Revenue Fund Subtotal	**$3,802,435**	**$3,802,435**
Total Funding: Program Management			**$3,802,435**	**$3,802,435**

Program series 4 has only one program, Program Management. This program provides support services for all of the OSD's education and residential programs. Some of these support services include administration, business and fiscal operations, building and ground maintenance, security, food service, and technology infrastructure.

GRF appropriation item 221-100, Personal Services, supports approximately 39 employees who provide administrative and service support at the OSD. GRF appropriation items 221-200, Maintenance, and 221-300, Equipment, will be used for office equipment, school and grounds maintenance, the replacement of two vehicles, and food for the cafeteria program. The enacted budget earmarks up to $15,000 in FY 2006 from GRF appropriation item 221-300, Equipment, for the OSD to purchase software for the documentation and tracking of Ohio's deaf and hearing-impaired children to determine the best educational practices for the future.

The enacted budget allows the OSD to apply for and administer federal grants directly. Previously, federal funds for the OSD were generally passed through the Department of Education since the OSD is under the supervision of the Department.

School Facilities Commission

Edward Millane, Budget Analyst

- Total funding increases 30.1% in FY 2006 and 15.9% in FY 2007.
- Funding is provided to hire an additional 10 staff members over the biennium for oversight and coordination of the growing number of school construction/renovation projects

OVERVIEW

Duties and Responsibilities

The Ohio School Facilities Commission (SFC) was created in 1997 by S.B. 102 of the 122nd General Assembly to provide funding, management oversight, and technical assistance to school districts in the construction and renovation of classroom facilities. In FY 2001 Governor Taft unveiled a plan to rebuild all of Ohio's schools within 12 years. Since its inception, the SFC has received nearly $4.92 billion in capital appropriations. Through its four major programs, the SFC has served approximately 236 school districts and provided support for 293 new or renovated buildings in those districts.

The SFC is governed by a seven-member commission, which consists of three voting members (the Director of Budget and Management, the Director of Administrative Services, and the Superintendent of Public Instruction) and four nonvoting legislative members. The executive director, who is appointed by the Commission, oversees the SFC's daily operations.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
54	$229.74 million	$266.21 million	$220.42 million	$256.51 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Summary of Am. Sub. H.B. 66 Appropriations and Provisions

The enacted budget provides total funding of $229,736,017 in FY 2006, an increase of 30.1% over the FY 2005 expenditure level, and $266,206,185 in FY 2007, an increase of 15.9% over the FY 2006 appropriation level. The majority of these increases are due to increased debt service appropriations for GRF appropriation item 230-908, Common Schools G.O. Debt Service, which receives an increase of 41.2% in FY 2006 and an increase of 19.2% in FY 2007.

The SFC's operating costs are entirely funded by investment earnings of its capital accounts. Fund 5E3 appropriation item 230-644, Operating Expenses, receives an increase of 17.2% in FY 2006 and an increase of 5.1% in FY 2007. According to the SFC, these increases will enable them to fill the current six vacancies and hire an additional five staff members in FY 2006 and another five in FY 2007. Most of these additional staff will be responsible for oversight of the increasing number of school facilities projects. The SFC uses a large number of private contractors to deliver various services, such as enrollment projections, assessments of existing buildings, and claim analysis. It also contracts with construction management companies to directly manage school district projects. The SFC's employees oversee the private contractors. The enacted budget also requires the SFC to submit project plans to the Director of Transportation for review and to consider the Director's findings prior to final approval when a proposed school facilities project is located on or within a mile of a state route or federal highway.

The SFC is a single program series agency and has seven programs. The Classroom Facilities Assistance Program, the SFC's largest program, makes up nearly 86.0% of the budget at $426.5 million for the biennium. The second largest program, the Exceptional Needs Program, is at 7.1% followed by the General School Facilities Assistance Program, a group of several small SFC programs, at 5.5%. The other four programs account for a combined 1.4% of the total biennial budget.

Half-Mill Maintenance Equalization

The enacted budget creates a new Half-Mill Maintenance Equalization Program within the Department of Education (ODE) budget in FY 2007. The program, which is to be jointly administered by ODE and the SFC, will provide equalized subsidies to school districts that have passed the one-half mill maintenance levy requirement for participation in the Classroom Facilities Assistance Program. Only school districts with below the state average valuation per pupil are eligible for this funding. In FY 2007, the enacted budget provides $10.7 million to Fund 5BJ appropriation item 200-626, Half-Mill Maintenance Equalization, in the ODE for this program. The program ensures a school district with below the state average property value per pupil has the same amount of per pupil maintenance revenue for its SFC-assisted project as the average wealth district in the state. This equalized subsidy is also available to a school district that has been served by the SFC before FY 2007 if its valuation per pupil is below the state average. Subsidies can only be used for maintaining SFC-assisted facilities. The enacted budget creates the Half-Mill Equalization Fund (5BJ) to receive excess funds from the School District Property Tax Replacement Fund (053). Previously, excess funds in Fund 053 were to be distributed to school districts and joint vocational school districts on a per pupil basis for capital improvements. The enacted budget states that excess funds are to be used for equalization payments and the school facilities assistance program. The first priority is given to half-mill maintenance equalization payments.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the School Facilities Commission is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — School Facilities Commission

Purpose: To provide school facilities construction assistance to school districts, joint vocational school districts, and qualifying community schools throughout the state.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	230-428	Lease Rental Payments	$31,691,700	$31,603,200
GRF	230-908	Common Schools G.O. Debt Service	$188,724,700	$224,911,500
		General Revenue Fund Subtotal	**$220,416,400**	**$256,514,700**
State Special Revenue Fund				
5E3	230-644	Operating Expenses	$7,319,617	$7,691,485
		State Special Revenue Fund Subtotal	**$7,319,617**	**$7,691,485**
Lottery Profits/Education Fund				
020	230-620	Career-Tech School Building Assistance	$2,000,000	$2,000,000
		Lottery Profits/Education Fund Subtotal	**$2,000,000**	**$2,000,000**
Total Funding: School Facilities Commission			**$229,736,017**	**$266,206,185**

The SFC has only one program series, which consists of seven programs. The above table shows the line items that are used to fund these seven programs. Of $455.9 million total biennial funding for the SFC, 96.2% comes from the General Revenue Fund and provides for payments of debt service for bonds issued for school facilities projects. Three percent comes from the State Special Revenue Fund group, which is used to pay SFC's operating expenses. The remaining 0.8% lottery profits money supports the career-technical education loan program.

The enacted budget authorizes the Director of Budget and Management to transfer investment earnings of the Education Facilities Trust Fund (Fund N87) to the SFC to pay operating costs. Continuing law allows the SFC to use investment earnings of the Public School Building Fund (Fund 021) and the School Building Program Assistance Fund (Fund 032) to pay the operating costs.

Program 1.01: Classroom Facilities Assistance

The Classroom Facilities Assistance Program (CFAP) is the largest program operated by the SFC. Under the CFAP, school districts with the lowest wealth are served first and receive a greater share of state assistance than the higher wealth school districts will receive when it is their turn to be served. The SFC evaluates the entire district's needs and provides the state share of funding for necessary construction and renovation. The SFC also provides standard contracting and design guidance as well as managerial oversight during design and construction phases. Through FY 2005, the CFAP had served 140 districts. Eighteen districts have been offered CFAP funding in FY 2006.

The majority of funds from Fund 5E3 appropriation item 230-644, Operating Expenses, are used to support 44 staff in FY 2006 and 49 staff in FY 2007 overseeing the CFAP program. These funds represent 67.1% and 69.0% of the total appropriation amounts for this line item in FY 2006 and FY 2007, respectively. As mentioned previously, the operating costs of the SFC are entirely funded through investment earnings from its capital accounts.

The portions of funds from GRF appropriation items 230-908, Common Schools G.O. Debt Service, and 230-428, Lease Rental Payments, for the program provide debt service payments to retire general and non-general obligation bonds issued to finance CFAP projects, respectively. The state has not issued non-general obligation bonds for school facilities assistance projects since FY 2000. All existing non-general obligation bonds are expected to be retired in 2008.

Program 1.02: Exceptional Needs

The Exceptional Needs Program (ENP) is designed to assist school districts in addressing the health and safety needs associated with a specific building. Unlike the CFAP, the ENP is not intended to address the entire classroom facilities needs of a school district. School districts with below statewide average wealth or with a territory larger than 300 square miles are eligible for participation in the program. Twenty-seven school districts have been approved for ENP funding through FY 2005. The SFC has approved another six districts for funding under this program in FY 2006.

The portion of funds from Fund 5E3 appropriation item 230-644, Operating Expenses, for the program supports seven staff persons in FY 2006 and FY 2007 overseeing the ENP program. The portion of funds from GRF appropriation item 230-908, Common Schools G.O. Debt Service, provides the payment of debt service to retire general obligation bonds issued to finance ENP projects.

Program 1.03: Expedited Local Partnership

The Expedited Local Partnership Program (ELPP) permits a school district not yet eligible for the CFAP to enter into an agreement with the SFC that will allow the district to spend local resources to construct new classroom facilities or to make major renovations to the district's existing classroom facilities. The local resources spent by the district will then be applied to the district's share of the basic project cost when it becomes eligible for assistance under the CFAP. While participating school districts receive no state money under this program, the portion of funds from Fund 5E3 appropriation item 230-644, Operating Expenses, for the program supports 11 staff members who oversee the facilities construction. The funding also provides information technology, equipment, and other general support services. Three districts that were accepted into the CFAP in FY 2005 have a combined ELPP credit of $41.3 million. In the next few years, more school districts that will be served by the CFAP will have ELPP credits.

Program 1.04: Joint Vocational Facilities Assistance

The Joint Vocational Facilities Assistance Program (VFAP) provides classroom facilities assistance to the state's 49 joint vocational school districts. The VFAP operates similarly to the CFAP. The program begins with the poorest joint vocational school districts and ends with the wealthiest ones. The state share is greater for a lower wealth joint vocational school district than that for a higher wealth one. The SFC has the authority to spend up to 2% of its annual appropriations for the VFAP projects. In FY 2005, Southern Hills JVSD in Brown County became the first district served by the VFAP. The SFC has offered to serve another school district under this program in FY 2006. The portion of funds from Fund 5E3 appropriation item 230-644, Operating Expenses, for the program supports one staff person overseeing the program as well as funding for information technology, equipment, and other general support services.

The enacted budget transfers the Career-Tech School Building Assistance Program from the Department of Education to the SFC and provides $2.0 million in each fiscal year from lottery profits for the program. These funds are used to provide interest-free loans to eligible school districts and joint vocational school districts for the construction and renovation of vocational classroom facilities or for the purchase of vocational education equipment. The enacted budget makes two changes to the program. First, it limits eligibility for a loan to a school district that has not been served by one of the SFC's programs and may not be served in the next three years. Second, an eligible district must agree to comply with all SFC design specifications and policies. Historically, one to two loans have been made per year. This program was previously known as the Vocational School Building Assistance Program funded through Fund 020 appropriation item 200-620, Vocational School Building Assistance, of the Department of Education.

Program 1.05: Energy Conservation

The Energy Conservation Program allows school districts with older facilities to borrow funds, without a vote of the public, to make energy-saving facilities improvements. The cost of the improvements may not exceed the savings in energy, operating, and maintenance costs over a 15-year period. This program has been used for 893 projects in approximately 542 school districts, with savings to Ohio's school districts of over $89.7 million since the program began in 1985. Prior to its approval of a district's plan, the SFC largely relied on the Department of Development to conduct the cost-benefit analysis. The portion of funds from Fund 5E3 appropriation item 230-644, Operating Expenses, for the program supports the SFC coordination with the Department of Development in the review and recommendation of the proposed projects under this program.

Program 1.06: Community School Guaranteed Loans

The Community School Loan Guarantee Program provides loan guarantees to community schools to assist them in acquiring, improving, or replacing classroom facilities. H.B. 94 of the 124th General Assembly appropriated $10 million for the program. Under the program, the SFC may guarantee for a maximum of 15 years up to 85% of the principal and interest on a loan made to the governing authority of a community school by a financial institution regulated by the federal government or the state of Ohio. The maximum loan guarantee amount is $1 million. The SFC has granted conditional approval for guarantees to 14 community school facilities projects totaling approximately $7.6 million. The portion of funds from Fund 5E3 appropriation item 230-644, Operating Expenses, for the program supports funding for purchased services and other miscellaneous expenses for the program including the loan guarantee application and review process.

Program 1.07: General School Facilities Assistance

This program provides support for various smaller SFC programs, of which all but one are being phased out. Among these smaller SFC programs are the Federal Emergency Repair Program (FERP – federal grant program intended to provide emergency repair to qualifying school districts), the Emergency Assistance Program (which provides state assistance to school districts to carry out emergency repairs resulting from "Acts of God"), and the Big Eight program (which provided matching state funds in the eight large urban districts for major building repairs). With the exception of the Emergency Assistance Program, the other programs should come to an end at some point during the FY 2006-2007 biennium. The portion of funds from Fund 5E3 appropriation item 230-644, Operating Expenses, for the program is used to support the staff time required to close out two programs and maintain the operations of the Emergency Assistance Program, if needed.

The portion of funds from GRF appropriation item 230-908, Common Schools G.O. Debt Service, for the program supports debt service on bonds that were previously sold to support the capital costs of these programs. Specifically, these bonds were used primarily to support $100 million in capital appropriations for the Big Eight Program and $50 million for the state Emergency Repair Program.

Secretary of State

Terry Steele, Budget Analyst

- Implementation of the Help America Vote Act (HAVA) remains the top priority for the SOS
- Campaign finance requirements as a result of H.B. 1 of the Special Session of the 125th General Assembly will offer budget challenges to the SOS in the upcoming biennium

OVERVIEW

Duties and Responsibilities

The Office of the Secretary of State (SOS) has two program areas: Elections Oversight and Administration (EOA) and Business Services. About 82% or 133 of all SOS staff will work exclusively in the Business Services program series in the FY 2006-2007 biennium. About 18% or 30 employees work in the Elections Oversight and Administration program series. While the central administration and technology support positions support both program series, they primarily service the Business Services program series. Therefore, they have been included in the staffing level for that program series.

Elections

The SOS 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 SOS also chairs the Ohio Ballot Board, which approves ballot language for statewide issues, canvasses votes for all elected state offices and election issues, investigates election fraud, and trains election officials. Ohio's Ballot Board, in compliance with H.B. 445 of the 124th General Assembly, has new responsibilities for completing an analysis of the pros and cons on state issues and presenting those arguments for constitutional amendments, initiative petitions, and referendum petitions when persons otherwise responsible for the completion of arguments fail to prepare and file them within the required timeframe.

The Elections Division compiles and maintains election statistics, political party records, and other election-related records. The Elections Division also licenses ministers to perform marriage ceremonies and maintains certain other public records related to state and local governments.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
163	$55,423,203	$17,987,000	$2,971,585	$2,971,585	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services payroll reports as of June 2005.

Help America Vote Act Implementation

The SOS is also responsible for meeting the requirements of the Help America Vote Act of 2002 (HAVA). The SOS will receive $37.4 million in federal funding in FY 2006 to assist in the purchasing of these optical scan devices. This is in addition to the approximately $79.3 million in FY 2005 for the purchase of voting machines as well.

Campaign Finance Law Changes – H.B. 1 of the 125th Special Session

The SOS also anticipates increased costs as a result of H.B. 1 of the Special Session of the 125th General Assembly. The bill amended current campaign finance law. Several new filing requirements were created in the bill. In addition to these new filing requirements, the SOS's office will also be required to make this information available to the general public on their web site. The SOS indicated that the overall fiscal results of this legislation are not yet known. However, additional staff may be necessary to adequately fulfill the bill's requirements. Also, current staff will need to be trained. In addition, the SOS indicated that upgrades in software, as well as a potential need for new servers may be necessary to enable the office to make filing information available on its web site.

Business Services

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.

A recent change in the way certain business filing fees are handled has had an important effect on the revenues flowing to the Business Services division. Sub. S.B. 74 of the 124th General Assembly requires the SOS to reimburse county recorders in all 88 counties on a graduated scale for loss of revenue based on the Uniform Commercial Code (UCC) filings that each county filed in 1998. Counties experienced the loss of UCC filing fees for secured transactions when these fees were turned over to the SOS in FY 2002. Payments from the SOS to counties in FY 2005 will amount to $893,667.

The Business Services Division is currently funded entirely through rotary fund revenue. In the past, various fee distribution methods have been used. Most recently, prior to the SOS's authority to retain 100% of fees collected through the Business Services Division, one-half of the fees collected were allocated to the General Revenue Fund (GRF) and one-half of fees collected were retained by the Business Services Division. And prior to that period, the fees were split so that 15% was directed to the Business Services Division and 85% was directed to the General Revenue Fund. In net dollars, compared with FYs 2000-2001, the SOS has reduced its fiscal demand on the General Revenue Fund by approximately $4 million per fiscal year.

Notary Services

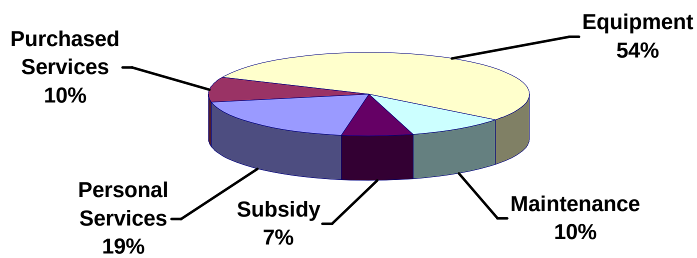
The SOS has also incorporated the Notary Commission into its budget. The Commission was formerly within the Governor's budget. The Notary Commission is responsible for processing applications and issuing commissions for notaries public, attorney notaries public, special police officers, and Department of Natural Resources Reserve Officers.

Enacted Budget Totals, FYs 2006-2007

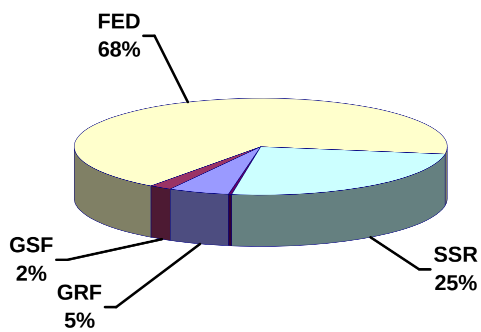
The enacted budget appropriates $55,423,203 in FY 2006 and $17,987,000 in FY 2007. The FY 2006 amount reflects an expected $37.44 million for the purchase of HAVA-compliant voting machines. The pie chart below shows the recommended appropriations for the FY 2006-2007 biennium by expense type. The "Equipment" category constitutes over one-half of the SOS's appropriation for the upcoming biennium, and as mentioned above, includes the purchasing of Direct Recording Electronic or optical scan voting machines to comply with HAVA guidelines. "Subsidy" refers to scheduled reimbursements made to counties as a result of S.B. 74 of the 124th General Assembly, for the loss in lien filing fees formerly paid to county recorders, which are now paid to the SOS.

The pie chart below shows the enacted FYs 2006-2007 funding levels by the source of funds. Federal funding comprises over two-thirds of the SOS's funding in the upcoming biennium. This is primarily due to the appropriation of $37.48 million in federal funding for the purpose of purchasing DRE or optical scan voting machines. Approximately one-fourth of the SOS's budget is comprised of state special revenue that is generated from UCC and corporate filing fees.

Total Budget by Object Code, FYs 2006-2007



Total Budget by Fund Group, FYs 2006-2007



Vetoed Provisions

The Governor did not veto any items affecting the SOS budget.

Analysis of the Enacted Budget

Program Series 1 — Elections Oversight and Administration

Purpose: To oversee, administer, and uphold Ohio's election laws.

The following table shows the line items that are used to fund the Elections Oversight and Administration program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	050-321	Operating Expenses	$2,585,000	$2,585,000
GRF	050-403	Election Statistics	$103,936	$103,936
GRF	050-407	Poll Workers Training	$277,997	$277,997
GRF	050-409	Litigation Expenses	$4,652	$4,652
		General Revenue Fund Subtotal	**$2,971,585**	**$2,971,585**
State Special Revenue Fund				
3AS	050-616	2005 HAVA Voting Machines	$37,477,203	$0
		State Special Revenue Fund Subtotal	**$37,477,203**	**$0**
General Services Fund				
414	050-602	Citizen Education Fund	$75,700	$55,712
4S8	050-610	Board of Voting Machine Examiners	$7,200	$7,200
		General Services Fund Subtotal	**$82,900**	**$62,912**
Total Funding: Elections Oversight and Administration			**$40,531,688**	**$3,034,497**

This analysis focuses on the following specific programs within the Elections Oversight and Administration program series:

- ***Election Reform***
- ***Elections Program Management***
- ***Poll Workers Training***
- ***Election Statistics***
- ***Citizen Education***
- ***Board of Voting Machine Examiners***
- ***Litigation***

Election Reform

Program Description: The Election Reform program is used for the purpose of purchasing new voting equipment, upgrading the voter registration system, and complying with accessibility issues for Ohio's counties, and any other elections systems improvements that are required for compliance with federal and state law.

Funding Source: Federal Special Revenue funding

Implication of the Enacted Budget: Funding will permit the SOS to purchase necessary voting equipment for compliance with HAVA and H.B. 262 of the 125th General Assembly.

Temporary Law Provisions: ***2005 HAVA Voting Machines (Section 209.93).*** Transfers the unexpended, unencumbered amount of appropriation item 050-615, 2004 HAVA Voting Machines, to appropriation item 050-616, 2005 HAVA Voting Machines on July 1, 2005 or as soon as possible thereafter.

Elections Program Management

Program Description: This program is used to handle public requests for information, oversee publications of the Ohio Municipal Roster, Federal Roster, Ohio Session Laws, and voter registration forms for the state tax booklet. These are statutorily mandated requirements. This program also issues monthly reports geared toward the 88 county boards of elections, and pamphlets such as the Voter Information Guide, Campaign Finance Handbook, and the Citizen Digest.

Funding Source: GRF

Implication of the Enacted Budget: This program is funded at the level requested by the SOS. However, recent campaign finance legislation, H.B. 1 of the Special Session of the 125th General Assembly may impact this program. This legislation requires a greater number of filings of campaign finance documents. In addition, the SOS must make this information available to the public. Because of these requirements, the SOS may need to hire additional staff. Current staff will also have to be trained in the necessary campaign finance requirements. The SOS also anticipates the need to upgrade current software, as well as potentially purchase additional hardware to make this information available to the public on the SOS's web site.

The SOS's office also experienced greater than anticipated costs as a result of the 2004 presidential election. As an example, to ensure that the SOS's web site could withstand the increased user traffic that would result from the election, the SOS conducted web site testing. The test was conducted to ensure that the SOS web site could withstand 250,000 hits per five seconds. The cost of the test was approximately $40,000.

Temporary and Permanent Law Provisions: None

Poll worker Training

Program Description: Section 3501.27 of the Ohio Revised Code requires that each board of elections establish a program as prescribed by the SOS for the instruction of election officers in the rules, procedures, and laws relating to elections. The statute also mandates that the SOS reimburse each county for the cost of these training programs once a statement of expenses is received.

Funding Source: GRF

Implication of the Enacted Budget: This program is funded at the requested level. It is difficult to determine whether or not training costs will increase for various counties depending upon what vendor is selected to provide new voting equipment. As of September 2005, all 88 counties have selected a vendor to provide voting machines and the Controlling Board has approved the contracts for all three vendors providing machines. It is not yet known when the counties will receive the new machines.

Temporary and Permanent Law Provisions: None

Election Statistics

Program Description: As required by section 3503.27 of the Ohio Revised Code, the SOS must maintain a master file of all registered voters in Ohio. This program also is used to provide electronically compiled election results from legislative, statewide, presidential and congressional races, and statewide ballot issues.

Funding Source: GRF

Implication of the Enacted Budget: This program is funded at the originally requested level.

Temporary and Permanent Law Provisions: None

Citizen Education

Program Description: This program is used to provide for the preparation, printing, and distributing of educational materials. This program also conducts voter registration, educational workshops, and conferences for schools and other public groups.

Funding Source: GSF

Implication of the Enacted Budget: The various citizen's education programs will continue dependent upon the level of contributions received, reflecting the small appropriation of $75,700 in FY 2006 and $55,712 in FY 2007.

Temporary and Permanent Law Provisions: None

Board of Voting Machine Examiners

Program Description: This program is used to certify voting equipment that is to be used in Ohio elections. Compensation and expenses incurred by the board members in the certification process is paid from this program.

Funding Source: GSF

Implication of the Enacted Budget: This program is funded at the originally requested level. This board is responsible for approving the voting systems used by all 88 counties. Approved voting machine vendors include Diebold, ES&S, and Hart Intercivic.

Temporary and Permanent Law Provisions: None

Litigation

Program Description: This program is used to cover the legal expenses incurred by the SOS's office in defending cases involving disputes over election of judges from at-large districts, and minority voting rights.

Funding Source: GRF

Implication of the Enacted Budget: This request is funded at the requested level. However, there have been some greater than anticipated costs from this program as a result of the 2004 presidential election. Thirty-nine pre-election lawsuits were filed against the SOS's office prior to the presidential election. The anticipated costs of these lawsuits is approximately $550,000-$600,000 for FY 2005. Litigation regarding this matter is still ongoing, so final expenses are not yet known.

Temporary and Permanent Law Provisions: None

Program Series 2 — Business Services

Purpose: To license and keep records regarding corporations and commercial transactions in Ohio.

The following programs are funded in this program series.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
599	050-603	Business Services Operating Expenses	$13,741,745	$13,741,745
5N9	050-607	Technology Improvements	$129,565	$129,565
		State Special Revenue Fund Subtotal	**$13,871,310**	**$13,871,310**
General Services Fund				
413	050-601	Information Systems	$169,955	$169,955
		General Services Fund Subtotal	**$169,955**	**$169,955**
Holding Account Redistribution Fund				
R01	050-605	Uniform Commercial Code Refunds	$65,000	$65,000
R02	050-606	Corporate/Business Filings Refunds	$100,000	$100,000
		Holding Account Redistribution Fund Subtotal	**$165,000**	**$165,000**
Total Funding: Business Services			**$14,206,265**	**$14,206,265**

This analysis focuses on the following specific programs within the program series:

- ***Business Services Program Management***
- ***Uniform Commercial Code Refund***
- ***Corporation Filing Fee Refund***
- ***Technology Improvements***

Business Services Program Management

Program Description: The SOS is required to file and maintain records relating to Ohio corporations, foreign corporations, and other business entities. This program is also used to process and maintain citizen's corporation and Uniform Commercial Code filings in a timely fashion.

Funding Source: Filing fees for each UCC document that is filed

Implication of the Enacted Budget: The SOS asked for a reduction in appropriation this biennium. This was due to the SOS farming out some of these services to a call center on August 1,

2004. As a result of this, there were between 13 and 15 layoffs. While payroll for this program has decreased, there is an increase in the amount of the appropriation that is used for purchased services. In addition, the SOS will be required to transfer $1 million from the Business Services Operating Expenses Fund to the GRF in each fiscal year of the biennium. This will reduce the SOS's ability to operate its Business Services program relying solely on revenues brought in by the Business Services Fund.

Temporary and Permanent Law Provisions: ***Transfer to GRF (Section 209.93).*** Requires the OBM Director to transfer $1,000,000 from the Corporate Uniform Commercial Code Filing Fund, known as the Business Services Operating Expenses Fund (Fund 599), within the General Services Fund group, to the GRF no later than the first day of June in each year of the biennium. As noted previously, this will diminish the fund balance considerably.

Uniform Commercial Code Refund

Program Description: This program is used for the purpose of refunding fees to senders in correlation with UCC filings that are not accepted by the SOS or refunds made due to overpayment of filing fees.

Funding Source: Refunds on corporate filings

Implication of the Enacted Budget: This program is funded at the requested level. The SOS will be able to repay any individuals that have overpaid or have had a UCC filing rejected.

Corporate Filing Fee Refund

Program Description: This program is used to refund filing fees to senders in correlation with Corporation filings that are not accepted by the SOS or refunds made due to overpayment of filing fees.

Funding Source: Refunds on corporate filings

Implication of the Enacted Budget: This program is used to refund filing fees to senders in correlation with Corporation filings that are not accepted by the SOS or refunds made due to overpayment of filing fees.

Temporary and Permanent Law Provisions: None

Technology Improvements

Program Description: This program is used for the storage and retrieval of all public data maintained in the SOS's office. This program also seeks to increase capabilities by providing on-line transactions, downloadable forms, and access to public records including corporate and UCC information.

Funding Source: SSR

Implication of the Enacted Budget: This program is funded at the originally requested level of $129,565 in each year. Approximately 1% of the revenue collected from filing fees deposited to the Corporate and Uniform Commercial Code Filing Fund (Fund 599) is kept for the purpose of supporting this fund.

Temporary and Permanent Law Provisions: None

Program Series 3 Notary Services

Purpose: To process applications and issue commissions for notaries public, attorney notaries public, special police officers, and Department of Natural Resources reserve officers.

The following table shows the line items that are used to fund the Notary Services program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
412	050-609	Notary Commission	$685,250	$685,249
		General Services Fund Subtotal	**$685,250**	**$685,249**
Total Funding: Notary Services			**$685,250**	**$685,249**

Notary Services

Program Description: The Notary Services program series is responsible for processing applications and issuing commissions for notaries public, attorney notaries public, special police officers, and ODNR Reserve Officers. This program is also used for the issuance of new commissions and renewals, public inquiries regarding the status of applications, and processing duplicate commissions, which have been lost, or have had a legal name change.

Funding Source: $15 paid for notary public and other license types

Implication of the Enacted Budget: This program is funded at the originally requested level. The SOS charges fees for the issuance of Notary Commissions. The fees colleted are used to support the fund. This line item has received an increased appropriation, which is actually a shift of cash from the business services line item.

Temporary and Permanent Law Provisions: None

Program Series 4 Law Related Education

Purpose: To support a federal youth-for-justice anti-violence program in middle schools across Ohio.

The following table shows the line items that are used to fund the Law Related Education program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
3X4	050-612	Ohio Cntrl/Law Related Educ Grant	$41,000	$41,000
		General Services Fund Subtotal	**$41,000**	**$41,000**
Total Funding: Law Related Education			**$41,000**	**$41,000**

Law Related Education

Program Description: This program series is used to support a youth-for-justice antiviolence program in middle schools across Ohio. The SOS serves as the subgrantee for the federal grant awarded to the Ohio Center for Law Related Education. This program also provides training for team advisors who teach students critical thinking skills to create safe, peaceful schools and communities.

Funding Source: FSR

Implication of the Enacted Budget: This program is funded through the federal Byrne Memorial Grant Program. The remainder is funded by the Office of Criminal Justice Services.

Senate

Joseph Rogers, Senior Budget Analyst

- Primarily GRF-driven budget
- Member and staff compensation by far largest expense

OVERVIEW

Duties and Responsibilities

The legislative branch of the State of Ohio includes the General Assembly, which is composed of two chambers: the Senate and the House of Representatives. Based on Article II of the Ohio Constitution, the General Assembly can be viewed as having three fundamental legislative powers: (1) the power to enact laws providing for the establishment, organization, and operation of government in Ohio, (2) the power to enact all manner of laws that promote the public peace, health, safety, and welfare, and (3) the power to levy and collect taxes for certain purposes. In terms of more specific legislative duties and responsibilities, the Senate:

- Enacts, in conjunction with the House of Representatives, new laws or amends or repeals existing laws;
- Adopts, in conjunction with the House of Representatives, joint, concurrent, and simple resolutions that generally are formal expressions of the opinions and wishes of the General Assembly and do not require approval of the Governor;
- Confirms members of state boards and commissions appointed by the Governor, the Attorney General, the Director of the Bureau of Workers' Compensation, and certain other agency heads who the Governor is authorized to appoint;
- Judges the election, returns, and qualifications of its members; and
- Conducts the trial should any impeachment proceedings be brought forth by the House of Representatives against the Governor, other executive officers, and state judges.

Members of the Senate are elected to four-year terms, and represent 33 separate districts, the boundaries of which are determined according to equal distributions of population. The elections in the Senate are staggered such that approximately half of the members are elected in each two-year election cycle. All members are subject to term limits prescribing no more than two consecutive four-year terms.

Agency in Brief

The following table selectively summarizes Senate appropriations and staffing information. The Senate's annual operating expenses are financed almost entirely by moneys appropriated from the GRF. By far, its major cost component is personal service-related payroll expenses, in particular payments of salaries and wages, supplements, and fringe benefits.

Senate In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
200	$12.0 million	$12.1 million	$11.5 million	$11.7 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

The Senate is not directly affected by any of the items contained in Am. Sub. H.B. 66 that were vetoed by the Governor.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Senate is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Operating Expenses

Purpose: To support the efforts of state senators, and their staffs, in the representation of their districts.

The following table shows the line items that are used to fund the Senate, as well as the enacted appropriation levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	020-321	Operating Expenses	$11,546,357	$11,661,821
		General Revenue Fund Subtotal	**$11,546,357**	**$11,661,821**
General Services Fund				
102	020-602	Senate Reimbursement	$444,025	$444,025
409	020-601	Miscellaneous Sales	$34,155	$34,155
		General Services Fund Subtotal	**$478,180**	**$478,180**
Total Funding: Senate			**$12,024,537**	**$12,140,001**

Program Description: The Ohio Senate was established in 1802 and derives its authority from both Article II of the Ohio Constitution and Chapter 101. of the Revised Code. The primary role of the Senate is to consider bills, which may alter existing law or create new law and resolutions which are formal expressions of the wishes and opinions of the Senate. The Senate also provides advice and consent on gubernatorial appointments to various state boards and commissions.

Funding Sources: (1) GRF, (2) sale of flags and other items to the general public, (3) moneys from salvage and recycling of equipment, materials, and supplies, and (4) miscellaneous reimbursements, such as those received for overpayment of medical insurance.

Implication of the Enacted Budget: The enacted appropriation levels appear to be sufficient for the Senate to maintain its FY 2005 level of operating expenses, including covering the payroll costs associated with 33 Senate members, 125 full-time staff, and around 40 part-time pages.

Temporary Law: ***<u>Operating Expenses (Section 209.96)</u>.*** The enacted budget contains a temporary law provision requiring the Director of Budget and Management, at the direction of the Clerk of the Senate, to transfer: (1) any unencumbered appropriations from FY 2005 to FY 2006 for use within GRF line item 020-321, Operating Expenses, and (2) any unencumbered appropriations from FY 2006 to FY 2007 for use within GRF line item 020-321, Operating Expenses.

Commissioners of the Sinking Fund

Ruhaiza Ridzwan, Economist

- The Commissioners of the Sinking Fund receives its operating funds through a GRF line item in the Treasurer of State's budget
- Appropriations to the Sinking Fund support debt service payments on Ohio's general obligation debts

OVERVIEW

Duties and Responsibilities

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).

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
0	$733.00 million	$817.34 million	$0	$0	Am. Sub. H. B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June, 2005.

In FY 2006 and FY 2007, the appropriations for the Sinking Fund are $733,001,400 and $817,344,300, respectively. Appropriations in FY 2006 are $71,581,137 more than FY 2005 actual expenditures, a 10.82% increase. Appropriations for FY 2007 are $84,342,900 greater than FY 2006 appropriations, an 11.51% increase. These appropriations will provide continuing funding for debt service payments and administrative expenses related to state general obligations administered by the Commissioners of the Sinking Fund.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Commissioners of the Sinking Fund is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 General Obligations Debt Retirement

Purpose: To provide for debt service payments related to certain state general obligation bonds.

The following table shows the line items that are used to fund the General Obligations Debt Retirement.

Fund	ALI	Title	FY 2006	FY 2007
Debt Service Fund				
072	155-902	Highway Capital Improvements Bond Retirement Fund	$180,620,600	$196,464,900
073	155-903	Natural Resources Bond Retirement Fund	$26,166,000	$24,659,100
074	155-904	Conservation Projects Bond Service Fund	$14,687,300	$17,668,800
076	155-906	Coal Research/Development Bond Retirement Fund	$7,071,100	$8,980,800
077	155-907	State Capital Improvement Bond Retirement Fund	$163,131,400	$174,545,100
078	155-908	Common Schools Bond Retirement Fund	$200,724,700	$236,911,500
079	155-909	Higher Education Bond Retirement Fund	$140,600,300	$158,114,100
		Debt Service Fund Subtotal	**$733,001,400**	**$817,344,300**
Total Funding: General Obligations Debt Retirement			**$733,001,400**	**$817,344,300**

This analysis focuses on the following specific programs within the General Obligations Debt Retirement program series.

Program 1: General Obligations Debt Retirement

Program Description: The Commissioners of the Sinking Fund manage and pay debt service on certain general obligation bonds that are authorized by the state constitution and the legislature for specific purposes.

Highway Capital Improvements Bond Retirement Fund

This line item finances the retirement of debt that has been issued for the purpose of paying costs of construction, reconstruction, or other improvements of highways, including those on the state highway system and urban extensions thereof, those within or leading to public parks or recreation areas, and those within or leading to municipal corporations. The debt is issued under the authority of Section 2m, Article VIII of the Ohio Constitution, approved by voters on November 7, 1995. Not more than $220 million in bonds may be issued in any fiscal year and not more than $1.2 billion principal amount may be outstanding at any time. Bond maturity cannot exceed 30 years. The issue has "rollover" authority, so additional bonds may be issued as other bonds are retired.

Funding Source: Gasoline Excise Tax

Implication of the Enacted Budget: The appropriations will allow for the continued payment of debt service on bonds.

Natural Resources Bond Retirement Fund

This line item pays debt service on bonds issued to finance capital improvements related to: state and local parks and land and water recreation facilities; soil and water restoration and protection; land management, including preservation of natural areas and reforestation; water management, including dam safety; stream and lake management; and other projects that enhance the use and enjoyment of Ohio's natural resources. The bonds are issued under the authority of Section 2l, Article VIII of the Ohio Constitution, approved by voters on November 2, 1993. Not more than $50 million in bonds may be issued within any single calendar year, and no more than $200 million may be outstanding at any one time. Funds to pay the debt service are transferred to this non-GRF account from the GRF.

Funding Source: GRF

Implication of the Enacted Budget: The appropriations will allow for the continued payment of debt service on bonds.

Conservation Projects Bond Service Fund

This line item pays debt service on bonds issued to provide moneys for conservation purposes. The bonds are issued under the authority of Section 2o, Article VIII of the Ohio Constitution, approved by voters on November 7, 2000. It was implemented under Am. Sub. H.B. 3 of the 124th General Assembly. Funds to pay the debt service are transferred to this non-GRF account from the GRF.

Funding Source: GRF

Implication of the Enacted Budget: The appropriations will allow for the continued payment of debt service on bonds.

Coal Research and Development Bond Retirement Fund

This line item pays debt service on bonds issued to provide moneys for financial assistance for research and development of coal technology that will encourage the use of Ohio coal. The bonds were issued under the authority of Section 15 of Article VIII of the Ohio Constitution, approved by voters on November 5, 1985. Not more than $100 million in bonds may be outstanding in any single calendar year. Funds to pay the debt service are transferred to this non-GRF account from the GRF.

Funding Source: GRF

Implication of the Enacted Budget: The appropriations will allow for the continued payment of debt service on bonds.

State Capital Improvements Bond Retirement Fund

This line item pays debt service on bonds issued to provide moneys for local infrastructure projects financed by the Public Works Commission. Formerly, this money has come from a line item in the Treasurer of State's budget. Now funding comes from GRF line item 150-907 under the budget for the Public Works Commission.

Funding Source: GRF

Implication of the Enacted Budget: The appropriations will allow for the payment of debt service on bonds.

Common Schools Bond Retirement Fund

This line item pays debt service on bonds issued to provide moneys for common schools. The corresponding GRF line item (230-908) is in the School Facilities Commission's budget.

Funding Source: GRF

Implication of the Enacted Budget: The appropriations will allow for the payment of debt service on bonds.

Higher Education Bond Retirement Fund

This line item pays debt service on bonds issued to provide moneys for higher education. The corresponding GRF line item (235-909) is in the budget for the Board of Regents.

Funding Sources: GRF and proceeds from the issuance of debt

Implication of the Enacted Budget: The appropriations will allow for the payment of debt service on bonds.

Speech-Language Pathology and Audiology Board

Wendy Risner, Budget Analyst

- The Board received no funding for FY 2007 and will be consolidated into the Department of Health that year
- In FY 2004, the Board licensed approximately 6,400 professionals
- The Board contributed $223,112 more to Fund 4K9 than expended during the FYs 2003-2004 licensing cycle

OVERVIEW

Duties and Responsibilities

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.

Fund 4K9

The Ohio Board of Speech-Language Pathology and Audiology is part of the 4K9 Fund group. The 4K9 Fund (Occupational Licensing and Regulatory Fund) is a General Services Fund that is a repository for license fees and other assessments collected by the state's professional and occupational licensing boards. The 4K9 Fund was established by Am. Sub. H.B. 152 of the 120th General Assembly. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated did not meet their expenditures. The 4K9 Fund eliminated these problems. The philosophy of the fund is that each board must generate enough revenues to cover their expenses. It is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

As of June 30, 2004, the Board licensed 6,415 professionals, most of which were speech-language pathologists (5,276). Revenue is generated from new and renewal license fees, which are collected biennially. Expenditures are for operating expenses associated with the licensure, regulation, and enforcement processes. Expenditures and revenue for the FYs 2003-2004 renewal cycle were $981,394 and $758,282, respectively. The Board contributed $223,112 more to Fund 4K9 than it expended during the two-year licensing cycle.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
4*	$408,864	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Speech-Language Pathology and Audiology Board.

Summary of FYs 2006-2007 Budget Issues

Board Consolidation

In the enacted version of Am. Sub. H.B. 66 of the 126th General Assembly, 20 of the independent occupational licensing boards are to be consolidated into the departments of Health, Commerce, and Public Safety in FY 2007. As a result, the affected Boards received no funding in FY 2007. In the case of the Speech-Language Pathology and Audiology Board, the Board and its duties will be consolidated into the Department of Health. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, and the Office of Budget and Management (OBM), as well as three members selected by the affected boards. According to OBM, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentives will be offered to regulatory board staff. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board members will be retained.

License to Practice Audiology

The enacted budget requires an individual who applies for an audiologist license on or after January 1, 2006, to have a doctor of audiology degree or the equivalent as determined by the Board instead of the currently required master's degree. However, an audiologist initially licensed or certified in another state before January 1, 2008, is able to obtain an audiologist license. The Board anticipates that there will be minimal, if any fiscal impacts since most new licensees have doctorate degrees.

Vetoed Provisions

There were no vetoed provisions for the Speech-Language Pathology and Audiology Board.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Speech-Language Pathology and Audiology Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

Purpose: To license and regulate the professions of speech-language pathology and audiology.

The following table shows the line items that are used to fund Speech-Language Pathology and Audiology, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	886-609	Operating Expenses	$408,864	$0
		General Services Fund Subtotal	**$408,864**	**$0**
Total Funding: Speech-Language Pathology and Audiology			**$408,864**	**$0**

Program Description: The Board of Speech-Language Pathology and Audiology licenses and regulates the professions of speech-language pathology and audiology in accordance with Chapter 4753. of the Revised Code.

Funding Source: Licensing fees and other assessments deposited into GSF Fund 4K9

Implication of the Enacted Budget: The Board received funding of $408,864 in FY 2006 and $0 in FY 2007. The enacted funding for FY 2006 should allow the Board to maintain FY 2005 service levels. In FY 2007, the Board will be consolidated into the Department of Health. The specifics of this transfer will be addressed during FY 2006 by a task force consisting of the departments of Commerce, Health, Public Safety, and Administrative Services, and the Office of Budget and Management, as well as three members selected by the affected boards.

State Employment Relations Board

Jonathan Lee, Senior Analyst

- The enacted budget provides funding for four new IT initiatives
- The Board's Training, Publications, and Grants Fund (Fund 572), broadened to allow receipt of grants and other contributions

Overview

Duties and Responsibilities

The State Employment Relations Board (SERB) is a three-member board that acts as a neutral, quasi-judicial body in administering Chapter 4117. of the Revised Code, Ohio's Public Employees' Collective Bargaining Law. The SERB's responsibilities are divided among six divisions. The Hearing Section makes findings and legal recommendations on unfair labor practices; the Representation Section oversees the election process and conducts representation elections; the Investigation Section investigates unfair labor practices; the Bureau of Mediation resolves strikes and impasses in contract negotiations; the Research and Training Section maintains a database of wage and benefit information; and the Clerk's Office handles the scheduling of cases before the Board and maintains the automated docketing system.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
31	$3.34 million	$3.44 million	$3.27 million	$3.63 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Summary of the FY 2006-2007 Enacted Budget

The enacted budget appropriates $3.34 million in FY 2006 and $3.44 million in FY 2007, for a total of $6.78 million over the biennium. The Board's FY 2006 appropriations increase 9% compared to FY 2005 actual spending, whereas FY 2007 levels increase 3% above FY 2006 appropriations. Ninety-eight percent of the board's funding comes from the GRF, which covers increased payroll and employee benefits, while the 2% comes from the GSF, which covers training and publications. Overall, the board's FY 2006-2007 appropriations will support current staffing and program levels, provide for a 4% pay increase, provide funding for several new information technology initiatives, and allow the board to accept grants and other contributions into its Training, Publications, and Grants Fund (Fund 572).

Information Technology Initiative

The enacted budget will allow the SERB to fund four new information technology initiatives. The first initiative will update the board's Clearinghouse database, which provides state-wide collective bargaining information to allow more efficient internal data input and instant on-line consumer data access – the budget includes $100,200 for this update. The second initiative will provide on-line subscription and access to the board's publications – the budget provides $40,000 for these new services. The third initiative will provide a web-based, searchable database for the board's fact-finder reports and conciliation orders – the budget includes $35,100 to develop this database. The forth initiative involves implementation of an electronic filing system to add documents to the board's docketing system – the budget provides $5,100 for this system.

Training, Publications, and Grants Fund

The enacted budget renamed the SERB's Training and Publications Fund (Fund 572) to the Training, Publications, and Grants Fund and added three additional funding sources to support the fund. The change now allows the fund to receive moneys from grants, donations, awards, bequests, and gifts; reimbursements for the board's professional services; and funds to support the development of labor relations services and programs. In addition, the bill expands the use of the funds to cover grant projects, innovative labor-management programs, and professional development.

Vetoed Provisions

The Governor did not veto any provisions affecting the State Employment Relations Board.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the State Employment Relations Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 Operating Expenses

Purpose: To monitor public employer compliance with the Ohio's Collective Bargaining Law.

The following table shows the enacted appropriations that are used to fund the State Employment Relations Board.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	125-321	Operating Expenses	$3,265,397	$3,363,359
		General Revenue Fund Subtotal	$3,265,397	$3,363,359
General Services Fund				
572	125-603	Training and Publications	$75,541	$75,541
		General Services Fund Subtotal	**$75,541**	**$75,541**
Total Funding: State Employment Relations Board			**$3,340,938**	**$3,438,900**

This analysis focuses on the following specific programs within the State Employment Relations Board:

- ***Labor Disputes***
- ***Research and Training***

Labor Disputes

Program Description: The State Employment Relations Board (SERB) acts as a quasi-judicial body in monitoring compliance of Ohio's Collective Bargaining Law. The Labor Disputes program assists parties with active labor issues by mediating contract negotiations, investigating and attempting to mediate or hear and decide alleged unfair labor practices, and processing petitions parties have filed to resolve questions concerning representation.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget will allow the board to maintain current program and staffing levels for the Labor Disputes program. The board will use a portion of its program funds to cover mandated payroll increases and provide for information technology upgrades. The board does not plan to hire or contract any new personnel for this program.

Research and Training

Program Description: The Research and Training program provides statutorily required wage and benefit information for parties in bargaining negotiations and trains public employers and employee organizations in acceptable bargaining practices. In addition, SERB provides three seminars each year and fact-finder conferences. The most popular seminar, SERB Academy, is a two-day review of representation, dispute settlement, and unfair labor practice matters, covering the law, the administrative rules, and the day-to-day procedures of the agency. The SERB also publishes reports, such as the SERB Quarterly and the Quarterly Supplement.

Funding Sources: GRF, training registration fees, and publication sales revenue

Implication of the Enacted Budget: The enacted budget will allow the board to maintain current program and staffing levels for the Research and Training Program. The Board will use a portion of its program funds to cover mandated payroll increases and to support the board's new information technology expenses. The board does not plan to hire or contract any new personnel for this program.

Permanent Law Provision: ***Training, Publications, and Grants Fund (R.C. section 4117.24).*** The enacted budget includes a change that will now allow the board to accept grant monies, gifts, and contributions into its GSF rotary fund (Fund 572) for employee training expenses. This change will only affect the Research and Training program, not the Labor Disputes program. The board indicates it will pursue grant opportunities from World Learning USAID as well as other organizations.

State Personnel Board of Review

Jonathan Lee, Senior Analyst

- Increased caseload expected over the biennium due to increased layoffs and other personnel adjustments
- The enacted budget maintains current program and staffing levels and allows for some equipment and computer purchases

OVERVIEW

The State Personnel Board of Review (PBR) reviews appeals filed by classified exempt employees in the civil service at the state and local levels in order to provide all parties with a fair, comprehensive, and impartial review of their respective claims. The PBR'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 nonexempt classified employees who have not organized, and nonexempt employees whose bargaining agreement specifies a right to appeal to the Board. The Board has jurisdiction over investigations, whistle blower cases, and Occupational Safety and Health Administration (OSHA) violations as well. The board also monitors and assists Ohio's 220 municipal civil service commissions and personnel boards to ensure that Ohio's civil service laws are being uniformly interpreted.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
11	$1.13 million	$1.16 million	$1.12 million	$1.15 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Summary of FYs 2006-2007 Enacted Budget Issues

The enacted budget appropriates $1.13 million in FY 2006 and $1.16 million in FY 2007, for a total of $2.29 million over the biennium. The board's FY 2006 funding levels increase by 4.49% over FY 2005 actual spending, and FY 2007 levels increase by 3.09% above FY 2006 appropriations. Ninety-nine percent of the board's funding comes from the GRF, which covers personnel, maintenance, and equipment, while 1% comes from the GSF which covers the cost of producing administrative records and providing refunds for overpaid security deposits. Overall, the board's FY 2006-2007 appropriations will support current staffing and program levels, provide for a 4% pay increase, and provide for some equipment and computer purchases.

Vetoed Provisions

The Governor did not veto any provisions affecting the State Personnel Board of Review.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the State Personnel Board of Review is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

Purpose: To review appeals filed by classified exempt employees and certain nonexempt employees in the civil service and provide outreach programs to educate personnel officers at the state and local levels about employment laws.

The following table shows the line items that are used to fund PBR, as well as the enacted appropriation levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	124-321	Operating Expenses	$1,116,170	$1,148,000
		General Revenue Fund Subtotal	$1,116,170	$1,148,000
General Services Fund				
636	124-601	Transcript and Other	$12,000	$15,000
		General Services Fund Subtotal	$12,000	**$15,000**
Total Funding: Personnel Board of Review			**$1,128,170**	**$1,163,000**

Program Description: The State Personnel Board of Review (PBR) reviews appeals filed by classified exempt employees in the civil service. State and county agencies account for the majority of matters brought before the Board. Appeals involve contested layoffs, abolishments, displacements, removals, reductions, reclassifications, and other related matters. The Board anticipates an increase in caseload over the next biennium due to increased layoffs and other personnel adjustments occurring across the state. The Board continues to use its recently implemented automated Case Management Docketing System (CMDS), which allows the Board to gather and analyze case statistics that the Board uses to make operational improvements.

Funding Sources: GRF, security deposits, and other payments made by appellants

Implication of the Enacted Budget: The enacted budget will allow the board's current service and staffing levels to remain the same over the biennium. The board indicates its appropriations levels will cover mandated payroll increases, provide for software upgrades for its CMDS system, maintain its fiscal management contract with DAS, and replace some equipment and computers. The board does not plan to hire or contract any new personnel. The board also plans to use some of its funding to develop and distribute training modules on CD-ROM to Ohio's Civil Service Commissions.

Board of Tax Appeals

Phil Cummins, Economist

- New responsibility for municipal income tax appeals may add to caseload and result in less timely disposition of cases
- Outdated computer system may not handle current needs
- Staffing has been cut nearly one-third in four years

OVERVIEW

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 due process requirements. It is an independent, quasi-judicial, single-purpose body, established in 1939 within the Department of Taxation. The Board has operated as a separate agency since 1976. It is comprised of three members appointed by the Governor for six-year terms, and is authorized to determine all appeals regarding questions arising under Ohio tax laws. Staff includes 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. The attorney examiners also conduct mediation sessions.

Duties and Responsibilities

Most appeals to BTA arise from real estate valuations by county boards of revision. Cases also arise from appeals of determinations or of rules adopted by the Tax Commissioner, including the Division of Tax Equalization. Another source of cases is appeals from allocations by county budget commissioners of tax receipts to political subdivisions. Decisions by the Director of the Department of Development that enterprises are not qualified for tax incentive qualification certificates may be appealed to BTA. Beginning with tax year 2004, appeals of decisions of municipal boards of appeal regarding municipal income tax obligations were added to BTA's responsibilities. Decisions of the Board of Tax Appeals may themselves be appealed to either the appropriate Ohio Court of Appeals or directly to the Ohio Supreme Court.

BTA is funded entirely from the GRF. Most of the agency's budget is for payroll costs. Tight budgets in recent years have led to reductions of nearly one-third in the Board's staff. In February 2001 the Board employed 31 full-time equivalent (FTE) employees, including the 3 Board members, 25 other full-time employees, and 6 part-time employees. The Board currently has 22.5 full-time equivalent positions.

The number of appeals filed with the Board of Tax Appeals fluctuates from year to year but has shown no downtrend. BTA's smaller staff implies that remaining staff members need to be more productive if the quality and timeliness of the agency's services are to be maintained. Efficiencies resulting from the Board's mediation program have helped BTA cope with its workload. But the number of cases appealed to BTA could rise substantially as a result of the added responsibility for municipal income tax appeals. The agency uses the example that if it receives one appeal per year from each municipal board of appeal in the state, its caseload would increase more than 25%.

The task of coping effectively with its caseload is made more difficult for BTA by outdated information technology. BTA's case tracking system is 15 years old and does not have available fields for entry of information needed for handling municipal income tax appeals. However, the agency is investing in a computer network upgrade that will ease capacity and technical support problems and would allow eventual replacement of the case tracking system if approval for that expenditure is obtained.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
23	$2.16 million	$2.21 million	$2.16 million	$2.21 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

No provisions of the budget bill pertaining to the Board of Tax Appeals were vetoed by the Governor.

Analysis of the Enacted Budget

For budget purposes, as detailed below, the Board of Tax Appeals is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Tax Dispute Resolution

Purpose: To hear and determine all appeals regarding questions of law and fact arising under the tax laws of the state of Ohio.

The following table shows the line item that is used to fund the tax dispute resolution program and the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	116-321	Operating Expenses	$2,155,055	$2,211,035
		General Revenue Fund Subtotal	**$2,155,055**	**$2,211,035**
Total Funding: Tax Dispute Resolution			**$2,155,055**	**$2,211,035**

Program Description: The Board of Tax Appeals conducts evidentiary hearings on appeals of tax cases from county boards of revision, determinations by the Tax Commissioner, and other sources. These hearings serve as the basis for decisions by Board members. BTA also conducts voluntary mediation sessions, which often save money for appellants as well as making more efficient use of BTA resources.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget for FY 2006 provides 5.9% more funding than actual outlays during FY 2005. It budgets a 2.6% increase in spending for FY 2007. More than 90% of this budget pays for personal services. The increases appear sufficient to allow the agency to continue operating much as it has in the recent past, and avoid further staffing cuts. However, if the caseload increases substantially, because of the agency's new responsibility for municipal income tax cases or for any other reason, the timeliness of BTA's termination of cases may deteriorate. In addition, BTA purchases services, primarily court reporting services for the agency's more complex cases. BTA has been able to achieve economies by tape recording simpler sessions. However, use of court reporters greatly facilitates subsequent review of the record, which is helpful in more complex cases. BTA's budget provides for little or no growth in maintenance outlays. Apart from the network capacity upgrade noted above, the budget provides funding for purchases of only minor equipment items.

Department of Taxation

Ruhaiza Ridzwan, Economist

- Commercial Activity Tax implemented
- SSR funds appropriation increased to provide necessary funding due to freeze in GRF funding level

OVERVIEW

The Ohio Department of Taxation 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, the Department oversees the administration of the real property tax by local governments.

Beginning July 1, 2005, the Department is also responsible for the administration and enforcement of the new commercial activity tax (CAT), which was enacted in Am. Sub. H.B. 66 of the 126th General Assembly (H.B. 66). This new tax will be phased in over five years, with the first CAT returns required to be filed by February 10, 2006.

The Department of Taxation is also responsible for determining the amounts 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

Agency In Brief

Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
1,586	$2.10 billion	$2.17 billion	$539.97 million	$515.22 million	Am. Sub. H. B. 66

* Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

The Department of Taxation does not plan to hire additional FTEs in FY 2006 and FY 2007. In the FY 2004-2005 biennium, the Department hired over 80 new employees and reorganized various divisions.

The appropriations for GRF administrative funding are $91,511,742 for FY 2006. This amount is $7,029,078 (8.3%) higher than the actual GRF expenditures in FY 2005. The appropriation for GRF administrative funding for FY 2007 is $91,511,742. This amount is the same as the FY 2006 appropriation for GRF administrative funding. The two line items that account for GRF administrative funding are 110-321, Operating Expenses and 110-412, Child Support Administration. These appropriations do not include GRF moneys (such as property tax relief) that are simply distributed by the Department.

The total administrative appropriation for FY 2006 is $148,242,893. This amount is $27,065,360 higher than the total actual administrative expenditures in FY 2005, an increase of 18.3%. The total appropriation for administrative funding for FY 2007 is $141,094,162. This amount is $7,148,731 lower than FY 2006, a decrease of 4.8%. These amounts also do not include funds that are simply distributed by the Department.

Total appropriations for the Department are $2,102,301,496 for FY 2006 and $2,169,207,345 for FY 2007. This represents an increase from the previous year of 6.4% and 3.2%, respectively. (These amounts include Property Tax Relief funds that are distributed by the Department, $448,458,603 in FY 2006 and $423,713,183 in FY 2007.)

Summary of FYs 2006-2007 Budget Issues

Administration of the Commercial Activity Tax

H.B. 66 made permanent law changes related to the Department's general administration of the new commercial activity tax (CAT), particularly tax payments procedure, tax assessments, penalties and interest, refunds, record keeping, and challenging the legality of tax application procedures. H.B. 66 provides spending authority for the implementation and ongoing administration of the CAT.

Every legal taxpayer subject to the CAT is required to register with the Tax Commissioner by November 15, 2005 or within 30 days after first becoming subject to the tax. The registration must be made on a form provided by the Commissioner. A one-time $15 or $20 registration fee will be imposed. An additional fee of up to $100 per month, up to $1,000 total, will be charged if a taxpayer registers after the due date. Taxpayers that would otherwise be subject to the tax but begin business after November 30 in any year are exempt from the fee, as are taxpayers that do not surpass the $40,000 taxable gross receipts threshold as of December 1. The registration fee may be waived by the Commissioner. Fee collections are credited to a fund to defray the costs of administering the CAT, including promoting awareness of the tax during its initial implementation.

The estimated costs to implement the CAT are included in line item 110-628, Tax Reform System Implementation in the Department of Taxation. Revenue from the proposed one-time fee is assumed to cover these costs.

In addition, the enacted bill provides for taxpayer appeals directly to the Ohio Supreme Court when the Commissioner issues a final determination in response to a taxpayer's challenge of an assessment under the CAT when the primary issue raised by the taxpayer arises under certain constitutional provisions governing (1) the General Assembly's power to tax incomes and to levy excise and franchise taxes, (2) the manner in which the General Assembly may use moneys derived from motor vehicle license and fuel taxes, or (3) the General Assembly's power to tax food for human consumption. The bill also prescribes the legal proceedings against taxpayers failing to report and pay the CAT, similar to the provisions for the corporate franchise tax and the personal income tax. Constitutional challenges to the "bright-line presence" standard for determining nexus under the CAT may also be appealed directly to the Ohio Supreme Court.

Authorization to Require Identifying Information from Persons Filing Tax Documents

H.B. 66 authorizes the Tax Commissioner to request that persons filing tax documents with the Commissioner provide any identifying information including a social security number, employer identification number, or other identification number needed to efficiently administer the tax with respect to which the document is filed. Taxpayers are required to update the Commissioner of any changes with respect to that information prior to, or at the time of, filing the next tax document requiring identifying information. The Commissioner is required to maintain the confidentiality of individuals' social security numbers.

The Commissioner may impose penalties for failure to comply with the request for identifying information and failure to update identifying information. Penalties in addition to criminal penalties may be imposed with respect to any false or fraudulent identifying information knowingly submitted by a person to the Commissioner.

Transmission of Sales and Use Taxes Collected by Clerks of Court

The enacted bill establishes procedures for the transmission of sales and use taxes collected by the clerks of court to the Treasurer of State. The clerks are to transmit sales and use taxes and remittance reports from sales of motor vehicles, off-highway vehicles, all-purpose vehicles, and titled watercraft and outboard motors during a week on or before the Friday following the close of that week. If, on any Friday, the offices of a clerk of court or the state are closed, the tax must be forwarded to the Treasurer on or before the next day on which the offices are open. The Tax Commissioner is required to determine the form of the remittance report. Upon receiving a tax remittance and a report, the Treasurer is required to date stamp the report and forward it to the Commissioner. The Treasurer may require the clerks of court to transmit tax collections and remittance reports electronically.

If the tax due for any week with respect to titled watercraft and outboard motors is not remitted by a clerk of court in accordance with the procedures outlined in the bill, the clerk must forfeit the poundage fees collected for sales made during that week. If the tax due for any week with respect to motor vehicles, off-highway vehicles, and all-purpose vehicles is not remitted by a clerk of court in accordance with the bill's procedures, the Tax Commissioner may, but is not required to, compel the clerk to forfeit the poundage fees collected by the clerk for sales made during that week.

Tax Amnesty Program

H.B. 66 requires that the Tax Commissioner administer a temporary tax amnesty program from January 1, 2006 through February 15, 2006. Under this program, taxpayers who voluntarily pay outstanding state taxes, tangible personal property taxes, county and transit authority sales taxes, and school district income taxes are not required to pay penalties associated with those outstanding taxes, are excused from having to pay one-half of the interest accruing on the taxes, and are immune from criminal and civil actions in connection with the taxes.

The enacted budget bill requires a transfer of $2,000,000 from the Tax Reform System Implementation Fund (Fund 228) to appropriation item 110-630, Tax Amnesty Promotion and Administration (Fund 5BW). It also creates a new appropriation item, 110-630, Tax Amnesty Promotion and Administration (Fund 5BW), to implement and pay for expenses incurred in promoting and administering the tax amnesty program. The Director of Budget and Management is required to transfer the first $2,000,000 of revenue received from the tax amnesty program to the Tax Reform System

Implementation Fund, the next $10,000,000 to the General Revenue Fund, and any remaining excess fund balance to the Budget Stabilization Fund.

Miscellaneous Budget Issues

Tax Reform Implementation Fund

H.B. 66 creates the Tax Reform System Implementation Fund (Fund 228) to pay the expenses of the Department to provide an integrated tax system that will accommodate the needs of tax reform and allow for improved customer service, processing efficiency, compliance, enforcement, and reporting. The Director of Budget and Management is required to transfer and credit residual cash to the fund on July 2, 2005 or as soon as possible.

Computation of Transfers to the Property Tax Administration Fund

H.B. 66 changes the calculation of transfers to the Property Tax Administration Fund (Fund 5V8) in the State Special Revenue Fund group. This fund is used to defray Department of Taxation costs to administer property taxes. The current charge of 0.3% against the amount of the 10% real property tax rollback is raised to 0.33% for FY 2006, and to 0.35% for FY 2007 and thereafter. Current charges of 0.15% against public utility tangible personal property taxes and 0.75% against tangible personal property taxes are changed to 0.5% for FY 2006, to 0.56% for FY 2007, and to 0.6% for FY 2008 and thereafter. Charges in each fiscal year are based on the preceding tax year; for example, FY 2006 charges are based on tax year 2005.

Tire Tax Administration

H.B. 66 reduces the Department's share of money collected from the Scrap Tire Management program from 4% to 2% (the remainder goes to the Ohio EPA's Scrap Tire Management Fund). The Department uses its share for administration of the tire tax.

Interest Rate on Estate Tax and Personal Property Tax Overpayments and Underpayments

H.B. 66 reduces the rate at which interest accrues on estate tax and personal property tax overpayments and underpayments.

Semiannual Reports on Tourism-Related Tax Revenues

H.B. 66 requires the Tax Commissioner to prepare semiannual reports summarizing tax revenue associated with the travel and tourism industry. The reports must contain information on travel and tourism industries included in the industrial classification system used by the Commissioner in preparing the report. The Commissioner is required to adopt rules necessary to administer the reporting requirement.

Centralized Tax Filing and Payment Fund

H.B. 66 requires the Director of Budget and Management to transfer $4.5 million in the biennium from the GRF to the Centralized Tax Filing and Payment Fund (Fund 5W4), in the General Services Fund group in the Department of Taxation's budget.

International Registration Plan Audit

H.B. 66 appropriates line item 110-616, International Registration Plan (Fund 4C6), in the Department of Taxation's State Special Revenue Fund group for the audits of persons with vehicles registered under the International Registration Plan.

Litter Control Tax Administration Fund

H.B. 66 authorizes some corporate franchise tax revenues to be deposited into the Litter Control Tax Administration Fund (Fund 437).

Homestead Exemption, Property Tax Rollback, and Tangible Tax Exemption

H.B. 66 appropriates GRF line item 110-901, Property Tax Allocation – TAX, to pay the state's costs incurred due to the Homestead Exemption, the Manufactured Home Property Tax Rollback, and the Property Tax Rollback. It also earmarks GRF appropriation item 110-906, Tangible Tax Exemption – Taxation, to pay the state's cost incurred due to the tangible personal property tax exemption. These moneys are distributed to county auditors, who distribute the appropriate amounts to the local taxing districts.

Municipal Income Tax

H.B. 66 appropriates 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 local tax is collected and distributed by the Department of Taxation.

Tax Refunds

H.B. 66 appropriates any additional amounts that are needed to pay tax refunds for taxes or fees that have been overpaid or illegally or erroneously assessed and collected. The funds are transfers from current receipts of the same tax or fee from which the refund arose.

Travel Expenses for the Streamlined Sales Tax Project

H.B. 66 allows the Tax Commissioner to use funds from appropriation item 110-607, Local Tax Administration (Fund 435), to pay for travel costs to meetings of the Streamlined Sales Tax Project.

Taxation of Railroad Tracks

Real property of railroads that is not used in railroad operations is to be assessed by county auditors. The Tax Commissioner is to continue to assess real property used in railroad operations and tangible personal property of railroads.

Vetoed Provisions

Joint Legislative Tax Reform Impact Study Committee

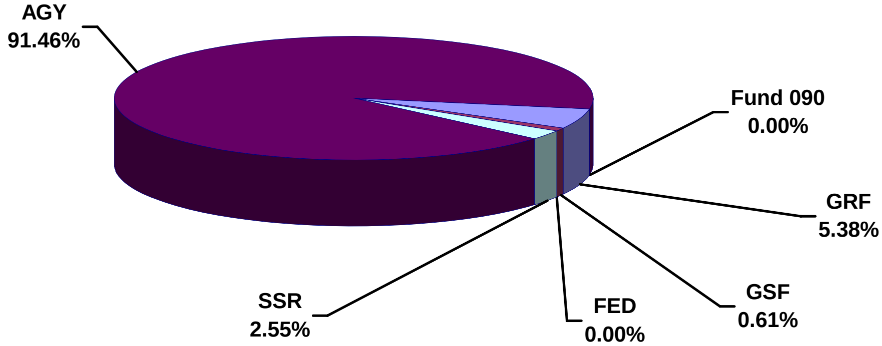
H.B. 66 proposed the creation of a joint legislative study committee with ten members to study the effects on school districts and other local taxing units of the bill's phase-out of tangible personal property taxes, the revenue impact of the commercial activity tax, and the revenue effects of reclassifying rental real property having more than three units as residential/agricultural real property instead of as nonresidential/agricultural real property.

Estate Tax Penalty and Enforcement

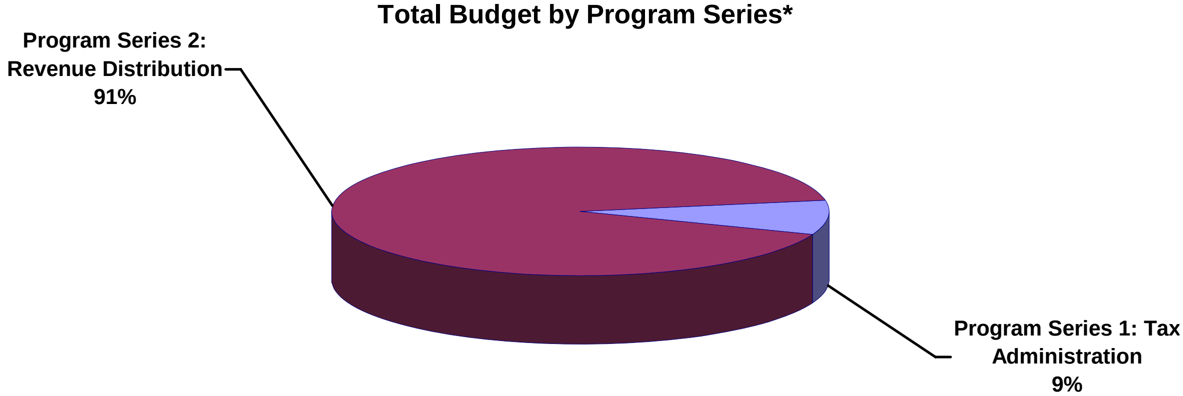
H.B. 66 proposed an increase in the penalty for late estate tax payments and filings and authorized county auditors to forgive such penalties for good cause.

Table 1: Total Budget By Program Series		
Program Series	**FY 2006**	**FY 2007**
Subtotal Program 1: Tax Administration	**$148,242,893**	**$141,094,162**
Subtotal Program 2: Revenue Distribution	**$1,505,600,000**	**$1,604,400,000**
Subtotal Program 3: Property Tax Relief	**$448,458,603**	**$423,713,183**
Grand Total	**$2,102,301,496**	**$2,169,207,345**

Total Budget by Fund Group*



Total Budget by Program Series*



ANALYSIS OF THE ENACTED BUDGET

Program Series 1 — Tax Administration

Purpose: To administer the state's tax laws to ensure compliance in filing and payment of taxes and to determine tax liability.

The following table shows the line items that are used to fund the Tax Administration program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	110-321	Operating Expenses	$91,439,754	$91,439,754
GRF	110-412	Child Support Administration	$71,988	$71,988
		General Revenue Fund Subtotal	**$91,511,742**	**$91,511,742**
State Special Revenue Fund				
5N5	110-605	Municipal Income Administration	$265,000	$265,000
437	110-606	Litter Tax and Natural Resources Administration	$625,232	$625,232
435	110-607	Local Tax Administration	$15,880,987	$16,394,879
436	110-608	Motor Vehicle Audit	$1,350,000	$1,350,000
438	110-609	School District Income Tax	$2,599,999	$2,599,999
4R6	110-610	Tire Tax Administration	$65,000	$65,000
639	110-614	Cigarette Tax Enforcement	$168,925	$168,925
688	110-615	Local Excise Tax Administration	$300,000	$300,000
4C6	110-616	International Registration Plan	$706,855	$706,855
5N6	110-618	Kilowatt Hour Tax Administration	$85,000	$85,000
5V7	110-622	Motor Fuel Tax Administration	$4,268,345	$4,397,263
5V8	110-623	Property Tax Administration	$12,758,643	$12,967,102
5BQ	110-629	Commercial Activity Tax Administration	$6,000,000	$500,000
		State Special Revenue Fund Subtotal	**$45,073,986**	**$40,425,255**
General Services Fund				
433	110-602	Tape File Account	$96,165	$96,165
5W4	110-625	Centralized Tax Filing & Payment	$2,500,000	$2,000,000
5W7	110-627	Exempt Facility Administration	$36,000	$36,000
228	110-628	Tax Reform System Implementation	$7,000,000	$7,000,000
5BW	110-630	Tax Amnesty Promotion and Administration	$2,000,000	$0
		General Services Fund Subtotal	**$11,632,165**	**$9,132,165**
Federal Special Revenue Fund				
3J6	110-601	Motor Fuel Compliance	$25,000	$25,000
		Federal Special Revenue Fund Subtotal	**$25,000**	**$25,000**
Total Funding: Tax Administration			**$148,242,893**	**$141,094,162**

This analysis focuses on the following specific programs within the Tax Administration program series:

- ***Program 1.1: Taxpayer Services***
- ***Program 1.2: Tax Processing***
- ***Program 1.3: Tax Compliance***
- ***Program 1.4: Tax Policy And Analysis***
- ***Program 1.5: Local Government Services***

Program 1.1: Taxpayer Services

Program Description: To administer Ohio's tax laws efficiently and cost effectively. Administration involves registering taxpayers, processing tax returns, determining tax liabilities, issuing refunds and assessments, and enforcing Ohio tax laws. The Taxpayer Services program provides the delivery of services to taxpayers as a means of increasing tax compliance.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget provides the Taxpayer Services program with total GRF funding of $26,060,329 each in FY 2006 and FY 2007.

Program 1.2: Tax Processing

Program Description: This program provides for all processing services of tax returns and related documents.

Funding Sources: The Tax Processing program is funded by GRF line item 110-321, Operating Expenses and line item 110-606, Litter Tax and Natural Resources Administration Fund (Fund 437)

Implication of the Enacted Budget: The enacted budget provides the Tax Processing program with total funding of $17,998,785 for both FY 2006 and FY 2007.

Program 1.3: Tax Compliance

Program Description: This program conducts audits of taxpayers' returns and records for mathematical accuracy, evaluates the substantial correctness (which identifies areas of underpayment or overpayment of tax), and issues notices and assessments to taxpayers who have not paid tax liabilities. This program also provides for the matching of persons delinquent in child support payments with taxpayers due an Ohio income tax refund. This program also reviews appeals of Tax Commissioner findings in tax disputes. The Department provides the first level of appeal. Determinations of the Department may then be appealed to the Board of Tax Appeals. Tax compliance also includes enforcement and investigation activities associated with the investigation of fraud, coordinated efforts with other enforcement agencies, tracking of evidence, and testimony for trial cases.

Funding Sources: State GRF, federal grants for fuel tax collection and enforcement, percentages of local taxes (sales and use, school district income, and proposed percentages of real property taxes, public utility property taxes, and tangible personal property taxes, etc.), cigarette license taxes, International Registration Plan (IRP) fees, and motor vehicle title fees and portions of the receipts from the motor fuel taxes

Implication of the Enacted Budget: The enacted budget provides the Tax Compliance program with total funding of $52,446,021 for FY 2006 and $52,574,939 for FY 2007. The enacted budget includes funding of $7 million in each fiscal year for the new tax reform projects. The enacted budget also provides the necessary funding from various special revenue funds to offset the "freeze" in GRF funding levels in FY 2006 and FY 2007. The funding for activities that are performed by the Tax Administration program series in support of administrative and compliance responsibilities related to various special funds are funded from specified special revenue funds.

Program 1.4: Tax Policy and Analysis

Program Description: This program provides administrative, advisory, and technical assistance to the legislative and executive branches, while working closely with industry, trade groups, professional organizations, and the media. The program also facilitates tax policy, monitors and analyzes tax legislation, and provides legal counsel necessary for the management of tax related legal issues and bankruptcy cases.

Funding Source: GRF

Implication of the Enacted Budget: The enacted budget provides the Tax Policy and Analysis program with total GRF funding of $9,143,976 in each of FYs 2006 and 2007. This program is fully funded by the GRF.

Program 1.5: Local Government Services

Program Description: This program provides information and assistance to local governments and school districts. This program also provides for the administration of some local taxes.

Funding Sources: GRF, GSF, and SSR

Implication of the Enacted Budget: The enacted budget provides the Local Government Services program with total funding of $34,593,782 for FY 2006 and $34,816,133 for FY 2007. The enacted budget provides the offset costs associated with various local government tax and fee administration and the funding needed to modernize the computer systems, methods of filing, and taxpayer services.

Program Series 2 — Revenue Distribution

Purpose: To distribute revenue by law to the intended parties.

The following table shows the line items that are used to fund the Revenue Distribution program series.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
SSR	110-613	Ohio Political Party Distribution	$600,000	$600,000
		State Special Revenue Fund Subtotal	**$600,000**	**$600,000**
Agency Fund				
AGY	110-901	Municipal Income Tax	$21,000,000	$21,000,000
AGY	110-635	Tax Refunds	$1,483,900,000	$1,582,700,000
		Agency Fund Subtotal	**$1,504,900,000**	**$1,603,700,000**
Holding Account Redistribution Fund				
R10	110-611	Tax Distributions	$50,000	$50,000
R11	110-612	Miscellaneous Income Tax Receipts	$50,000	$50,000
		Holding Account Redistribution Fund Subtotal	**$100,000**	**$100,000**
Total Funding: Revenue Distribution			**$1,505,600,000**	**$1,604,400,000**

This analysis focuses on the following specific program within the program series:

- ***Program 2.1: Revenue Accounting***

Program 2.1: Revenue Accounting

Program Description: There are five line items under this program series: Ohio Political Party Distributions, Municipal Income Tax, Tax Refunds, Tax Distributions, and Miscellaneous Income Tax Receipts.

Line item 110-613, Ohio Political Party Distributions, provides qualifying political parties quarterly payments based upon checkoffs made by taxpayers on their state income tax returns. For each qualifying party, one-half of the receipts goes to the treasurer of the state executive committee of the party and one-half goes to the treasurers of the county executive committees. The Department of Taxation determines each county committee's share by the ratio of the number of checkoffs in that county to the statewide number of checkoffs.

Line item 110-901, Municipal Income Tax, holds the receipts from the municipal income tax on electric companies collected by the Department of Taxation and wholly distributed to applicable municipalities that impose the city income tax after the deduction of an administrative fee paid to the Department.

Line item 110-635, Tax Refunds, is used to pay refunds for taxes or fees that have been overpaid or illegally or erroneously assessed and collected. The refunds are paid from current receipts of the same tax or fee from which the refund arose.

Line items 110-611 and 110-612, Tax Distributions and Miscellaneous Income Tax Receipts, are holding accounts for the Department of Taxation. They are used to temporarily hold checks for sales tax or personal income tax when there is uncertainty as to the proper disposition of the tax payment. The distributions from these funds vary greatly from year to year.

Funding Sources: SSR, AGY, and Fund 090 (Holding Account Redistribution Fund)

Implication of the Enacted Budget: The enacted budget provides the Revenue Accounting program with total funding of $1,505,600,000 for FY 2006 and $1,604,400,000 for FY 2007. All of the funds are nonoperating funds and used only for the distribution of refunds, local revenue, payments to political parties, and misdirected payments.

Program Series 3 Property Tax Relief

Purpose: To reimburse local governments (other than schools) for state property tax relief programs.

The following table shows the line items that are used to fund the Property Tax Relief program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	110-901	Property Tax Allocation – TAX	$430,102,680	$409,946,241
GRF	110-906	Tangible Tax Exemption – TAX	$18,355,923	$13,766,942
		General Revenue Fund Subtotal	**$448,458,603**	**$423,713,183**
Total Funding: Property Tax Relief			**$448,458,603**	**$423,713,183**

This analysis focuses on the following specific program within the program series:

- ***Program 3: Property Tax Relief***

Program Description: The two line items under this program series provide for the reimbursement to local governments other than school districts for the revenues lost due to property tax relief programs.

Funding Source: GRF

Implication of the Enacted Budget: All of the funding is used for the distribution of property tax relief to local governments.

Department of Transportation

Jonathan Lee, Senior Analyst

- Total funding of $5.78 billion over the biennium
- Urban transit systems will experience a 30% reduction in capital assistance in FY 2006
- Implementation of the Governor's Jobs and Progress Plan
- Continued focus on capital preservation and safety

OVERVIEW

Duties and Responsibilities

The Ohio Department of Transportation (ODOT) is the agency charged with planning, building, and maintaining the state's transportation system. The Department also provides financial and technical assistance to the state's public transit systems, general aviation airports, and railways. The Department has a staff of approximately 6,700 employees located in 12 districts throughout the state, as well as a central office in Columbus. ODOT's primary funding sources include state and federal motor fuel taxes and bonds. The Department also receives funding from the General Revenue Fund (GRF) for nonhighway programs.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
6,766	$2.87 billion	$2.91 billion	$22.18 million	$21.90 million	Am. Sub. H.B. 68 Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005 and includes both classified and unclassified positions.

FYs 2006-2007 Enacted Budget

The enacted budget is $2.87 billion in FY 2006 and $2.91 billion in FY 2007, for a total of $5.78 billion over the biennium. As noted in the table above, the Department's appropriations are included in both the transportation budget as well as the main operating budget. Non-GRF funding levels in FY 2006 are 17.16% higher than FY 2005 actual expenditures, and FY 2007 levels increase by 1.42% above FY 2006 appropriations. These increases occur in ODOT's planning, highway construction, and bond line items. The large increase in FY 2006 is attributable to the final 2-cent phase-in of the 28-cent state motor fuel tax, as well as new federal revenues from the new six-year federal transportation bill, otherwise known as the Safe, Accountable, Flexible, and Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU).

On the other hand, GRF funding levels in FY 2006 decrease by 21.10% compared to FY 2005 actuals, and FY 2007 levels decrease by 2.96% compared to FY 2006 appropriations. These decreases largely affect public transportation and aviation.

Overall, the budget allows for expansion of the Department's major/new construction program and will continue current service and staffing levels in the planning, maintenance, administration, and rail programs. Public transportation and aviation will continue to see service level reductions.

Funding Distribution

The Department's total enacted budget is divided among six fund groups. Three of the six fund groups receive appropriations in the Transportation Budget (Am. Sub. H.B. 68) and include: the Highway Operating Fund Group, the Infrastructure Bank Obligations Fund Group, and the Highway Capital Improvement Fund Group. The other fund groups receive appropriations in the Main Appropriations Budget (Am. Sub. H.B. 66), they include: the General Revenue Fund, Federal Special Revenue Fund Group, and the State Special Revenue Fund Group.

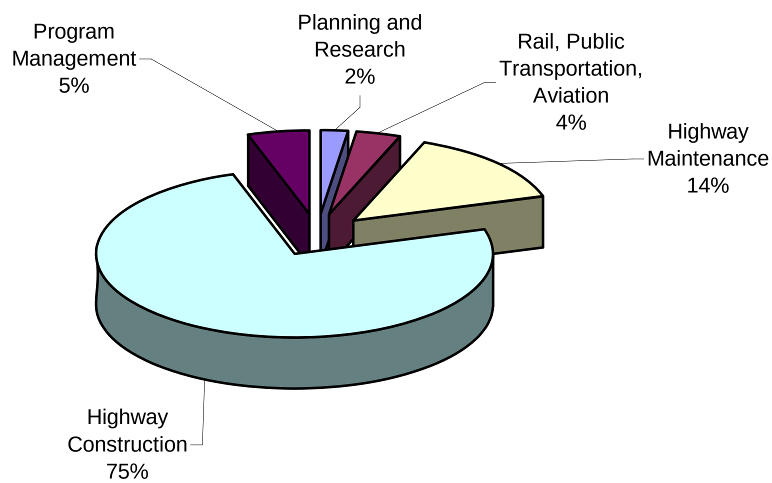
The Highway Operating Fund, which is supported largely by motor fuel taxes, provides the majority of operating and capital support for the agency's programs. The Infrastructure Bank Obligations Fund Group and the Highway Capital Improvement Fund Group receive state and federal bond proceeds. The GRF supports the operating and capital expenses of the public transportation, rail, and aviation programs, and the FED and SSR support rail and aviation capital expenditures. The table below displays the enacted appropriations for these funds groups.

Table 1. Enacted Budget by Fund Group

	FY 2006	FY 2007
Highway Operating Fund Group	$2,441,047,400	$2,571,306,900
Infrastructure Bank Obligations Fund Group	$180,000,000	$160,000,000
Highway Capital Improvement Fund Group	$220,000,000	$150,000,000
General Revenue Fund Group	$22,178,085	$21,903,885
Federal Special Revenue Fund Group	$10,000	$10,000
State Special Revenue Fund Group	$3,945,900	$3,445,900
TOTAL	**$2,867,181,385**	**$2,906,666,685**

Most of ODOT's budgeted resources go to programs in the Highway Construction series and Maintenance series. Pavement construction and rehabilitation will continue to be ODOT's biggest outlay over the biennium. Chart 1 below shows the enacted budget by program series.

Chart 1. Enacted Budget by Program Series (GRF and Non-GRF), FY 2006 – FY 2007



Selected Issues in the FYs 2006-2007 Enacted Budget

Jobs and Progress Plan

The enacted budget allows for the start-up of the Department's Job and Progress Plan – a ten-year, $5 billion major/new construction program. This program is estimated to provide approximately $500 million annually from 2006 through 2015 specifically for major/new construction. This annual program will be made up of $250 million in federal highway dollars each year, an average of $180 million in state motor fuel tax revenues, and roughly $70 million each year from state bond proceeds. The Transportation Review Advisory Council (TRAC) has already approved $3.7 billion for major/new construction projects from 2005 to 2010 in anticipation that the plan will follow through.

Public Transportation

The enacted budget will result in a 30% funding reduction in 2006 for urban systems. These funding reductions will likely result in fare increases, services cuts, staff cuts, deferred capital purchases, and wage freezes. Rural transit systems will continue to receive level funding.

Preventive Management System

Am. Sub. H.B. 68, the transportation budget for the FYs 2006-2007 period, requires ODOT to develop and maintain a pavement management system. The system must inventory and evaluate basic road and bridge conditions throughout the state highway system and develop strategies to improve those conditions, minimize annual maintenance of the state highway system, and ensure that a disproportionate percentage of the roads and bridges on the state highway system are not due for replacement or major repair at the same time. ODOT is required to identify and promote longer pavement life spans to lessen user delays and the disruption to traffic on the state highway system.

Monthly Transfers to the Gasoline Excise Tax Fund

The transportation budget contains a temporary law provision requiring the Director of Budget and Management to transfer cash in equal monthly increments totaling $133,424,000 in FY 2006 and $154,009,400 in FY 2007 from the Highway Operating Fund (Fund 002) to the Gasoline Excise Tax Fund (Fund 060). The monthly distribution will give 42.86% to municipal corporations, 37.14% to counties, and 20% to townships. These transfers represent the motor fuel tax revenues that were previously distributed to the Highway Patrol. Am. Sub. H.B. 87 of the 125th General Assembly required the Highway Patrol's former 2.86 cents of the current 28-cent motor fuel tax to be phased-in to local governments for road and bridge projects. The 2.86 cents generated approximately $181 million. The Patrol's funding source was made up by an increase in motor vehicle licensing and registration fees.

Vetoed Provisions

The Governor did not veto any provisions affecting the Department of Transportation in either the transportation bill, Am. Sub. H.B. 68, or in the main appropriations bill, Am. Sub. H.B. 66.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 **Transportation Planning and Research**

Purpose: The following table shows the line items that are used to fund the Transportation Planning and Research program series as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
Highway Operating Fund				
002	771-411	Planning and Research-State	$19,000,000	$19,112,000
002	772-412	Planning and Research-Federal	$40,000,000	$40,000,000
Total Funding: Transportation Planning and Research			**$59,000,000**	**$59,112,000**

This analysis focuses on the following programs within the Transportation Planning and Research program series:

- ***Program 1.01: Continuing Planning Surveillance***
- ***Program 1.02: Continuing Planning Review and Appraisal***

Program 1.01: Continuing Planning Surveillance

Program Description: This program maintains basic data files used to provide input to other aspects of planning. This process involves collecting statewide traffic monitoring data, maintaining the official road inventory, digitally photographing the highway system, and updating software and equipment. This program maintains 64 employees.

Funding Sources: State and federal motor fuel tax revenues

Implication of the Enacted Budget: The enacted budget will maintain current service and staffing levels. The Department may incur additional expenses throughout the biennium to update computer databases and software.

Program 1.02: Continuing Planning Review and Appraisal

Program Description: This program provides continuous evaluation and updates to the Department's long range plan (Access Ohio) as well as analysis of statewide freight transportation, and various corridor studies on Ohio's Interstate and state highway system. Currently, the long-range plan is updated to the new target year. This program has 41 employees.

Funding Sources: State and federal motor fuel tax revenues

Implication of the Enacted Budget: The enacted budget will maintain current service and staffing levels. The Department may incur additional expenses throughout the biennium to update their Travel Demand Model software as well as other transportation analysis software. The program will continue to provide the necessary planning needed to accomplish the Governor's Jobs and Progress Plan.

Program Series 2 Highway Construction

Purpose: To design, purchase right of way, build, and rehabilitate the highway system.

The following table shows the line items that are used to fund Highway Construction, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
Highway Operating Fund				
002	772-422	Highway Construction – Federal	$1,021,500,000	$1,131,500,000
002	772-421	Highway Construction – State	$585,240,305	$578,969,730
002	772-424	Highway Construction – Other	$62,500,000	$53,500,000
212	772-427	Highway Infrastructure Bank – State	$9,353,400	$12,853,400
212	772-426	Highway Infrastructure – Federal	$1,500,000	$2,000,000
212	772-429	Highway Infrastructure Bank – Local	$12,500,000	$12,500,000
212	772-430	Infrastruct. Debt Res Title 23-49	$1,500,000	$1,500,000
214	770-401	Infrastructure Debt Service-Federal	$80,182,400	$105,128,400
214	772-434	Infrastructure Lease Payments-Federal	$12,537,100	$12,536,000
		Highway Operating Fund Subtotal	**$1,786,813,205**	**$1,910,487,539**
Infrastructure Bank Obligations Fund Group				
045	772-428	Highway Infrastructure Bank – Bonds	$180,000,000	$160,000,000
		Infrastructure Bank Obligations Fund Group Subtotal	**$180,000,000**	**$160,000,000**
Highway Capital Improvement Fund Group				
042	772-723	Highway Construction-Bonds	$220,000,000	$150,000,000
		Highway Capital Improvement Fund Group Subtotal	$220,000,000	$150,000,000
Total Funding: Highway Construction			**$2,186,813,205**	**$2,220,487,530**

This analysis focuses on the following programs within the Highway Construction program series:

- ***Program 2.01: Major New Construction***
- ***Program 2.02: Pavement Preservation***
- ***Program 2.05: Safety***
- ***Program 2.06: State Infrastructure Bank***
- ***Program 2.08: Public Access Roads***
- ***Program 2.09: Railroad Crossing Safety Initiative***

Program 2.01: Major/New Construction

Program Description: This program provides funding for projects that increase mobility, provide connectivity, increase the accessibility of a region for economic development, increase the capacity of a transportation facility, and reduce congestion throughout Ohio. Funds are dedicated to major/new construction only after ODOT assures it is meeting basic system maintenance and operational needs. This program supports a staff of 557 employees.

Funding Sources: State and federal motor fuel tax revenues and bonds

Implication of the Enacted Budget: The enacted budget will allow for the expansion of the major/new construction program. Increased funding levels are due to increased motor fuel tax revenues and new federal revenues. The state's final 2-cent motor fuel tax increased at the start of FY 2006, generating approximately $100 million in additional revenue. An estimated increase of $150 million in federal revenues is also expected based on the federal tax rate for ethanol increasing from 15.2 cents per gallon to 18.4 cents per gallon. The enacted budget also includes incremental federal revenue estimates to maintain core federal-aid highway program funding.

Temporary Law Provision: ***Alternative Soundproofing (Section 203.03.18).*** Am. Sub. H.B. 68, the transportation budget, requires the Director of Transportation to perform a study of alternative soundproofing methods or techniques that could be used in Ohio as an alternative to traditional sound barriers. The Director is required to issue a report on the study findings to the chairperson and ranking minority members of House and Senate Transportation Committees, the Speaker of the House of Representatives, the President of the Senate, and the Minority Leaders of the House of Representatives and Senate on or before June 30, 2006. The provision earmarks up to $250,000 in FY 2006 for this purpose.

Program 2.02: Pavement Preservation

Program Description: This program repairs and replaces existing pavements on the state highway system. Each year the surface condition of each highway is inspected. Pavements are evaluated on a scale of zero to 100 based on condition. The state directs approximately $500 million to address pavement deficiencies and to maintain the overall statewide pavement conditions at a steady state. This program maintains a staff of 491.

Funding Sources: State and federal motor fuel tax revenues and bonds

Implication of the Enacted Budget: The enacted budget will allow the Department to follow a pavement preventive maintenance strategy based on regular inspections and track the performance history of all roadways and bridges and identify poorly performing pavements.

Program 2.05: Safety

Program Description: This program provides funding for safety projects which contribute most to improving safety and reducing the severity, frequency, and rate of crashes on the state highway system and local roads. This program supports a staff of 66 employees.

Funding Sources: State and federal motor fuel tax revenues and bonds

Implication of the Enacted Budget: The enacted budget will allow ODOT to establish a safety and congestion program to identify and improve areas with high crash frequency and severity. The Department will begin low cost, short-term measures first then monitor the impact on crash reductions.

Program 2.06: State Infrastructure Bank

Program Description: This program provides direct loans to public or private entities for local highway projects. Funds can be used for final design, right-of-way, and construction of a project. The increased motor fuel tax revenue has increased the number of loans as local governments are pledging their increased gas tax revenues as loan repayments.

Funding Sources: Initial capitalization of $30 million in 1996 with an additional $10 million in 2001; federal dollars

Implication of the Enacted Budget: The enacted budget will allow the Department to implement a SIB bond issuance program. The program will issue bonds and the proceeds will be available to local governments for various road, transit, and aviation projects. Local entities will be responsible for the debt service payments. The budget capitalizes four new infrastructure bank line items (772-432, Roadway Infrastructure Bank-Local; 775-460, Transit Infrastructure Bank-Local; 777-477, Aviation Infrastructure Bank-State; and 777-478, Aviation Infrastructure Bank-Local) with a cash reserve in case local entities default on debt service payments. The debt service payments will eventually offset the cost of the initial capitalization. Implementation of the program will begin after additional statutory changes are made.

Program 2.08: Public Access Roads

Program Description: This program provides funds for the construction, reconstruction, and maintenance of public access roads to and within facilities owned or operated by the Department of Natural Resources and within the boundaries of metropolitan parks. This program maintains a staff of seven employees.

Funding Source: Motor fuel tax revenues

Implication of the Enacted Budget: The enacted budget will maintain current service and staffing levels.

Temporary Law Provision: ***Public Access Roads for State Facilities (Section 203.03.09 and Section 401.13).*** The provision requires the Director of Transportation, after conferring with the Director of Natural Resources, to construct, repair, and maintain all roads and bridges within the state parks during FYs 2006 and 2007, but limits the amount that can be expended for the purpose to $5 million in a fiscal year. Earmarks $5,000,000 in each fiscal year from appropriation item 772-421, Highway Construction-State for construction, reconstruction, and maintenance of public access roads to and within state facilities owned and operated by the Department of Natural Resources. Also, the provision earmarks $2,228,000 for related roadwork in metropolitan parks. Allows the Department to use the appropriations to perform related roadwork on behalf of the Ohio Expositions Commission, but does not provide an earmark.

Program 2.09: Railroad Crossing Safety Initiative

Program Description: This program provides funding to construct railroad grade crossing separations in affected communities due to an increased level of train traffic throughout the state. Most of the increased traffic occurred when CSX and Norfolk Southern acquired Conrail's rail lines. In order to increase safety at crossings, the separation program was created to provide $200 million over ten years for construction of overpasses and underpasses so motor vehicles do not have to actually cross railroad tracks. This program supports a staff of 15 employees.

Funding Sources: Funding comes from a $20 million annual contribution divided among ODOT (60%), Ohio Rail Development Commission (ORDC) (10%), federal earmarks (10%), railroad companies (10%), local governments (5%), and the GRF (5%); a large portion of the program's capital funding comes from federal dollars

Implication of the Enacted Budget: The enacted budget will maintain current service and staffing levels.

Program Series 3 — Maintenance

Purpose: To maintain the state highway system in a safe and attractive condition, provide tourist information and clean rest areas for the motoring public, and maintain ODOT facilities and equipment.

The following table shows the line item that is used to fund the Maintenance program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
Highway Operating Fund				
002	773-431	Highway Maintenance – State	$386,572,582	$393,313,472
Total Funding: Maintenance			**$386,572,582**	**$393,313,472**

This analysis focuses on the program series as a whole since all programs in the series are funded by the same line item listed above.

Program Description: This program series consists of nine programs: rest area/district cleaning, garage operations, snow and ice control, traffic system maintenance, guardrail, roadside maintenance, pavement maintenance, and bridge maintenance. The following table shows the individual programs that make up this series, the percentage of total funding each program will be allocated, and the number of staff per program. A brief description of each program is provided below.

PROGRAM	FY 2006	FY 2007	Percent of Total Funding	Number of staff
Rest Area/District Cleaning	$13,878,209	$13,974,343	3.5%	N/A
Garage Operations	$40,301,758	$40,893,911	10.4%	259
Snow and Ice Control	$35,105,296	$35,608,913	9.1%	206
Traffic Systems Maintenance	$74,930,850	$75,761,743	19.3%	877
Guardrail	$83,821,171	$84,796,017	22.0%	774
Roadside Maintenance	$27,940,391	$28,265,339	7.2%	258
Pavement Maintenance	$88,197,595	$91,400,936	23.0%	789
Bridge Maintenance	$22,352,312	$22,612,270	5.8%	206
TOTAL	**$386,527,582**	**$393,313,372**	**100%**	**3,369**

Program 3.01: Rest Area/District Cleaning: This program employs people with disabilities to clean roadside rest areas and ODOT facilities along the highway system. The Department uses contracted cleaning services to carry out this work.

Program 3.02: Garage Operations: This program accounts for the labor, supplies, and equipment utilized by ODOT to ensure the vehicles needed for snow and ice control, pavement repair, bridge repair, etc. are available when needed. Currently, the Department has 783 cars, 1,752 pick-ups, 1,579 dump trucks, and 250 loaders.

Program 3.03: Snow and Ice Control: This program keeps traveling surfaces drivable during the winter. For the last six years the Department has used an average of 500,000 tons of salt. Since FY 2002, ODOT has been pre-treating the roads with a brine solution. ODOT has also installed weather and pavement sensors, and computerized truck routing for efficiency.

Program 3.04: Traffic System Maintenance: This program maintains traffic control signals on the state highway systems. Examples of traffic control signals include highway lighting, signing, striping, and raised pavement markers. ODOT began an eight-year sign replacement program in FY 2002.

Program 3.05: Guardrail Maintenance: This program upgrades guardrail systems to meet current standards and reconstructs or replaces damaged or deteriorating guardrails. The replacement schedule for a guardrail is 20 years. The Department invoices drivers for damage caused if cited by the State Highway Patrol.

Program 3.06: Roadside Maintenance: This program includes the removal of vegetation obstructions, mowing, tree/flower planting, erosion control, drainage ditch obstructions, litter, and repairing of pavement drop-offs. ODOT pays the cities of Akron, Canton, and Dayton to mow and perform maintenance along right-of-ways in their city limits.

Program 3.07: Pavement Maintenance: This program consists of pothole patching, chip and crack sealing, surface paving and treatment, spot berming and restoration, and full depth repair of roadways to repair isolated damages.

Program 3.08: Bridge Maintenance: This program consists of bridge cleaning, spot painting, deck repairs, railing repairs, bridge joint repairs, and bridge substructure repairs.

Funding Source: State motor fuel tax revenue; this program series does not use federal dollars

Implication of the Enacted Budget: The enacted budget will maintain current service and staffing levels. The Department will keep routine maintenance a top priority over the biennium by maintaining a steady state of maintenance efforts and identify and reduce system deficiencies.

Temporary Law Provisions: ***<u>Maintenance of Interstate Highways (Section 203.03.04)</u>.*** The provision authorizes ODOT to provide maintenance on interstate highways located within the boundaries of municipal corporations, and to reimburse municipal corporations for their costs in providing such maintenance if ODOT has an agreement with a municipal corporation.

<u>Preventive Maintenance (Section 203.03.10)</u>. Am. Sub. H.B. 68, the transportation budget, requires the Department of Transportation to contract with an independent party to issue a yearly report on the effectiveness and progress of preventive maintenance projects that meet warranty guidelines. The Department is required to issue a yearly report on or before the first day of December for three consecutive years beginning in fiscal year 2005.

Program Series 4 Public Transportation

Purpose: To assist transit systems with their operating and capital costs.

The following table shows the line items that are used to fund the Public Transportation program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	775-451	Public Transportation-State	$16,300,000	$16,300,000
		General Revenue Fund Subtotal	**$16,300,000**	**$16,300,000**
Highway Operating Fund				
002	775-452	Public Transportation-Federal	$30,000,000	$30,365,000
002	775-454	Public Transportation-Other	$1,500,000	$1,500,000
002	775-459	Elderly and Disabled Special Equipment	$4,595,000	$4,595,000
212	775-408	Transit Infrastructure Bank-Local	$2,500,000	$2,500,000
213	775-460	Transit Infrastructure Bank-Local	$1,000,000	$1,000,000
		Highway Operating Fund Subtotal	**$39,595,000**	**$39,960,000**
Total Funding: Public Transportation			**$55,895,000**	**$56,260,000**

This analysis focuses on the following specific programs within the Public Transportation program series:

- ***Program 4.01: Capital Assistance***
- ***Program 4.02: Operating Assistance***
- ***Program 4.03: Elderly and Disabled Fare Assistance***

Program 4.01: Capital Assistance

Program Description: The Capital Assistance Program provides funds for capital projects in regional transit authorities, county transit boards, public entities, and private nonprofit corporations. Purchases include public transit vehicles, computers, radios, and other equipment. This program also provides funding for local transfer centers, park and ride lots, garages, and other transit facilities.

Funding Sources: GRF and funding through a partnership between federal, state, and local participants

Implication of the Enacted Budget: The enacted appropriations will not allow for expansion of current services or replacement of a significant number of aging buses. Also, several capital projects are expected to be delayed. The Department indicates that the urban transit systems will see a 30% reduction in capital assistance in FY 2006.

Program 4.02: Operating Assistance

Program Description: This program provides grants to fund the operating costs of regional transit authorities, county transit boards, public entities, and private nonprofit corporations. Operating assistance includes wages, fuel, insurance, training, and vehicle and facility maintenance. Federal operating assistance is restricted for use in urbanized areas under 200,000 and nonurbanized areas. Urbanized areas with a population over 200,000 receive capital assistance only.

Funding Sources: GRF and funding through a partnership between federal, state, and local participants

Implication of the Enacted Budget: The enacted budget will be used to maintain current staff and service levels but will not allow for program expansion. With rising fuel prices, transportation systems statewide will find it difficult to maintain current levels of service. The Department will concentrate funding on providing transportation services in the rural areas of the state.

Program 4.03: Elderly and Disabled Fare Assistance

Program Description: This program allows local transit systems to offer reduced fares for elderly and disabled persons. Public transportation systems are compensated for a portion of the fare box revenue lost in reducing their general fares for older adults and people with disabilities. To participate in the program, a transit system's fares for older and disabled persons cannot exceed one-half the fare charged to general public riders.

Funding Sources: GRF and motor fuel tax revenues

Implication of the Enacted Budget: The enacted budget provides up to $22,190,000 for the program. Of this total, $9,190,000 comes from 775-459, Elderly and Disabled Special Equipment, and $13,000,000 comes from earmarks from GRF appropriation item 775-451, Public Transportation. Overall, funding levels will allow the Department to continue replacing revenues lost by transit systems offering a reduced fare for elderly and people with disabilities.

Temporary Law Provision: ***Elderly and Disabled Fare Assistance (Section 212.12).*** The main appropriations bill earmarks up to $6,000,000 in FY 2006 and $7,000,000 in FY 2007 from GRF appropriation item 775-451, Public Transportation – State to make grants to county transit boards, regional transit authorities, regional transit commissions, counties, municipal corporations, and private nonprofit organizations that operate or will operate public transportation systems, for the purpose of reducing the transit fares of elderly or disabled persons.

Program Series 5 — Rail Transportation

Purpose: To promote economic development and rail-highway safety.

The Ohio Rail Development Commission: The Ohio Rail Development Commission (ORDC) is an independent agency within ODOT. ORDC conducts five programs that promote economic development and rail-highway safety, administering federal and state funding of rail safety projects including the upgrading and removal of hazardous crossings as determined by PUCO. The ORDC receives GRF funding, has an established revolving loan fund, and receives highway safety funds allocated from ODOT for grade crossing improvements. ORDC also applies to ODOT on a project basis for federal planning funds. Ohio ranks fourth nationally with over 5,200 miles of railroad track.

The following table shows the line items that are used to fund the Rail Transportation program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	776-465	Ohio Rail Development Commission	$2,700,000	$2,700,000
GRF	776-466	Railroad Crossing/Grade Separation	$789,600	$789,600
		General Revenue Fund Subtotal	**$3,489,600**	**$3,489,600**
State Special Revenue Fund				
4N4	776-663	Panhandle Lease Reserve Payments	$764,400	$764,400
4N4	776-664	Rail Transportation-Other	$2,111,500	$2,111,500
5CF	776-667	Rail Transload Facilities	$500,000	$0
		State Special Revenue Fund Subtotal	**$3,375,900**	**$2,875,900**
Federal Special Revenue Fund				
3B9	776-662	Rail Transportation-Federal	$10,000	$10,000
		Federal Special Revenue Subtotal	**$10,000**	**$10,000**
Highway Operating Fund				
002	776-462	Grade Crossing-Federal	$15,000,000	$15,000,000
		Federal Special Revenue Subtotal	**$15,000,000**	**$15,000,000**
Total Funding: Rail Transportation			**$21,875,500**	**$21,375,500**

This analysis focuses on the following specific programs within the Rail Transportation program series:

- ***Program 5.01: Rail/Freight Economic Development***
- ***Program 5.02: State-Owned Rail Lines***
- ***Program 5.03: Rail-Highway Grade Crossing Safety***
- ***Program 5.05: Railroad Crossing Safety Initiative***

Program 5.01: Rail/Freight Economic Development

Program Description: This program provides financial assistance in the form of loans and grants to railroads, businesses, and communities for the rehabilitation, acquisition/preservation, or construction of rail and rail-related infrastructure.

Funding Sources: GRF, federal dollars, and loan fees

Implication of the Enacted Budget: The enacted budget will result in reduced grant disbursements as a result of previous budget reductions. The amount of loans and grants the Ohio Rail Development Commission will distribute over the biennium will be similar to FY 2005 levels. Over the biennium the Commission is proposing an early retirement incentive (ERI) and plans to use the savings to provide additional grants. The ORDC does not plan to fill the vacated positions from the ERI, resulting in current staff taking on additional duties. The ORDC will continue encouraging companies, communities, and railroads to use low interest loans rather than grants.

Temporary Law Provision: **Rail Transload Initiative (Section 203.99.45 and Section 212.12).** This provision transfers $500,000 in FY 2006 from the Energy Efficiency Loan and Grant Fund (Fund 5M5) in the Department of Development to the Rail Transload Facilities Fund (Fund 5CF) in the Department of Transportation. The budget appropriates $500,000 in FY 2006 to newly established appropriation item 776-667, Rail Transload Facilities, and requires the appropriation be used for the Rail Transload Initiative, a statewide pilot grant program to enhance the ability of railroads to work with other transport modes to move bulk commodities more efficiently and safely.

Program 5.02: State-Owned Rail Lines

Program Description: The program oversees the maintenance and administration of the 255 miles of state-owned rail lines. Included is the annual set-aside for the debt retirement of the Panhandle Rail line.

Funding Sources: GRF, lease payments, and loan repayments

Implication of the Enacted Budget: The enacted budget will allow the Commission to maintain current service and staffing levels. The enacted budget also includes increased appropriations in Fund 4N4 for increased Panhandle rail line lease payments based on OBM's revised payment schedule.

Program 5.03: Rail-Highway Grade Crossing Safety

Program Description: This program provides for the elimination of hazards at highway-railroad grade crossings by installing flashing lights and gates, closing and consolidating crossings, constructing grade separations, and resurfacing grade crossings. Implementing these safety measures helps to eliminate collisions between vehicles and trains. Currently the ORDC is exploring the use of eligible federal funds for payroll rather than GRF. Nine employees administer this program.

Funding Source: Federal rail funds

Implication of the Enacted Budget: The enacted budget will maintain current service and staffing levels. Safety is a top priority for the Department and the enacted appropriations will maintain forecasted level funding for this program over the biennium.

Program 5.05: Railroad Crossing Safety Initiative

Program Description: This program provides funding to construct railroad grade crossing separations in affected communities due to an increased level of train traffic throughout the state. Most of the increased traffic occurred when CSX and Norfolk Southern acquired Conrail's rail lines. In order to increase safety at crossings, the separation program was created to provide $200 million over ten years for construction of overpasses and underpasses so motor vehicles do not have to actually cross railroad tracks. This program has a staff of 15 employees.

Funding Sources: Funding comes from a $20 million annual contribution divided among ODOT (60%), ORDC (10%), federal earmarks (10%), railroad companies (10%), local governments (5%), and the GRF (5%); a large portion of the program's capital funding comes from federal dollars

Implication of the Enacted Budget: The enacted budget will maintain current service and staffing levels. Safety is a top priority for the Department and the recommendations will maintain forecasted level funding for rail separations over the biennium.

Program Series 6 — Aviation

Purpose: To work with airports to meet national safety standards and make infrastructure improvements, coordinate with the Federal Aviation Administration, register aircraft, provide air transportation to state officials, and maintain the state's aircraft fleet.

The following table shows the line items that are used to fund the Aviation program series.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	777-471	Airport Improvements-State	$1,793,985	$1,793,985
GRF	777-473	Rickenbacker Lease Payments-State	$594,500	$320,300
		General Revenue Fund Subtotal	**$2,388,485**	**$2,114,285**
State Special Revenue Fund				
5W9	777-615	Airport Assistance	$570,000	$570,000
		State Special Revenue Fund Subtotal	**$570,000**	**$570,000**
Highway Operating Fund				
002	777-472	Airport Improvements-Federal	$405,000	$405,000
002	777-475	Aviation Administration	$4,007,600	$4,046,900
213	777-477	Aviation Infrastructure Bank-State	$3,000,000	$3,000,000
213	777-478	Aviation Infrastructure Bank-Local	$7,000,000	$7,000,000
		Highway Operating Fund	**$14,412,600**	**$14,451,900**
Total Funding: Aviation			**$17,371,085**	**$17,136,185**

This analysis focuses on the following specific programs within the Aviation program series:

- ***Program 6.01: Aviation Safety Inspection, Enforcement, and Registration***
- ***Program 6.02: Airport Improvement Grants***
- ***Program 6.04: State Aircraft Registration***
- ***Program 6.05: Aviation Infrastructure Bank***

Program 6.01: Aviation Safety Inspection, Enforcement, and Registration

Program Description: The Aviation Safety Program promotes safety through airport inspections, enforcement of aviation laws, aircraft registration, and data gathering. Public use airports must be certified every two years. Data is collected for government and industry aeronautical charts and for flight-related publications. The safety program regulates about 10,800 aircraft, 164 public-use airports, 9 public-use heliports, 440 private airports, 300 private heliports, and 5 seaplane bases.

Funding Source**:** GRF and aircraft registration fees

Implication of the Enacted Budget: The enacted budget will maintain current service and staffing levels. The Department does not anticipate any program expansion over the biennium.

Permanent Law: ***Aircraft license fee (R.C. sections 4561.17, 4561.18, and 4561.21)*****.** This provision requires that the annual general aircraft license tax be calculated at a rate of $15 per seat, rather than at a flat rate of $100 per year; assesses gliders and balloons at a flat rate of $15 per year; allows the license fees to be used for maintenance and capital improvements to publicly owned airports, rather than just maintenance of county-owned airports; and, renames the County Airport Maintenance Assistance Fund the Airport Assistance Fund.

The $100 per year flat rate was changed in Am. Sub. H.B. 95 of the 124th General Assembly. Prior to the change the tax was $3 per seat. The Department estimates the $15 per seat tax may generate approximately $524,000 annually, and may result in a more equitable registration system. The $15 flat rate for gliders and balloons will likely generate less than $2,000 annually.

Program 6.02: Airport Improvement Grants

Program Description: This program provides funds for airport maintenance and capital improvements. Maintenance grants help fund publicly owned airports for runway maintenance (including marking and lighting), navigational aids, and weather reporting equipment. Maintenance grants fund 80% of total project costs. Capital improvement grants provide funds for runway extensions, apron expansions, and navigational aid engineering. Capital grants cover 50% of total project costs. Local contributions account for the remainder of maintenance projects, while federal and local contributions account for the remainder of capital improvements projects.

Funding Sources**:** GRF and aircraft registration fees

Implication of the Enacted Budget: The enacted budget reduced appropriations in GRF line item 777-473, Rickenbacker Lease Payments-State, by $268,280 over the biennium. These reductions were based on the Office of Budget and Management's revised lease payment schedule. Continued declining funding levels result in fewer projects receiving grants. The Department also expects pavement conditions to continue to decline over the biennium. Fewer safety improvements will be made to local airports as well.

Program 6.04: State Aircraft Transportation

Program Description: This program is responsible for the operation of the Department's aircraft. The aircraft are used to transport the Governor, legislators, state personnel, and to perform aerial photography missions for transportation planning purposes. The aircraft are also used for aerial spraying for the Ohio Department of Agriculture, illegal drug detection by state and local law enforcement agencies, surveillance and detection by the Ohio EPA, and activities of the Ohio Emergency Management Agency. The Department maintains the entire fleet of 27 state aircraft, which includes those of the Ohio State Highway Patrol and the Ohio Department of Natural Resources. The program maintains a staff of 19.

***Funding Sources*:** Motor fuel tax revenues for highway use and flight fees for nonhighway use

Implication of the Enacted Budget: The enacted budget will maintain current service and staffing levels.

Program 6.05: Aviation Infrastructure Bank

Program Description: This program provides direct loans to public or private entities for eligible projects under federal guidelines. The program will assist local entities with a method of funding aviation projects that otherwise would not have been considered for traditional grant funding in the past.

Funding Source: Federal dollars authorized under 49 U.S.C. Section 5303

Implication of the Enacted Budget: The enacted budget will allow the Department to implement a SIB bond issuance program. The program will issue bonds and the proceeds will be available to local governments for aviation projects. Local entities will be responsible for the debt service payments. The recommendations capitalize two new infrastructure bank line items 777-477, Aviation Infrastructure Bank-State and 777-478, Aviation Infrastructure Bank-Local with $14 million and $6 million in cash reserves, respectively, in case local entities default on debt service payments. The debt service payments will eventually offset the cost of the initial capitalization. Implementation of the program will begin after additional statutory changes are made.

Program Series 7 — Program Management

Purpose: To manage support for the Department's program as well as pay the debt service on bonds issued for ODOT facilities.

The following table shows the line items that are used to fund the Program Management program series as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
Highway Operating Fund				
002	770-003	Administration-State-Debt Service	$13,074,500	$10,923,100
002	779-491	Administration-State	$119,624,513	$121,057,898
		Highway Operating Fund	**$132,699,013**	**$131,980,998**
Total Funding: Program Management			**$132,699,013**	**$131,980,998**

Program Description: This program series provides the management support needed to administer the Department's programs. Program Management includes the Director's Executive Leadership Staff, Divisions of Quality and Human Resources, Financing and Forecasting, Information Technology, Facilities Management, and Local Programs. This single program series maintains a staff of 774 employees. The program also includes minor capital and maintenance projects for Department lands and buildings as well as debt service for bonds sold through the Ohio Building Authority.

Funding Source: State motor fuel tax revenues

Implication of the Enacted Budget: The enacted budget includes reduced appropriations in line item 770-003, Administration-State Debt Service, by $25,500 in FY 2006 and by $76,900 in FY 2007. The reductions are based on what the Office of Budget and Management determined the debt service payments would be over the biennium. Despite the debt service reductions the enacted budget will maintain current service and staffing levels. The enacted budget will also allow the Department to continue moving current employees into the new Highway Technician series classification.

Treasurer of State

Ruhaiza Ridzwan, Economist

- The Treasurer of State collects, invests, and protects state funds
- The Treasurer of State uses GRF moneys, fees, interest earnings, and other funds

OVERVIEW

The Treasurer of State collects, invests, and protects state funds. The Treasurer's office functions as a custodian of the public's money, manager of the state's investment portfolio, and collector of taxes and fees. The Treasurer is a constitutional officer elected to a four-year term. The Treasurer also serves as a member of the State Board of Deposit and the Commissioners of the Sinking Fund. Currently, the Treasurer's office employs approximately 134 full-time equivalent employees.

Duties and Responsibilities

The major responsibilities of the Treasurer of State are to collect funds, invest funds, and protect funds.

Collect funds

The Treasurer collects various state taxes, court fees, and fines.

Invest funds

The Treasurer manages the state's investment portfolio containing money from the General Revenue Fund, working to maximize the state's return on investment by investing available funds in a variety of financial instruments under statutory guidance provided by the legislature. The Treasurer also manages the STAROhio program, pooling the investments of schools and local subdivisions to obtain safe returns; manages the Bid Ohio program, working to keep Ohio's investment dollars in Ohio; and 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.

Protect funds

The Treasurer serves as custodian of both moneys in the state treasury and certain moneys that are held, by law, in the custody of the Treasurer outside the state treasury, and safeguards the funds of the state's five public pension systems.

Other duties

The Treasurer issues debt for parks and recreation, mental health and mental retardation, Clean Ohio Revitalization projects, and cultural and sports facilities buildings. The Treasurer also administers a continuing education program for Ohio's public funds managers to ensure that local tax dollars are invested wisely and safely.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
127	$66.41 million	$66.37 million	$31.30 million	$31.17 million	Am. Sub. H. B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June, 2005.

The total appropriation for FY 2006 is $66,411,083. This amount is $6,093,024 higher than FY 2005 actual expenditures, a 10.1% increase. The appropriation for FY 2007 is $66,368,283. This amount is $42,800 lower than FY 2006, a 0.1% decrease.

The Treasurer's GRF appropriation for FY 2006 is $31,304,283. This amount is $5,856,781 lower than FY 2005 actual GRF expenditures, a decrease of 15.8%. The GRF appropriation for FY 2007 is $31,169,283. This amount is $135,000 lower than FY 2006, a 0.4% decrease.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 — Program Management

Purpose: To collect, invest, and protect state funds.

The following table shows the line items that are used to fund Program Management, as well as the as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	090-321	Operating Expenses	$9,041,937	$9,041,937
		General Revenue Fund Subtotal	$9,041,937	$9,041,937
General Services Fund				
GSF	090-603	Securities Lending Income	$2,721,800	$2,814,000
GSF	090-605	Investment Pool Reimbursement	$550,000	$550,000
GSF	090-609	Treasurer of State Administrative Fund	$700,000	$700,000
		General Services Fund Subtotal	**$3,971,800**	**$4,064,000**
Total Funding: Program Management			**$13,013,737**	**$13,105,937**

This analysis focuses on the following specific programs within the Program Management program series:

- ***Program 1.1: Treasurer of State Operations***
- ***Program 1.2: Administrative Fund/Custodial Account Services***
- ***Program 1.3: STAROhio Investment and Management***

Program 1.1 Treasurer of State Operations

Program Description: This line item provides funds for payroll, fringe benefits, maintenance, and equipment.

Funding Source: GRF

Implication of the Enacted Budget: The appropriation for FY 2006 is $9,041,937. This amount is $196,056 higher than the actual expenditures in FY 2005. The appropriation for FY 2007 is $9,041,937, the same as the appropriation for FY 2006. The appropriation for FYs 2006-2007 is slightly above actual expenditures for FYs 2004-2005. Total appropriation for FYs 2006-2007 is $18.08 million. Spending for operations in FYs 2004-2005 was $17.78 million.

Am. Sub. H.B. 66 (H.B. 66) of the 126th General Assembly increases the membership of the Workers' Compensation Oversight Commission from nine to eleven members, decreases all terms of office from five years to three years, and requires that the two additional members to the Commission be investment expert members, one of whom is to be appointed by the Treasurer of State, and the other jointly appointed by the Speaker of the House and the President of the Senate. The Treasurer and the President and Speaker must make the appointments within 90 days after the effective date of the enacted bill.

Program 1.2 Administrative Fund/Custodial Account Services

Program Description: This line item pays for custodial services provided by the Treasurer's office. These services include safekeeping, disbursing, and administering custodial moneys and assets such as the retirement systems' funds and various other agency funds.

This program also administers the Securities Lending program. This program loans securities on a short-term basis to selected brokerage firms and financial institutions.

Funding Source: GSF – fees charged to the entities receiving custodial services

Implication of the Enacted Budget: The appropriation for FY 2006 of $700,000 is $155,204 higher than the actual expenditures in FY 2005, an increase of 28.5%. The appropriation for FY 2007 is $700,000, the same as for FY 2006. The combined appropriation for FYs 2006-2007 is $1,400,000, an increase of $421,094 (43.01%) from actual expenditures for FYs 2004-2005. Actual expenditures for FYs 2004-2005 were $978,906.

Program 1.3 STAROhio Investment and Management

Program Description: The Ohio Subdivision's Fund is commonly referred to as STAROhio. It is a AAA rated investment alternative created for eligible governmental subdivisions as defined in section 135.45 of the Revised Code. The investment pool is managed by a full-time investment staff with the Treasurer of State and is similar in concept to a money market mutual fund. STAROhio affords participants a convenient tool for investing in a diversified pool of high quality short-term assets. Most of the portfolio is invested in U.S. government obligations and U.S. government agency securities. The remainder of the portfolio is invested in fully collateralized certificates of deposit, repurchase agreements, eligible bankers' acceptances, and commercial paper. While the fund is not insured, it is backed by the underlying securities of the portfolio.

Funding Source: GSF – investment pool administration fee paid by local governments who participate in the program

Implication of the Enacted Budget: The appropriation for both FY 2006 and FY 2007 is $550,000. These appropriations are 25% greater than FY 2005 actual expenditures of $153,104.

Program Series 2 — Sinking Fund Management

Purpose: To issue and pay the debt service on certain general obligation bonds that are authorized by the state constitution and the legislature for specific purposes.

The following table shows the line item that is used to fund Sinking Fund Management, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	090-401	Office of the Sinking Fund	$521,576	$521,576
		General Revenue Fund Subtotal	$521,576	$521,576
Total Funding: Sinking Fund Management			$521,576	$521,576

This analysis focuses on the following specific program within the program series.

Program 2.1 Sinking Fund Management

Program Description: This line item covers costs incurred by order of or on behalf of the Commissioners of the Sinking Fund relative to the issuance and sale of bonds or other obligations. The GRF is reimbursed from the affected issuance's bond retirement fund.

Funding Source: GRF

Implication of the Enacted Budget: The appropriation for both FY 2006 and FY 2007 is $521,576. These appropriations are 39% greater than FY 2005 actual expenditures of $375,143.

Program Series 3 Refunds and Subsidies Oversight

Purpose: To provide funding for certain tax refunds, permissive tax distributions, and subsidies to the Ohio Police and Fire Retirement System.

The following table shows the line items that are used to fund the Refunds and Subsidies Oversight program series, as well as the enacted budget funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	090-524	Police and Fire Disability Pension Fund	$25,000	$20,000
GRF	090-534	Police & Fire Ad Hoc Cost of Living	$180,000	$150,000
GRF	090-554	Police and Fire Survivor Benefits	$1,100,000	$1,000,000
GRF	090-575	Police and Fire Death Benefits	$20,000,000	$20,000,000
		General Revenue Fund Subtotal	**$21,305,000**	**$21,170,000**
Agency Fund				
AGY	090-635	Tax Refunds	$31,000,000	$31,000,000
		Agency Fund Subtotal	**$31,000,000**	**$31,000,000**
Total Funding: Refunds and Subsidies Oversight			**$52,305,000**	**$52,170,000**

This analysis focuses on the following specific programs within the Refunds and Subsidies Oversight program series:

- ***Program 3.1: Police and Fire Subsidies***
- ***Program 3.2: Tax Refunds***

Program 3.1 Police and Fire Subsidies

Program Description: These subsidies provide supplemental moneys to specified members of Ohio's retirement systems and to surviving spouses and children of law enforcement officers, firefighters, and corrections officers who die in the line of duty or who die from injuries sustained in the line of duty.

Funding Source: GRF

Implication of the Enacted Budget: The $21,305,000 appropriation for FY 2006 is $6,196,471 (22.5%) below actual expenditures for FY 2005 and the $21,170,000 appropriation for FY 2007 is $135,000 (0.6%) below the FY 2006 appropriation. Funding decreases each year for certain accounts, as the number of members covered by the particular benefit declines. These subsidies provide benefits to the surviving spouses and children of law enforcement officers, firefighters, and corrections officers who die in the line of duty or who die from injuries sustained in the line of duty.

H.B. 66 changes the certification requirement of the appropriation for Police and Fire Death Benefits, GRF fund item 090-575, from annually to quarterly.

Temporary Law Provisions: Specifies that GRF appropriation item 090-575, Police and Fire Death Benefits, will be disbursed annually by the Treasurer of State at the beginning of each fiscal year to the Ohio Police and Fire Pension Fund. The annual payment is required to be certified by the 20th day of June of each fiscal year and the unused money returned to the state.

Program 3.2 Tax Refunds

Program Description: Moneys from this line item are used to pay refunds to Ohio taxpayers and to pay permissive tax distributions that are not refunds. Taxes included are county permissive sales and use, transit authority permissive sales and use, cigarette excise (Cuyahoga County), alcoholic beverage (Cuyahoga County), and liquor gallonage (Cuyahoga County).

Funding Source: AGY

Implication of the Enacted Budget: The appropriation for FY 2006 is $10,475,437 (51.0%) greater than the actual expenditures in FY 2005. The appropriation for FY 2007 is the same as for FY 2006.

Temporary Law Provisions: Designates appropriation 090-635, Tax Refunds (Fund 425) in the Agency Fund Group, to be used to pay for required tax refunds. If the director of Budget and Management finds that additional amounts are necessary, the amounts are appropriated.

Ohio Tuition Trust Authority

Zak Talarek, Budget Analyst

- Funding for FY 2006 is 4.9% above FY 2005
- Funding for FY 2007 is 7.0% above FY 2006
- Funding is entirely provided by fee revenues
- The increased funding will allow for the hiring of four new staff members over the biennium

OVERVIEW

Duties and Responsibilities

The Ohio Tuition Trust Authority (OTTA) provides a means for Ohio families to save for their children's college education. The Authority's board of directors is comprised of 11 members: 6 members appointed by the Governor, 2 appointed by the Speaker of the House of Representatives, 2 appointed by the President of the Senate, and the Chancellor of the Board of Regents. The Board appoints an Executive Director, who oversees the daily operations of the OTTA and the 36 employees (35 full-time and 1 part-time) on the staff with an annual budget of approximately $5.2 million in FY 2005.

The OTTA is responsible for two programs that promote private savings for the payment of college tuition: the Guaranteed Savings Plan (formerly known as the Prepaid Tuition Program) and the Variable Savings Plan (which include multiple offerings from Putnam Investments and the Vanguard Group). The Guaranteed Savings Plan and the Variable Savings Plan are collectively referred to as the College Advantage Savings Plan. Funds in both plans can be used at any college in the country, and both plans qualify as a 529 college savings program. A 529 college savings program is a state-operated investment plan named after the section of the federal Internal Revenue Code that specifies the various tax advantages from participating in the program.

These 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. In addition, Ohio residents can deduct up to $2,000 per beneficiary per year (with unlimited carry forward) from Ohio taxable income for contributions into the program.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
36	$5.72 million	$6.11 million	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Ohio Tuition Trust Authority is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Ohio Tuition Trust Authority

Purpose: To administer savings programs that help provide financial assistance for a college education.

The following table shows the line items that are used to fund the agency, as well as the appropriations approved in the enacted budget.

Fund	ALI	Title	FY 2006	FY 2007
State Special Revenue Fund				
SSR: 5AM	095-603	Index Savings Plan	$2,866,240	$3,104,865
SSR: 5P3	095-602	Variable College Savings Fund	$2,042,486	$2,118,568
SSR: 645	095-601	Operating Expenses	$807,260	$891,173
		State Special Revenue Fund Subtotal	**$5,715,986**	**$6,114,606**
Total Funding: Ohio Tuition Trust Authority			**$5,715,986**	**$6,114,606**

The enacted budget appropriates $5,715,986 for FY 2006, a 4.9% increase over FY 2005 and $6,114,606 for FY 2007, a 7.0% increase over FY 2006. The appropriations for all three line items are for the operating expenses of the OTTA, with each line item representing its own program. The money paid in for the purchase of tuition credits, or funds in the Variable Savings Plan are held separate from the state budget. The OTTA receives no GRF dollars, and its operations are entirely funded through fee revenue generated from operating its three college tuition savings programs.

The increase in the funding levels will allow for the OTTA to hire a total of four additional employees over the biennium. The OTTA plans to hire an assistant network administrator, an outreach coordinator, and a customer care representative in FY 2006, and an additional customer care representative in FY 2007.

The assistant network administrator will perform after-hours network duties and monitor data exchanges, which have increased with the addition of the Vanguard Group investment options. The outreach coordinator will have responsibility for coordinating initiatives and work with the Board of Regents to provide scholarships to low-income students, and coordinate outreach efforts toward difficult-to-reach populations. The customer care representatives will keep up with the processing and communication with account holders, which are expected to increase because of the anticipated growth in the Putnam and Vanguard Group investment options.

Program 1: Guaranteed College Tuition Savings Plan

Ohio's Guaranteed College Tuition Savings Plan began in October 1989, and is the third oldest program of its type in the country. Beginning on July 1, 1994, the Guaranteed Savings Plan program allowed for the purchase of tuition units that were based on 1% of the weighted average tuition of Ohio's 13 public universities at the time of purchase, and could be redeemed at 1% of the weighted average tuition at the time of the redemption of the units. The program guarantees that approximately 100 tuition units will pay for one year of tuition at an average-priced Ohio public university. In addition, Article VI, Section 6, division (B) of the Ohio Constitution pledges the full faith and credit and taxing power of the state behind the redemption value of the tuition units. Thus, any future shortfall would require an appropriation from the General Assembly in order to make the full payment on the value of the tuition credits.

The costs of operating the Guaranteed Savings Plan are funded through line item 095-601, Operating Expenses. The enacted budget appropriates $807,260 for FY 2006, which represents a 53.7% decrease over FY 2005, and $891,173 for FY 2007, which is a 10.4% increase over FY 2006. The decrease from FY 2005 to FY 2006 can be contributed to the suspension of new enrollments to the Guaranteed Savings Plan beginning on October 8, 2003, and the suspension of additional contributions beginning on December 31, 2003. These suspensions are a result of an actuarial deficit within the Guaranteed Savings Plan that amounted to $294.6 million in FY 2004. The suspensions are currently set to remain in effect through December 31, 2005.

The enacted budget makes a number of changes to the Revised Code relating to the Guaranteed Savings Plan. It changes the method of recalculating and processing refunds when a tuition payment contract is terminated, renames the "tuition credits" that are purchased under the Guaranteed Savings Plan to "tuition units," and specifies that tuition units include tuition credits that were purchased prior to July 1, 1994. These changes are generally technical in nature. For a more complete description of the Revised Code changes, see the Legislative Service Commission's *Main Operating Budget Bill Analysis* of Am. Sub. H.B. 66.

Program 2: Variable College Tuition Savings Plan

The Variable Savings Plan offers individuals market-based choices to save for college. This program began in October 2000, with investment options being offered by Putnam Investments. Funds in the Variable Savings Plan are not backed by the full faith and credit of the state of Ohio. In May 2004, the OTTA added the Vanguard Group as an additional provider of investment options. As a result, participants currently have a choice of 30 investment options, 15 in various Putnam mutual funds, and 15 in various Vanguard Group mutual funds.

The costs of operating the Putnam Investment options are funded through line item 095-602, Variable Savings Plan. The enacted budget appropriates $2,042,486 for FY 2006, which represents a 35.1% increase over FY 2005, and $2,118,568 for FY 2007, which is a 3.7% increase over FY 2006. The costs of operating the Vanguard Group investment options are funded separately (see Program 3).

The enacted budget changes the procedures for rollovers and termination of accounts under the Variable Savings Plan (both the Putnam Investment and Vanguard Group options). For a more complete description of the Revised Code changes, see the Legislative Service Commission's *Main Operating Budget Bill Analysis* of Am. Sub. H.B. 66.

Program 3: Index College Tuition Savings Plan

The costs of operating the Vanguard Group investment options are funded through line item 095-603, Index Savings Plan. The enacted budget appropriates $2,886,240 for FY 2006, which represents a 30.8% increase over FY 2005, and $3,104,865 for FY 2007, which is an 8.3% increase over FY 2004.

The enacted budget also formally creates the Index Savings Fund (Fund 5AM) under section 3334.19 of the Revised Code. The fund was originally created by the Controlling Board on July 12, 2004 after the OTTA began offering the new set of investment options from the Vanguard Group.

Ohio Veterans' Home Agency

Wendy Risner, Budget Analyst

- OVH received funding of $104,892,372 for the biennium
- OVH's FY 2006 GRF appropriations increase by 4.41% over FY 2005 GRF expenditures

OVERVIEW

Duties and Responsibilities

One of the state's first human services programs, the Ohio Veterans' Home Agency (OVH) is a nineteenth century creation that continues to meet a need in the twenty-first century. In 1886, the General Assembly, faced with a burgeoning population of aging Civil War veterans and inadequate local infrastructure to care for them, established the Ohio Soldiers' and Sailors' Home, located on a 100-acre campus in Sandusky. The *need* for an additional state veterans' home was identified in Am. Sub. H.B. 770 of the 122nd General Assembly. This second facility is located in Georgetown and has been opened since November 2003.

Currently, about 100 similar veterans' homes operate in 47 other states. OVH has the fifth largest resident population nationwide. The Ohio Veterans' Home Agency is dedicated to "serving those who served" by providing a safe, healthful, and home-like living environment for elderly, chronically ill, and disabled veterans. Since its' opening in 1888, tens of thousands of veterans have received care. 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 Agency is funded through a mix of federal and state dollars and resident fees. Each resident is assessed a monthly fee for living at the Home. The fee is based on the level of care provided and the resident's ability to pay. Eighty percent of revenues from these assessments are placed in State Special Revenue (SSR) Fund 4E2 to be used for operating costs and 20% of revenues from these assessments are placed in SSR Fund 604 to be used for equipment and capital projects. The Ohio Veterans' Home Agency also receives funds from the state General Revenue Fund (GRF) and a per diem grant from the Department of Veterans Affairs (VA) for residents meeting VA income eligibility requirements.

The campus in Sandusky has the 293-bed Veterans Hall Domiciliary, which provides independence and freedom comparable to community living for residents able to care for themselves. A second level of care, currently referred to as "dom-plus," offers an intermediate level of care for 42 residents. These "dom plus" residents are located within Veterans Hall. There is also the Secrest-Giffin Nursing Home, which has 427 beds and provides standard nursing care and Alzheimer's/dementia care for residents. The Georgetown facility is a 35-acre campus with 168 skilled nursing home beds. Eighty-four beds at Georgetown are dedicated to providing standard nursing care and the other eighty-four specialize in Alzheimer's/dementia care.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
940*	$51.99 million	$52.90 million	$27.03 million	$27.43 million	Am. Sub. H.B. 66

*Employee count obtained from the Ohio Veterans' Home Agency.

Summary of FY 2006 – 2007 Budget Issues

Am. Sub. H.B. 66 of the 126th General Assembly allows moneys in appropriation item 430-603, Rental and Service Revenue (GSF Fund 484), to be used for the purchase of medication services. Currently, the funds used to purchase items such as food products and to maintain areas of the Veterans' Home that are rented or leased.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 Patient Services

Purpose: To provide long-term care for elderly, chronically ill, and disabled veterans in a home-like environment that will allow them to achieve their highest level of functional ability.

The following table shows the line items that are used to fund the Patient Services, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	430-100	Personal Services	$20,559,914	$20,960,031
GRF	430-200	Maintenance	$6,375,000	$6,375,000
		General Revenue Fund Subtotal	**$26,934,914**	**$27,335,031**
State Special Revenue Fund				
4E2	430-602	Veterans Home Operating	$8,322,731	$8,530,800
604	430-604	Veterans Home Improvement	$770,096	$770,096
		State Special Revenue Fund Subtotal	**$9,092,827**	**$9,300,896**
General Services Fund				
484	430-603	Rental and Service Revenue	$882,737	$882,737
		General Services Fund Subtotal	**$882,737**	**$882,737**
Federal Special Revenue				
3L2	430-601	Federal VA Per Diem Grant	$14,990,510	$15,290,320
		Federal Special Revenue Subtotal	**$14,990,510**	**$15,290,320**
Total Funding: Patient Services			**$51,900,988**	**$52,808,984**

This analysis focuses on the following specific programs within the program series:

- ***Program 1.01: Nursing Homes***
- ***Program 1.02: Domiciliary***

Program 1.01: Nursing Homes

Program Description: The Ohio Veterans' Home Agency (OVH) provides long-term care for elderly, chronically ill, and disabled veterans in a homelike environment that will allow them to achieve their highest level of functional ability. In fact, OVH is the only agency in Ohio dedicated to providing long-term care solely to wartime veterans. Grants from the federal Veterans' Administration (VA) assist in the costs of long-term care for veterans and are limited to state Veterans' Home facilities. Since its founding in 1888, OVH has cared for tens of thousands of honorably discharged veterans from the Civil War, Spanish American War, World War I, World War II, Korean War, the Vietnam Conflict, and the Gulf War. OVH has the fifth largest resident census of the 100 plus state veterans homes nationwide. The campus in Sandusky provides 427 beds and the Georgetown campus provides 168 beds to long-term care.

OVH must comply with Ohio Department of Health regulations and guidelines, and the United States Department of Veterans Affairs Standards for State Veterans Homes. OVH nursing homes are inspected by both of these entities on an annual basis.

The services provided by OVH include: assessment, medication administration, and monitoring, restorative nursing, and assistance with activities of daily living, which promote quality of life. The goal of the Nursing Home program is to (1) promote an environment that continually maximizes the resident's abilities, and (2) encourage resident participation to the extent the resident is capable.

Implication of the Enacted Budget: The enacted funding level will provide for the necessary staffing to fill the 427 Nursing Home beds in Sandusky and 168 Nursing Home beds in Georgetown. The current census in Georgetown is 114. Ohio committed to fill Georgetown to its 168-bed capacity not later than 18 months after opening (May 2005) as a condition of accepting a federal grant for 65% of the construction funding for the facility. OVH is currently working with the federal VA and does not expect a penalty as a result of this. The OVH expects to fill Georgetown to its capacity by June 2006.

Program 1.02: Domiciliary

Program Description: The Domiciliary provides for wartime veterans who are able to care for themselves, but have been disabled or affected by disease to such a degree that the veteran is incapacitated from earning a living. The veterans are not in need of hospitalization or nursing care services. Domiciliary care provides a safe, homelike environment to restore the residents to their highest level of physical, mental, and social well being through special rehabilitative programs. The Sandusky facility has the 293-bed Veterans Hall Domiciliary complex. Within Veterans Hall, there is a 42-bed Dom Plus wing, which provides a higher level of care. The Georgetown facility does not provide domiciliary services.

The Domiciliary Program must comply with the Ohio Department of Health regulations and guidelines and with the United States Department of Veterans Affairs Standards for State Veterans Homes.

Implication of the Enacted Budget: The enacted budget for this program will allow OVH to continue at current levels of operation for domiciliary services. As a result, this should support 223 of the 293 beds in the Domiciliary.

Program Series 2 Veterans Hall of Fame

Purpose: To provide support for the Veterans Hall of Fame, which recognizes post-military achievements of veterans.

The following table shows the line items that are used to fund the Veterans Hall of Fame, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	430-100	Personal Services	$70,000	$70,000
GRF	430-200	Maintenance	$21,200	$21,200
		General Revenue Fund Subtotal	**$91,200**	**$91,200**
Total Funding: Veterans Hall of Fame			**$91,200**	**$91,200**

This analysis focuses on the following specific programs within the program series.

Veterans Hall of Fame

Program Description: The Veterans Hall of Fame was established in 1992. The program recognizes significant contributions veterans have made to their communities, state, and nation after serving in the military honorably. There is a Hall of Fame ceremony held annually in November. Prior to 2003, a ceremony was also held in May. The May ceremony was eliminated as a cost-cutting measure.

The Veterans' Hall of Fame program has been funded by the Ohio Veterans' Home Agency and operated by the Governor's Office of Veterans' Affairs since 2000. At the time that OVH submitted its budget request, the program was still under the OVH. Substitute S.B. 277 of the 125th General Assembly became effective on April 29, 2005. This bill created in statute the Hall of Fame and made the Governor's Office of Veterans' Affairs the administrative agent of the program. The bill also created in statute the Veterans Hall of Fame Executive Committee (13 members) and stated that the members shall be reimbursed for necessary and actual expenses. Previously, the Committee existed with 12 members; however, they were not reimbursed for expenses.

Implication of the Enacted Budget: OVH received funding of $91,200 in each fiscal year. The Governor's Office of Veterans Affairs has stated that they need an additional $25,920 to maintain current service levels, allow for increased costs, and provide for necessary and actual reimbursements to Executive Committee members. In the Governor's Office of Veterans Affairs, there is a $25,000 earmark for the Veterans Hall of Fame program in FY 2006. This funding will come out of GRF appropriation item 040-408, Office of Veterans Affairs. This funding and the $25,000 earmark will allow OVH to maintain current service levels in FY 2006. However, it is possible that there could be a reduction in services for the program in FY 2007.

Veterans' Organizations

Terry Steele, Budget Analyst

- The total funding for all organizations is $3,269,238 for the FY 2006-2007 biennium
- The Rainbow Division Veterans' Association and the Veterans of World War I requested no funding for the biennium

OVERVIEW

Duties and Responsibilities

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 in which they fought.

All 13 veterans' organizations receive a GRF subsidy. In addition to state funding, each organization provides much of its own funding through federal grants, membership dues, fundraising efforts, and private donations.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
N/A	$1,634,619	$1,634,619	$1,634,619	$1,634,619	Am. Sub. HB. 66

* The budgeted amounts are passed on to the veterans' organizations. The program is administered through the Governor's office.

ANALYSIS OF THE ENACTED BUDGET

Veterans' Organizations

Purpose: To provide a subsidy payment to each of 13 veterans' groups to support the needs of their memberships.

The following table shows the line items that are used to fund the Veterans' Organizations, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	743-501	American Ex-Prisoners of War	$25,030	$25,030
GRF	746-501	Army and Navy Union, USA, Inc.	$55,012	$55,012
GRF	747-501	Korean War Veterans	$49,453	$49,453
GRF	748-501	Jewish War Veterans	$29,715	$29,715
GRF	749-501	Catholic War Veterans	$57,990	$57,990
GRF	750-501	Military Order of the Purple Heart	$56,377	$56,377
GRF	751-501	Vietnam Veterans of America	$185,954	$185,954
GRF	752-501	American Legion of Ohio	$302,328	$302,328
GRF	753-501	AMVETS	$287,919	$287,919
GRF	754-501	Disabled American Veterans	$216,308	$216,308
GRF	756-501	Marine Corps League	$115,972	$115,972
GRF	757-501	37th Division AEF Veterans Association	$5,946	$5,946
GRF	758-501	Veterans of Foreign Wars	$196,615	$196,615
		General Revenue Fund Subtotal	**$1,634,619**	**$1,634,619**
Total Funding: Veterans' Organizations			**$1,634,619**	**$1,634,619**

Veterans' Organizations Subsidy

Program Description: This program supports the activities of the 13 veterans' groups. Activities of these groups include assisting veterans in the benefits claiming process, transporting veterans to Veterans' Administration medical facilities, assisting veterans with job placement and training, and helping homeless and needy veterans find the assistance they need.

Funding Source: GRF

Implication of the Enacted Budget: Each of the veterans' organizations received the same level of funding as was received in FY 2005, except for the following four groups which received funding increases of $50,000 in each fiscal year: American Legion of Ohio, AMVETS, Disabled American Veterans, and the Veterans of Foreign Wars. The Marine Corps League funding was increased by $30,000 in each fiscal year over FY 2005 spending levels.

Temporary and Permanent Law Provisions: ***Central Ohio United Services Organization (Section 212.27).*** This provision earmarks $50,000 each fiscal year from the appropriation line item 751-501, Vietnam Veterans of America, to be used to support the activities of the Central Ohio USO.

VAL American Legion of Ohio (Section 212.27). This provision earmarks $50,000 each fiscal year from the appropriation item 752-501, VAL American Legion of Ohio, to be used to fund service officer expenses.

Veterans Service Commission Education (Section 212.27). This provision earmarks $20,000 in each fiscal year in appropriation line item 753-501, AMVETS, to be used to provide moneys to the Association of County Veterans Service Commissioners to reimburse its member county veterans service commissions for costs incurred in carrying out educational and outreach duties. The provision also requires the Director of Budget and Management to release these funds upon the presentation of an itemized receipt from the Association for reasonable and appropriate expenses incurred while performing these duties. Finally, the provision requires the Association to establish uniform procedures for reimbursing member commissions.

VAV Disabled American Veterans (Section 212.27). This provision earmarks $50,000 each fiscal year from the appropriation item 754-501, VAV Disabled American Veterans, to be used to fund service officer expenses.

VMC Marine Corps League (Section 212.27). This provision earmarks $30,000 each fiscal year from the appropriation item 756-501, VMC Marine Corps League, to be used to fund service officer expenses.

VFW Veterans of Foreign Wars (Section 212.27). This provision earmarks $50,000 each fiscal year from the appropriation item 758-501, VFW Veterans of Foreign Wars, to be used to fund service officer expenses.

Ohio Veterinary Medical Licensing Board

Jason Phillips, Budget Analyst

- Contract with Dept. of Agriculture for investigators has resulted in significant savings to the Board
- Licensed 5,237 professional veterinarians, veterinary technicians, and veterinary specialists in FY 2004
- Planned consolidation within Department of Health in FY 2007

OVERVIEW

Duties and Responsibilities

The Veterinary Medical Licensing Board's mission is to ensure that professional, trustworthy, and competent veterinarians and veterinary technicians serve Ohio's citizens. The Board serves a number of functions, including issuing licenses, providing examinations for licenses, approving continuing education courses, and investigating complaints. Chapter 4741. of the Revised Code grants these powers.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
2	$353,691	$0	$0	$0	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

4K9 Fund

The Veterinary Medical Licensing Board is funded by fees that it deposits in the Occupational and Professional Licensing Fund (Fund 4K9), which serves as a repository for license fees and other assessments collected by the state's occupational licensing and regulatory boards. This allows the agencies that it funds the ability to maintain operations during years where licenses are not renewed and revenue is much lower. However, the philosophy of the 4K9 Fund is that each board must generate enough revenue to cover their expenses. Yet, it is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Licensure

The Veterinary Medical Licensing Board handles the administrative work for roughly 5,200 veterinarians, registered veterinary technicians, and veterinary specialists. The Board renews its licenses biennially with estimated revenue of $817, 565 versus $536,326 in expenditures over the two-year period from FY 2004 to FY 2005. This has resulted in a net gain of $281,239 to the 4K9 Fund in that span. The Veterinary Medical Board's enacted budget appropriates a total of $353,691 for FY 2006, but does not make an appropriation for FY 2007, as the board is slated for consolidation within the Department of Health.

Board Consolidation

The enacted budget recommended that 20 independent occupational licensing boards be absorbed into the departments of Health, Commerce, and Public Safety. As such, the enacted budget does not appropriate funding in FY 2007 for the boards and commissions included in the consolidation proposal. The specifics of the consolidation plan will be addressed during FY 2006 by a task force consisting of the agencies acquiring the boards, the Department of Administrative Services, the Office of Budget and Management (OBM), and three individuals selected by the boards included in the consolidation proposal. According to the plan, current staff will be retained through FY 2006 and a hiring freeze and early retirement incentives will be offered to regulatory board staff. These incentives should result in staff reductions. Effective July 1, 2006, all remaining regulatory board staff will be transferred to the relevant agency. Board and commission members for each agency will be retained and continue to serve in the manner in which they were appointed.

Veterinary Student Loan Program

A provision in the enacted budget requires the Veterinary Medical Licensing Board to implement a student loan repayment program for veterinary students focusing on large animal populations, public health, or regulatory veterinary medicine. The program is funded by a transfer of $60,000 in FY 2006 from the Occupational Licensing and Regulatory Fund (Fund 4K9) to the newly created Veterinary Student Loan Program Fund (Fund 5BU). No funds have been appropriated for this program for FY 2007 as the Board is slated for consolidation within the Department of Health. The Board is looking at modeling the veterinary student loan program off of similar loan repayment programs for physicians and dental students. The Board also needs to determine if a continuous funding stream will be created, as none was included in the enacted budget.

Sharing of Inspectors with the Department of Agriculture

The Veterinary Medical Licensing Board, in order to cut costs, began a contract with the Ohio Department of Agriculture in 2000 to share investigators. Through this arrangement, the Board only pays for the hours spent investigating its cases and mileage. In FY 2004, the Board expanded the contract to include compliance inspectors. The Board estimates that the contract results in savings of approximately $2,000 per year in salary, not including fringe benefits and expenses. The Board is also saving all of the salary of the compliance inspector (approximately $60,000) plus benefits and expenses. The Board expects the contract with the Department of Agriculture to continue at least for the next two years. In addition, the Board reports that the agreement has resulted in significant improvements in the time required to investigate a case.

Vetoed Provisions

The Governor did not veto any provisions affecting the Veterinary Medical Licensing Board.

ANALYSIS OF THE ENACTED BUDGET

For budget purposes, as detailed below, the Ohio Veterinary Medical Licensing Board is considered a single program series agency and its activities are not subdivided into separate programs.

Program Series 1 — Operating Expenses

Purpose: To license, enforce, and regulate the practice of veterinary medicine.

The following table shows the line items that are used to fund the Veterinary Medical Licensing Board, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
4K9	888-609	Operating Expenses	$ 293,691	$0
5BU	888-602	Veterinary Student Loan Program	$60,000	$0
Total Funding: Ohio Veterinary Medical Licensing Board			**$353,691**	**$0**

Ohio Veterinary Medical Licensing Board

Program Description: In accordance with Chapter 4741. of the Revised Code, the Ohio Veterinary Medical Licensing Board issues, licenses, provides examinations for licensure, approves continuing education courses, investigates complaints, performs compliance inspections of veterinary facilities, and networks with other state, federal, and local agencies that relate to veterinary medicine.

Funding Source: GSF Fund 4K9

Implication of the Enacted Budget: The Veterinary Medical Licensing Board received funding of $353,691 in FY 2006 and $0 in FY 2007, as the Board is slated for consolidation within the Department of Health. The enacted funding for the biennium should allow the Board to maintain FY 2005 service levels.

Temporary Law Provisions: ***Veterinary Student Loan Program (Section 212.30).*** A provision in the enacted budget requires the Veterinary Medical Licensing Board to implement a student loan repayment program for veterinary students focusing on large animal populations, public health, or regulatory veterinary medicine. The program is funded by a transfer of $60,000 in FY 2006 from the Occupational Licensing and Regulatory Fund (Fund 4K9) to the newly created Veterinary Student Loan Program Fund (Fund 5BU). No funds have been appropriated for this program for FY 2007 as the Board is slated for consolidation within the Department of Health.

Bureau of Workers' Compensation

Kerry Sullivan, Budget Analyst

- Transfer of PERRP and OSHA's on-site consultation program from the Department of Commerce to the BWC
- Fast Response Program and Long-Term Care Loan Fund Program established
- Implements numerous changes to investment practices and policies of the BWC

OVERVIEW

Duties and Responsibilities

The Ohio Bureau of Workers' Compensation (BWC) administers the largest exclusive workers' compensation system in the United States, with assets of some $21 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 comprises two agencies: the BWC as the insurance provider, and the Ohio Industrial Commission (OIC), which adjudicates disputed claims. The BWC provides coverage to about two-thirds of Ohio's workforce (private, state, and local government employees). Other workers may be insured by employers that are large and financially secure enough to qualify to self-insure.

The Governor appoints the administrator of the BWC, who in turn is assisted by an Oversight Commission comprising representatives from business and labor, investment experts, and legislators. The agency is organized into 7 programs consisting of 12 functional divisions. There are 16 BWC service offices statewide and additional regional offices that provide safety education and accident prevention services to Ohio employers.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
2,674	$321.56 million	$322.03 million	$0	$0	Am. H.B. 67 Am. Sub. H.B. 66

* Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Summary of FYs 2006-2007 Budget Issues

H.B. 67 (BWC Appropriations Bill)

Transfer of PERRP and OSHA On-site Consultation Program

Under H.B. 67, the Public Employment Risk Reduction Program (PERRP) was transferred from the Department of Commerce to the BWC. The program provides free, on-site safety inspections, safety training, and hazard recognition for all public employees except firefighters, peace officers, EMTs, paramedics, and corrections officers in county and municipal facilities. The program is designed to identify actual and potential hazardous conditions and prepare a detailed report for the employer to assist in the development of specific program and abatement methods.

In conjunction with PERRP, the federal Occupational Safety and Health Administration's (OSHA) on-site consultation program assists smaller, private employers in providing employees with safe and healthy work environments by conducting free safety and health consultations. Services are provided to employers with fewer than 250 employees at fixed sites and no more than 500 employees corporate-wide. The program is funded through OSHA grant moneys and state match dollars. Under H.B. 67, Fund 349, OSHA Enforcement, was transferred from the Department of Commerce to the BWC. In addition, the functions of the Division of Labor and Worker Safety under the Department of Commerce, together with all employees, assets, liabilities, spending authority, vehicles, equipment, and records that relate to OSHA's on-site consultation program were transferred to the BWC.

Fast Response Program (Auto Adjudication)

The BWC's pilot program known as Fast Response, or Auto Adjudication, was codified under H.B. 67. The program allows for the electronic review, processing, and approval of claims that are simple in nature, highly predictable, and typically low in cost. Under the pilot program, the BWC identified 49 specific injuries that met these criteria so that, when all conditions were met, the system automatically allowed the claims and provided documentation without manual processing. Under the bill, the Administrator is required to adopt rules that identify specific medical conditions that have a historical record of being allowed whenever included in a claim. The Administrator may then grant immediate allowance and make immediate payment for those medical conditions when they are included in a claim.

Long-Term Care Loan Fund Program

Also under H.B. 67, the BWC must operate a Long-Term Care Loan Fund Program. The purpose of the program is to make no-interest loans to nursing homes to assist in purchasing "no-lift" equipment that will allow employees of the nursing home to move patients without having to lift them manually. Moneys deposited to the newly established Long-Term Care Loan Fund (Fund 829) are to be transferred by the Director of Budget and Management from the Safety and Hygiene Fund. Details pertaining to loan eligibility, maximum loan amounts, loan periods, and other terms and conditions will be determined in rules.

H.B. 66 (Main Operating Appropriations Bill)

Numerous changes to investment practices and policies of the BWC were included as amendments to the main operating appropriations bill, Am. Sub. H.B. 66. These changes included:

Chief Investment Officer

The Bureau is required to employ or designate a current Bureau employee as the Chief Investment Officer for the BWC. The Officer must be chartered by the CFA Institute as a Chartered Financial Analyst and be licensed by the Division of Securities within the Department of Commerce as a "Bureau of Workers' Compensation Chief Investment Officer" (see below). The Officer will be required to supervise employees of the Bureau who handle investment of assets of funds and to implement and enforce written policies and procedures aimed toward preventing violations of state and federal securities laws.

Licensing Requirements, Division of Securities

The Chief Investment Officer of the BWC must be licensed by the Division of Securities within the Department of Commerce as a Bureau of Workers' Compensation Chief Investment Officer. Upon application to the Division for licensure, the Division may investigate the applicant's business reputation and qualifications. Applicants are required to pass an exam designated by the Division of Securities, or to achieve a specified professional designation, unless both of the following apply: (1) the applicant currently acts as the Chief Investment Officer for the BWC, and (2) the applicant has experience and education acceptable to the Division.

The annual license expires on June 30 of each year and must be renewed. The Division of Securities may refuse, revoke, suspend, or deny renewal of a license if the Division determines the applicant is not of good business reputation, is conducting illegitimate or fraudulent business, or has otherwise violated state laws or conducted business in violation of rules and regulations germane to investment and securities practices.

The Division is authorized to investigate a Bureau of Workers' Compensation Chief Investment Officer on suspicion of illegal practices, fraud, or deception. If a Chief Investment Officer fails to comply with an investigation, the Director of Commerce may apply to a court of common pleas and be granted an injunction that restrains the acts of the Chief Investment Officer. A court may also order the Chief Investment Officer to make restitution to the BWC.

Criminal Background Checks

The Administrator of Workers' Compensation, prior to contracting with an investment manager, is required to obtain a list of all employees of investment managers and business entities who will be investing BWC assets, and to request the Bureau of Criminal Investigation and Identification (BCI & I) to conduct a criminal records check on each employee. Employees that have not been residents of Ohio for at least five years will be subject to an FBI criminal record check. (The BWC is required to pay for each records check it requests. The Superintendent of the BCI & I is authorized to prescribe and charge a reasonable fee for this service, normally around $15 per transaction.)

The Administrator of Workers' Compensation is prohibited from contracting with an investment manager if any employee who will be making investments on behalf of the Bureau has been convicted of, or has pled guilty to, a financial or investment crime. Additionally, investment managers are prohibited from contracting with any business entity if any employee of that entity who will be making investments on behalf of the Bureau has been convicted of, or has pled guilty to, a financial or investment crime. "Financial or investment crime" means any criminal offense involving theft, receiving stolen property, embezzlement, forgery, fraud, passing bad checks, money laundering, drug trafficking, or any criminal offense involving money or securities.

Membership of the Workers' Compensation Oversight Commission

Membership of the Workers' Compensation Oversight Commission increases from nine to eleven and terms of office decrease from five to three years. The two additional members to the Commission are investment expert members; one appointed by the Treasurer of State and the other jointly appointed by the Speaker of the House and the President of the Senate. The investment experts may not be appointed to more than two full terms and may vote only on investment matters. All members, including the investment experts, are authorized to receive reasonable and necessary expenses and an annual salary that does not exceed $18,000.

Conflicts of Interest

The voting members of the Workers' Compensation Oversight Commission, the Administrator of BWC, and the BWC Chief Investment Officer are designated as "trustees" of the State Insurance Fund. Members of the Oversight Commission and all Bureau employees are prohibited from having direct or indirect interest in the gains or profits of any investment of the Bureau and persons connected with the BWC are prohibited from borrowing any of the Bureau's funds or from using the funds except to make payments that are authorized by the Administrator.

Additionally, the Bureau is prohibited from doing any business with an individual, partnership, association, or corporation that is owned or controlled by a person who was employed by the agency or by a board member or member of the Oversight Commission within the preceding three years. The Bureau is also prohibited from doing business with a person who, within the preceding three years, was employed by or was an officer holding a fiduciary, administrative, supervisory, or trust position, or any other position that involved decisions affecting the investment policy of the BWC and from which a person would benefit monetarily. Additional requirements placed upon fiduciaries relate to transactions of the Bureau that would constitute a conflict of interest, and each fiduciary of the BWC is required to be bonded or insured for $1 million for loss by reason of acts of fraud or dishonesty.

Limitations on Campaign Contributions

The Administrator of Workers' Compensation and all BWC employees are prohibited from awarding any contract (other than through competitive bidding) for the purchase of goods or the purchase of services that totals more than $500 to any individual, partnership, association, estate, or trust if that individual (or that individual's spouse), or any partner, shareholder, administrator, executor, or trustee (or their spouses) made one or more contributions within the previous two calendar years that totaled more than $1,000 to the political campaigns of Governor, Lieutenant Governor, or to any candidate for Governor or Lieutenant Governor.

Additionally, the Administrator and all BWC employees are prohibited from awarding any such contract for goods or services (except through competitive bidding) that totals more than $500 to any corporation or business trust (except to a professional association organized under Chapter 1785. of the Revised Code) if an owner of more than 20% of the corporation or trust (or the owner's spouse) made, as an individual, one or more contributions to the political campaigns of Governor, Lieutenant Governor, or to any candidate for Governor or Lieutenant Governor that totaled more than $1,000 during the previous two calendar years.

Annual Certified Public Audits of All Funds

An actuarial audit of the State Insurance Fund must be made at least once each year (rather than once every two years, as provided under former law). This audit requirement also applies to all funds established and administered pursuant to the Workers' Compensation Law. The audits must be certified by recognized insurance actuaries and copies must be made available to the public at cost.

Independent Audit of the BWC's Investment Program

The Workers' Compensation Oversight Commission is required to have an independent auditor conduct a fiduciary performance audit of the investment program of the BWC at least once every ten years. A copy of this audit must be provided to the Auditor of State. Additionally, the BWC must employ an internal auditor who is to report directly to the Commission on investment matters.

Inspector General Independent Fiduciary Review

The Inspector General is required to contract with an independent firm to conduct a fiduciary review of the investments of the assets of BWC funds. A copy of the fiduciary review must be submitted to the Governor, the Attorney General, the Auditor of State, and the General Assembly. Up to $750,000 in FY 2006 is earmarked for this purpose under the budget of the Office of the Inspector General.

Investment Objectives, Policies, and Criteria

Requires the Workers' Compensation Oversight Commission, in its responsibility to establish objectives, policies, and criteria for the administration of the BWC's investment program, to prohibit the following investments: coins, artwork, horses, jewelry or gems, stamps, antiques, artifacts, collectibles, memorabilia, or similar unregulated investments that are not commonly part of an institutional portfolio, that lack liquidity, and that lack readily determinable valuation.

Additionally, the Administrator of Workers' Compensation may invest in an investment class only if the Commission – by majority vote – opens that class. The Commission must adopt due diligence standards for employees of the BWC when investing in a class, and must establish policies and procedures to review and monitor the performance and valuation of each investment class.

Consolidated Prescription Drug Purchasing Program

The BWC, together with the Departments of Mental Health, Rehabilitation and Correction, Youth Services, and any other agency that purchases prescription drugs (other than the Department of Job and Family Services for purposes of the Medicaid program) are required to design a consolidated drug purchasing program based upon their studies of other states' programs and their findings of potential cost-savings and other advantages resulting from the consolidation of drug purchasing programs. The agencies must submit a report of their findings, including a cost analysis, no later than January 1, 2006. The Department of Mental Health is responsible for leading the study.

ANALYSIS OF THE ENACTED BUDGET

Program Series 1 **Injury Management**

Purpose: To ensure the appropriate management of workers' compensation claims, the availability of appropriate cost-effective medical care, and the development and credentialing of a strong provider network.

The following table shows the line item that is used to fund the Injury Management program series, as well as the enacted funding levels contained in Am. H.B. 67.

Fund	ALI	Title	FY 2006	FY 2007
Workers' Compensation Fund				
023	855-407	Claims, Risk, and Medical Management	$110,987,369*	$111,150,324*
		Workers' Compensation Fund Subtotal	**$110,987,369**	**$111,150,324**
Total Funding: Injury Management			**$110,987,369**	**$111,150,324**

*Amount does not reflect total funding because line item is used to fund programs in other program series.

This analysis focuses on the following specific programs within the Injury Management program series:

- ***Field Operations***
- ***Injury Management Services***
- ***Quality Assurance/Performance Review***

Field Operations

Program Description: Field Operations focuses on claims management from the first report of injury to the ultimate resolution of the claim. There are 16 service offices located throughout the state that process all claims filed within the workers' compensation system, and two Customer Focus Centers located in Ashtabula and Bridgeport.

Funding Source: Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

Implication of the Enacted Budget: The Field Operations program, which is fully funded, supports approximately 1,325 employees who investigate some 207,000 workers' compensation claims per year; manage over 189,000 injury claims per year; and pay over $2 billion to injured workers for health care and lost wages.

Injury Management Services

Program Description: Injury Management Services ensures that cost-effective, quality health care is provided to injured workers in order to facilitate an early return to work or a return to a functional lifestyle. BWC's Health Partnership Program, launched in 1997, is a major component of Injury Management Services. Under the program, BWC and certified private sector managed care organizations (MCOs) work together to provide comprehensive claims management and medical-management services. BWC also administers a Qualified Health Plan, which allows self-insuring employers to form their own health plans to deliver medical services to their employees.

Funding Source: Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

Implication of the Enacted Budget: The Injury Management Services program is fully funded. The program funds 183 employees who process approximately 18,000 disputes regarding medical treatment provided to injured workers and distribute over $5 million in grants that enable injured workers to return to work safely prior to their full recovery from injury.

Quality Assurance/Performance Review

Program Description: The Quality Assurance/Performance Review program was established in 2004 and is designed to ensure that proper support is in place for claims and medical policies to operate efficiently and appropriately. Goals of the program include the completion of quarterly audit plans, adjusted to reflect the changing needs and risks of the business; determination of data integrity, program compliance and reliability of information, internal controls, and managerial controls; and determination of error rates and report outcomes.

Funding Source: Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

Implication of the Enacted Budget: The Quality Assurance/Performance Review program is fully funded. The program funds three employees who perform quarterly audits to ensure data integrity and program compliance.

Program Series 2 — Employer Management

Purpose: The Employer Management program series is responsible for providing a link between Ohio's employers and BWC, including a program directed toward large, financially stable employers who retain the financial risk for their companies' workers' compensation claims (self-insured employers) and the investigation of potential safety violations.

The following table shows the line items that are used to fund the Employer Management program series, as well as the enacted funding levels contained in Am. H.B. 67.

Fund	ALI	Title	FY 2006	FY 2007
Workers' Compensation Fund				
023	855-407	Claims, Risk, and Medical Management	$20,114,027*	$20,160,525*
023	855-409	Administrative Services	$593,982*	$605,861*
		Workers' Compensation Fund Subtotal	**$20,708,009**	**$20,766,386**
Total Funding: Employer Management			**$20,708,009**	**$20,766,386**

*Amount does not reflect total funding because line item is used to fund programs in other program series.

This analysis focuses on the following specific programs within the Employer Management program series:

- ***Employer Services***
- ***Self-Insured Services***
- ***Safety Violations Investigation Unit***
- ***Other Program Departments***

Employer Services

Program Description: Employer Services provides underwriting and technical support to help employers reduce their workers' compensation costs through accident/illness prevention and various risk management programs. Audits are performed on state fund and public employer programs to ensure compliance with workers' compensation laws and agency rules. The program also processes new business applications, assigns manual classifications, processes changes in employer coverage status, and processes semi-annual payroll reports for employers.

Funding Source: Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

Implication of the Enacted Budget: The Employer Services program is fully funded and supports approximately 167 employees who provide underwriting and technical support to help employers lower employee accidents and illness.

Self-Insured Services

Program Description: The Self-Insured Services program is responsible for investigating all inquiries/complaints, providing underwriting activities, and auditing self-insuring employers for compliance with workers' compensation laws and agency rules. Approximately one-third of Ohio's workforce is employed by self-insuring employers. The goals of the program are to ensure that self-insuring employers meet the necessary criteria to remain self-insured and that they comply with necessary legal requirements associated with a self-insured program.

Funding Source: Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

Implication of the Enacted Budget: The Self-Insured Services program is fully funded and supports approximately 59 employees who audit 1,100 self-insured programs to ensure compliance with appropriate rules and laws.

Safety Violations Investigation Unit

Program Description: This program is responsible for investigations and preparing impartial, fact-finding summary reports for the Industrial Commission for all safety violation allegations in Ohio concerning workers' compensation.

Funding Source: Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

Implication of the Enacted Budget: The Safety Violations Investigations Unit supports ten employees who investigate and prepare reports for the Industrial Commission on all safety violation allegations concerning workers' compensation. The program is fully funded.

Other Program Departments

Program Description: The *Customer Trend Analysis Department* is responsible for tracking customer feedback from injured workers, employers, and medical providers via outbound surveys and analysis of survey results. The *Research and Analysis Department* provides analytical, statistical, and reporting services to both internal and external customers. This includes research associated with the BWC's Employer Open Enrollment Report Card, MCO Incentive Payments, and other MCO statistics.

Funding Source: Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

Implication of the Enacted Budget: These programs are fully funded and support approximately 46 employees who track, monitor, and communicate various program results.

Program Series 3 — Fraud Investigations

Purpose: To investigate, detect, and deter fraud, and work closely with local and state prosecutors to prosecute persons suspected of committing workers' compensation fraud; to prevent loss through fraud, from both operational and resource standpoints, for external and internal customers.

The following table shows the line item that is used to fund the Fraud Investigations program series, as well as the enacted funding levels contained in Am. H.B. 67.

Fund	ALI	Title	FY 2006	FY 2007
Workers' Compensation Fund				
023	855-408	Fraud Prevention	$11,713,797	$11,713,797
		Workers' Compensation Fund Subtotal	**$11,713,797**	**$11,713,797**
Total Funding: Fraud Prevention			**$11,713,797**	**$11,713,797**

This analysis focuses on the following specific programs within the Fraud Investigations program series:

- ***Special Investigations***
- ***Internal Affairs***

Special Investigations

Program Description: The mission of Special Investigations is to prevent, detect, investigate, and prosecute fraudulent behavior affecting the workers' compensation system. *Special Investigations Units* have focused on employer fraud, health care provider fraud, efficiency, and training. The *Health Care Provider Team* concentrates solely on identifying fraudulent activities of various health care providers that provide medical and/or pharmaceutical services to injured workers. The *Cyber Crime Task Force* is responsible for analyzing computer data and the Internet to secure evidence of fraud committed against the Bureau.

Funding Source: Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

Implication of the Enacted Budget: The Special Investigations program is fully funded and supports approximately 139 employees.

Internal Affairs

Program Description: Internal Affairs is responsible for investigating all allegations of criminal violation, abuse of office, or misconduct on the part of BWC or Industrial Commission employees. Department staff are trained in interviewing and interrogation, in conducting internal investigations, scientific interrogation, and preventing workplace violence.

Funding Source: Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

Implication of the Enacted Budget: The Internal Affairs program is fully funded and supports five employees who investigate allegations of criminal abuse or misconduct by BWC or Industrial Commission employees.

Program Series 4 Accident Prevention

Purpose: To make Ohio's work places safe through training and consulting services.

The following table shows the line items that are used to fund the Accident Prevention program series, as well as the enacted funding levels contained in Am. H.B. 67.

Fund	ALI	Title	FY 2006	FY 2007
Workers' Compensation Fund				
023	855-609	Safety and Hygiene	$20,130,820	$20,130,820
023	855-610	Safety Grants Program	$4,000,000	$4,000,000
		Workers' Compensation Fund Subtotal	**$24,130,820**	**$24,130,820**
Federal Special Revenue Fund				
349	855-601	OSHA Enforcement	$1,527,750	$1,604,140
		Federal Special Revenue Fund Subtotal	**$1,527,750**	**$1,604,140**
Total Funding: Accident Prevention			**$25,658,570**	**$25,734,960**

This analysis focuses on the following specific programs within the Accident Prevention program series:

- ***Safety and Hygiene***
- ***Safety Grants***
- ***OSHA Enforcement***

Safety and Hygiene

Program Description: 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. A portion of employer premiums pays for these safety and health services, which are available to employers at no additional fee. Services offered by the Division include on-site consultants, a training center, library services, and the annual Ohio Safety Congress and Expo. Examples of the Division's work include: targeted visits to employers with poor safety records and those with penalty-ratings to assist and educate them in risk, claims, and safety strategies; efforts to promote the BWC's Drug Free Workplace program; continuation of the Safety Grants program; holding classes, seminars, and workshops specializing in occupational safety and health.

Funding Source: Safety and Hygiene assessments paid by State Insurance Fund employers together with their overall premium payments

Implication of the Enacted Budget: The Division of Safety and Hygiene is fully funded and supports approximately 180 employees who investigate and help prevent industrial accidents and disease.

Safety Grants

Program Description: Under the Safety Grants program, the Safety and Hygiene Division provides grants to Ohio employers for the research and prevention of cumulative trauma disorders (CTDs) and to defray the cost of educational training and materials for instituting BWC's Drug-Free Workplace Program (or a comparable program).

Funding Source: Transfers from the State Insurance Fund

Implication of the Enacted Budget: The Safety Grants program is fully funded at $4 million per fiscal year.

OSHA Enforcement

Program Description: Federal dollars will be used to administer OSHA's on-site consultation program, which has been transferred to the BWC from the Department of Commerce. The program assists smaller, private employers in providing employees with safe and healthy work environments by conducting free safety and health consultations.

Funding Sources: OSHA grant moneys and Safety and Hygiene operating dollars (assessments paid by State Insurance Fund employers together with their overall premium payments)

Implication of the Enacted Budget: The program funds 14 employees (transferred from the Department of Commerce) who provide on-site consultation to small, private employers with respect to safe and healthy work environments.

Program Series 5 Special Benefits Funds

Purpose: To provide cost-of-living adjustments or supplemental benefits to certain injured workers.

The following table shows the line items that are used to fund the Special Benefits Funds program series, as well as the enacted funding levels contained in Am. H.B. 67.

Fund	ALI	Title	FY 2006	FY 2007
Workers' Compensation Fund				
822	855-606	Coal Workers' Fund	$91,894	$91,894
823	855-608	Marine Industry Fund	$53,952	$53,952
825	855-605	Disabled Workers' Relief Fund	$693,764	$693,764
		Workers' Compensation Fund Subtotal	**$839,610**	**$839,610**
Total Funding: Special Benefits Funds			**$839,610**	**$839,610**

This analysis focuses on the following specific programs within the Special Benefits Funds program series:

- ***Coal Workers' Fund***
- ***Marine Industry Fund***
- ***Disabled Workers' Relief Fund***

Coal Workers' Fund

Program Description: The Coal Workers' Pneumoconiosis Fund was established to provide benefits for injured workers who are entitled to receive benefits under the federal Coal Mine Health and Safety Act of 1969. The fund is maintained through premiums and other payments of employers who elect to participate in the fund to insure payment of benefits required by this act.

Funding Source: An additional premium charge attached to State Insurance Fund premiums owed by coal operators

Marine Industry Fund

Program Description: This fund was established to provide benefits for injured workers who are entitled to receive benefits under the federal Longshoremen's and Harbor Workers' Act, as amended in 1972. The fund is maintained through premiums and other payments of marine industry employers who apply to the BWC for permission to subscribe to the fund to insure the payment of benefits required by the federal act.

Funding Source: An additional premium charge attached to State Insurance Fund premiums owed by marine industry employers

Disabled Workers' Relief Fund

Program Description: The fund provides supplemental cost-of-living benefits to injured workers receiving Permanent Total Disability (PTD) benefits who receive less than a prescribed amount in monthly compensation.

Funding Sources: An additional charge of $0.10 per $100 of payroll and 0.1% of State Insurance Fund employer premiums

Implication of the Enacted Budget: Each Special Benefits fund program is fully funded. The programs support nine BWC employees who provide benefits to more than 27,000 permanently and totally disabled persons annually.

Program Series 6 Customer Relations

Purpose: To address the needs and concerns of Ohio's employers, injured workers, and other interested parties.

The following table shows the line item that is used to fund the Customer Relations program series, as well as the enacted funding levels contained in Am. H.B. 67.

Fund	ALI	Title	FY 2006	FY 2007
Workers' Compensation Fund				
023	855-407	Claims, Risk, and Medical Management	$8,950,641*	$8,741,188*
		Workers' Compensation Fund Subtotal	**$8,950,641**	**$8,741,188**
Total Funding: Customer Relations			**$8,950,641**	**$8,741,188**

*Amount does not reflect total funding because line item is used to fund programs in other program series.

This analysis focuses on the following specific programs within the Customer Relations program series:

- ***Customer Contact Center***
- ***Corporate Affairs, Government, and Media Relations***
- ***Ombudsperson***

Customer Contact Center

Program Description: This program handles customer (employer, injured worker, provider, MCO) contacts via phone, e-mail, walk-in, and written correspondence, and provides forms and benefit option information regarding BWC processes, law, policies, and procedures. This department also assists new employers in obtaining BWC coverage, issuing certificates of coverage, and helping established employers with policy account information.

Funding Source: Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

Implication of the Enacted Budget: The Customer Contact Center is fully funded and supports approximately 76 employees who handle information inquiries from the public.

Corporate Affairs, Government, and Media Relations

Program Description: Through research, planning, implementation, and evaluation, this program ensures that internal and external customers receive appropriate, timely, and accurate information about Bureau programs, services, initiatives, and progress. The program also supports special events such as the Workers' Comp University, Public Employer Summits, MCO Summits, Open Enrollment, and Governor's Excellence Awards.

Funding Source: Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

Implication of the Enacted Budget: The Corporate Affairs, Government, and Media Relations programs are fully funded. These programs support approximately 33 employees who administer special events and provide information about Bureau programs, services, initiatives, and progress.

Ombudsperson

Program Description: The function of the Ombudsperson is to assist injured workers and employers in matters dealing with the BWC and the Industrial Commission. The Ombudsperson Office answers inquiries and investigates complaints made by employers or injured workers as they relate to the processing of a claim for workers' compensation benefits. The Chief Ombudsperson must annually assemble a report on the activities of the Office, along with recommendations for change or improvement in the operation of the workers' compensation system.

Funding Source: Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

Implication of the Enacted Budget: The Office of the Ombudsperson is fully funded and supports seven employees who handle more than 7,000 general inquiries and process over 2,400 complaints.

Program Series 7 — Program Management

Purpose: To provide the Bureau with centralized leadership and support.

The following table shows the line items that are used to fund the Program Management program series, as well as the enacted funding levels contained in Am. H.B. 67.

Fund	ALI	Title	FY 2006	FY 2007
Workers' Compensation Fund				
023	855-401	William Green Lease Payments	$19,736,600	$20,125,900
023	855-409	Administrative Services	$118,652,571*	$118,640,692*
023	855-410	Attorney General Payments	$4,314,644	$4,314,644
		Workers' Compensation Fund Subtotal	**$142,703,815**	**$143,081,236**
Total Funding: Program Management			**$142,703,815**	**$143,081,236**

*Amount does not reflect total funding because line item is used to fund programs in other program series.

Program Description: Under Program Management exist a number of operational programs, including:

- **Finance.** The Finance Department provides investment management, general accounting, actuarial, and internal risk management services for the BWC. The long-term goal with respect to the State Insurance Fund is to generate investment returns that meet or exceed BWC's actuarial investment return assumption over appropriate periods of time. The Actuarial Department is responsible for calculating and promulgating premium rates for all employer groups and for all funds for all rating plans, as well as calculating fund reserves for the State Insurance Fund and other related funds.
- **Legal.** The Legal Division provides advice and assistance to BWC management regarding matters related to claims procedures, policies, appeals lodged on behalf of the State Insurance Fund, bankruptcy and foreclosure matters, and other issues.
- **Internal Audit.** The Internal Audit Department is responsible for monitoring and evaluating the internal control structure of BWC. The Department provides independent assessments of the efficiency of departmental operations, the accuracy of financial and managerial reports, and the level of compliance with internal policies and procedures.
- **Information Technology**
- **Human Resources**

Funding Source: Administrative assessments paid by State Insurance Fund employers together with their overall premium payments

Implication of the Enacted Budget: The Program Management program is fully funded and supports approximately 558 employees who provide administrative support for the BWC's programs.

Department of Youth Services

Laura A. Potts, Budget Analyst

- 71 new staff for Ohio River Valley Juvenile Correctional Facility
- Juvenile court subsidies flat-funded
- Eliminated in roughly four years: 600 FTEs, 2 juvenile correctional facilities, and 2 juvenile court subsidies

OVERVIEW

Duties and Responsibilities

The Department of Youth Services (DYS) is a cabinet level agency managed by a director appointed by the Governor. The Department's role is to enhance public safety through the confinement of juvenile felony offenders and the provision or support of various institutional and community-based programs to aid in the rehabilitation of delinquent juveniles. In the course of protecting Ohio's public safety from juvenile offenders, judges commit male and female juveniles between the ages of 10 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.

Agency in Brief

The following table selectively summarizes DYS appropriations and staffing information.

Department of Youth Services In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2006	2007	2006	2007	
2,054	$276.3 million	$283.2 million	$244.5 million	$252.3 million	Am. Sub. H.B. 66

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2005.

Vetoed Provisions

The Department is not directly affected by any of the items contained in Am. Sub. H.B. 66 that were vetoed by the Governor.

Program Series

The Department's activities can be viewed as having four notable components or program series, each of which is discussed in more detail below.

(1) Juvenile Court Subsidies

The Department currently has two GRF-funded juvenile court subsidy programs: (1) RECLAIM Ohio and (2) the Youth Services Block Grant. In FY 2005, an estimated $48.6 million was distributed from these two subsidies to the 88 juvenile courts around the state. Collectively, these moneys constitute as much as 50% of the annual budget of a county juvenile court.

RECLAIM Ohio. The RECLAIM Ohio (Reasoned and Equitable Community and Local Alternatives to the Incarceration of Minors) program 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. In FY 2005, counties retained an estimated $30 million in RECLAIM Ohio funding for local programs.

Youth Services Block Grant. Under the Youth Services Block Grant, 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.

(2) Institutional Operations

The Institutional Operations program series captures all of the services and activities that the Department provides to the delinquent children in their care and custody, including, but not limited to, behavioral health services, medical services, security, education, and food services. This program series represents the core of the Department's day-to-day activities and a significant component of its annual operating budget.

(3) Parole Operations

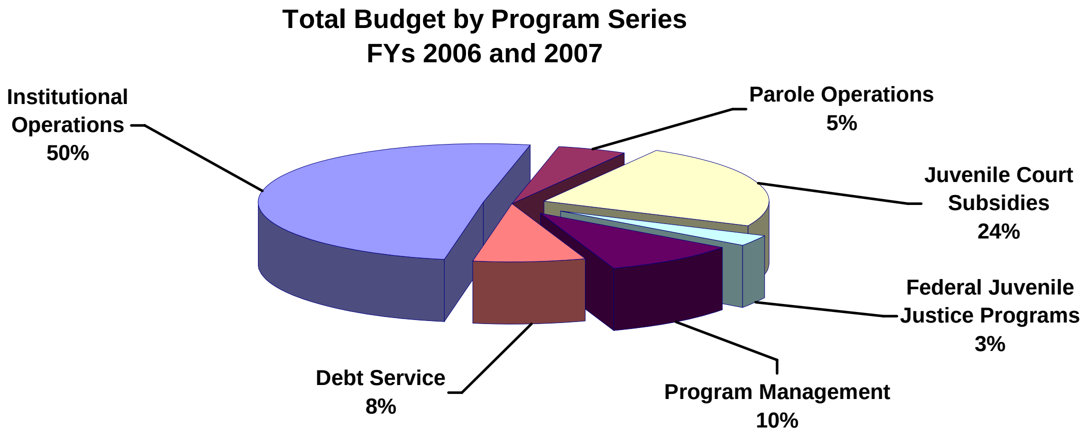
The Department supervises juveniles released from its institutions through the Division of Parole and Community Services, which operate six regional parole offices.

(4) Federal Juvenile Justice Programs

The Department is designated as the state agency to administer all juvenile justice grants provided to Ohio through the federal Office of Juvenile Justice and Delinquency Prevention. These moneys are distributed as sub-grants to state agencies, local governments, and non-profit agencies for implementing various programs that address the problem of juvenile delinquency and its prevention. Under the enacted budget, in the range of $6 million to $7 million will be allocated annually for federal grant distributions.

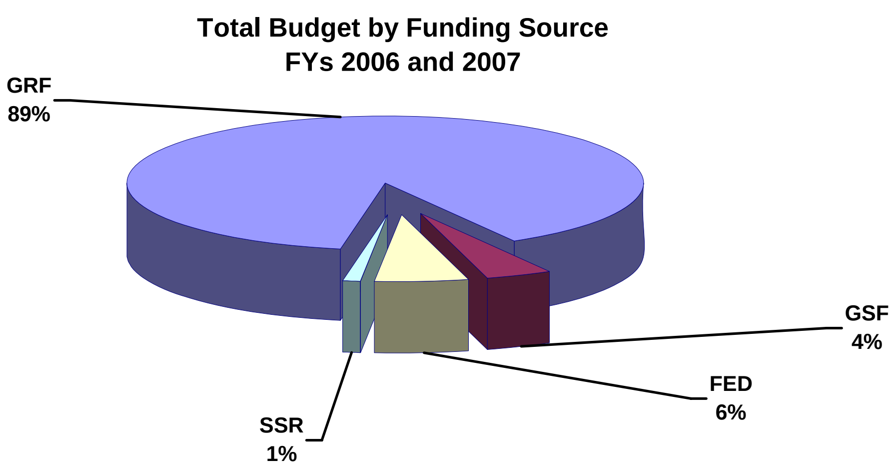
Expense by Program Area Summary

The pie chart immediately below shows total DYS appropriations (FYs 2006 and 2007) by program series. This information is shown for all funds, including the General Revenue Fund (GRF).



Expense by Fund Group Summary

The pie chart immediately below shows total DYS appropriations (FYs 2006 and 2007) by fund group. This information is shown for all funds, including the General Revenue Fund (GRF).



ANALYSIS OF THE ENACTED BUDGET

What follows is LSC fiscal staff's analysis of the Department of Youth Services' enacted biennial budget covering FYs 2006 and 2007 by program series. In this section, each program series is described and the implications of the enacted budget funding levels are also discussed. The six program series are as follows:

- ***Institutional Operations***
- ***Parole Operations***
- ***Juvenile Court Subsidies***
- ***Federal Juvenile Justice Grants***
- ***Program Management***
- ***Debt Service***

The table below summarizes the enacted funding levels for each of the six program series in FYs 2006 and 2007.

Program Series	FY 2006	FY 2007
Institutional Operations	$ 140,569,969	$ 144,371,901
Parole Operations	$ 14,568,023	$ 15,177,125
Juvenile Court Subsidies	$ 67,176,675	$ 67,633,628
Federal Juvenile Justice Grants	$ 7,556,744	$ 6,610,942
Program Management	$ 26,197,946	$ 27,511,835
Debt Service	$ 20,267,500	$ 21,882,700
Total Recommended Funding	**$ 276,336,857**	**$ 283,188,131**

The rest of this section analyzing the enacted budget contains a more detailed discussion of each of the Department's six program series.

Program Series 1 Institutional Operations

Purpose: To provide corrective and rehabilitative services to youth in departmental institutions.

The following table shows the line items that are used to fund the Institutional Operations program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	470-401	RECLAIM Ohio	$ 125,187,313	$ 129,595,711
		General Revenue Fund Subtotal	**$ 125,187,313**	**$ 129,595,711**
State Special Revenue Fund				
147	470-612	Vocational Education	$ 1,937,784	$ 2,009,866
4W3	470-618	Help Me Grow	$ 11,000	$ 11,000
		State Special Revenue Fund Subtotal	**$ 1,948,784**	**$ 2,020,866**
General Services Fund				
175	470-613	Education Reimbursement	$ 9,110,850	$ 8,407,110
479	470-609	Employee Food Service	$ 69,642	$ 62,754
6A5	470-616	Building Demolition	$ 31,100	$ 0
		General Services Fund Subtotal	**$ 9,211,592**	**$ 8,469,864**
Federal Special Revenue Fund				
321	470-603	Juvenile Justice Prevention	$ 423,031	$ 448,367
321	470-606	Nutrition	$ 2,471,550	$ 2,470,655
321	470-601	Education	$ 1,327,699	$ 1,366,438
		Federal Special Revenue Fund Subtotal	**$ 4,222,280**	**$ 4,285,460**
Total Funding: Institutional Operations			**$ 140,569,969**	**$ 144,371,901**

This analysis focuses on the following specific programs within the Institutional Operations program series:

- ***Program 1: Behavioral Health Services***
- ***Program 2: Medical Services***
- ***Program 3: Security/Unit Management***
- ***Program 4: Education***
- ***Program 5: Food Services***
- ***Program 6: Maintenance***
- ***Program 7: Facility Management***
- ***Program 8: General Program Services***
- ***Program 9: Support Services***
- ***Program 10: Private Facility Contracts***

Program 1: Behavioral Health Services

Program Description: The program is comprised of two parts: (1) mental health services and (2) substance abuse treatment services. Based on the narrative accompanying the Department's biennial operating budget submission, at any given time, 30% of institutionalized youth are on the mental health caseload, i.e., being followed by psychology and/or psychiatry due to ongoing mental health concerns, and 25% of all institutionalized youth are on psychotropic medications. Both federal and state laws mandate that institutionalized youth receive behavioral health care.

Funding Sources: (1) GRF, and (2) federal moneys

Implication of the Enacted Budget: The Department previously estimated the cost of continuing FY 2005 behavioral health services at $4.1 million in FY 2006 and $4.3 million in FY 2007. As of this writing, it appears that the enacted budget provides the level of funding necessary to maintain FY 2005 service levels plus support the hiring of one new psychology assistant for the Ohio River Valley Juvenile Correctional Facility and one new psychologist to serve the female population at the Scioto Juvenile Correctional Facility. Arguably, however, given the escalating costs of behavioral health services in general over the last several years, it may prove fiscally problematic to maintain those service levels. At this time, the Department is waiting until at least mid-FY 2006 before making any determination on whether it will be necessary to eliminate any full-time equivalent (FTE) staff positions in order to stay within the available funding.

Program 2: Medical Services

Program Description: The moneys appropriated for the Medical Services program fund nursing and medical services, including primary health care, emergency and obstetrical services, hospitalization, dental, pharmacy, radiology, optometry, laboratory, preventative health care, and health care supplies and equipment for all institutionalized juveniles.

Funding Source: GRF

Implication of the Enacted Budget: The Department previously estimated the cost of continuing FY 2005 medical services at $12.1 million in FY 2006 and $12.6 million in FY 2007. As of this writing, it appears that the enacted budget provides the level of funding necessary to maintain FY 2005 service levels plus support the hiring of one new nurse for the Ohio River Valley Juvenile Correctional Facility. Arguably, however, given the escalating costs of medical services in general over the last several years, it may prove fiscally problematic to maintain those service levels. At this time, the Department is waiting until at least mid-FY 2006 before making any determination on whether it will be necessary to eliminate any FTE staff positions in order to stay within the available funding.

Program 3: Security/Unit Management

Program Description: The moneys appropriated for the Security/Unit Management program fund: (1) basic supervision and control of youth, (2) continuous monitoring and inspection of security systems and hardware, and (3) provide for a safe and orderly atmosphere.

Funding Source: GRF

Implication of the Enacted Budget: The Department previously estimated the cost of continuing FY 2005 security/unit management activities at $50.1 million in FY 2006 and $53.0 million in FY 2007. The enacted budget provides more than those estimated levels by roughly $3.0 million in each of FYs 2006 and 2007. It appears that these additional moneys may be used largely for the hiring of 46 new security personnel for the Ohio River Valley Juvenile Correctional Facility. These additional security personnel will permit DYS to activate an existing housing unit for the purpose of relocating certain juvenile sex offenders from the Circleville Juvenile Correctional Facility where cells are double-bunked to the Ohio River Valley Correctional Facility where there would be one juvenile per cell.

Program 4: Education

Program Description: The purpose of the Education program is to: (1) provide the school age juveniles in the Department's custody with the opportunity to work toward high school graduation or a GED, (2) assist juveniles with the development of job-training skills, and (3) provide remediation and services for juveniles with learning disabilities. The Department operates its own school district under a charter from the Ohio Department of Education.

Funding Sources: (1) GRF, (2) education payments, and (3) federal moneys

Implication of the Enacted Budget: The Department previously estimated the cost of continuing FY 2005 education programming at $16.4 million in FY 2006 and $17.0 million in FY 2007. The enacted budget provides funding that exceeds those levels by roughly $2 million in FY 2006 and by around $600,000 million in FY 2007. As of this writing, it appears that this additional funding is intended for the purpose of hiring eight education staff for the Ohio River Juvenile Correctional Facility (four teachers, one guidance counselor, and three special education teachers). The Department has expressed a concern that further cuts in education services to their institutionalized population could result in the loss of their school charter. Due to this concern it appears less likely that, if necessary to limit overall expenditures in the future, the Department will make any programmatic or staffing reductions in this program area.

Program 5: Food Services

Program Description: Under the Food Service program, the Department provides three meals and two snacks per day to juveniles institutionalized in its correctional facilities. The funding pays for food, equipment, and staff.

Funding Sources: (1) GRF, (2) federal moneys, and (3) miscellaneous cafeteria moneys

Implication of the Enacted Budget: The Department previously estimated the cost of continuing FY 2005 food services at $9.3 million in FY 2006 and $9.7 million in FY 2007. Under the enacted budget, the levels of annual GRF funding for the Food Services program are short of the estimated continuation costs by around $400,000 annually. At this time, DYS is waiting until at least mid-FY 2006 before making any determination on whether it will be necessary to eliminate any FTEs in order to stay within the Department's funding levels.

Program 6: Maintenance

Program Description: The purpose of the Maintenance program is to address issues involving the physical plant of the Department's juvenile correctional facilities, including, but not limited to, heating/ventilation, plumbing, equipment, and security systems. The Department is pursuing accreditation of its juvenile correctional facilities by the American Correctional Association (ACA), which requires that the Department meet and maintain certain standards in order to obtain and retain that accreditation.

Funding Sources: (1) GRF, and (2) land conveyance proceeds

Implication of the Enacted Budget: The Department previously estimated the cost of continuing FY 2005 maintenance services at $10.60 million in FY 2006 and $10.97 million in FY 2007. Under the enacted budget, the levels of annual GRF funding for the Maintenance program are short of the estimated continuation costs by around $400,000 annually. At this time, DYS is waiting until at least mid-FY 2006 before making any determination on whether it will be necessary to eliminate any FTEs in order to stay within the Department's funding levels. It is also possible that maintenance projects that would have typically used GRF funding to complete will require the Department to tap into its non-GRF capital money.

Program 7: Facility Management

Program Description: The Facility Management program includes a broad area of responsibility that coordinates and oversees the workings of the Department's eight juvenile correctional facilities, and includes the following types of personnel: superintendents, deputy superintendents, labor relations officers, and core support staff (e.g., administrative assistants, human service program administrators, executive secretaries, secretaries, clerks, and office assistants).

Funding Source: GRF

Implication of the Enacted Budget: The Department previously estimated the cost of continuing FY 2005 facility management services at $9.9 million in FY 2006 and $10.2 million in FY 2007. Under the enacted budget, the levels of annual GRF funding for the Facility Management program are short of the estimated continuation costs by around $400,000 in FY 2006 and $2.1 million in FY 2007. At this time, DYS is waiting until at least mid-FY 2006 before making any determination on whether it will be necessary to eliminate any FTEs in order to stay within the Department's funding levels.

Program 8: General Program Services

Program Description: This program funds staff responsible for: (1) reception assessments, (2) social services, (3) religious services, and (4) recreational services.

Funding Source: GRF

Implication of the Enacted Budget: The Department previously estimated the cost of continuing FY 2005 General Program Services at $11.4 million in FY 2006 and $12.1 million in FY 2007. Under the enacted budget, the levels of annual GRF funding for the General Program Services program exceed the estimated continuation costs by around $100,000 annually. This level of funding is intended to support the hiring of six new social workers, one new social worker supervisor, and two new general activity therapists for the Ohio River Valley Juvenile Correctional Facility plus maintain the program's FY 2005 service levels. At this time, DYS is waiting until at least mid-FY 2006 before making any determination on whether it will be necessary to eliminate any FTEs in order to stay within the Department's funding levels.

Program 9: Support Services

Program Description: The Support Services program provides funding for: (1) laundry services, (2) storeroom services, (3) training personnel, (4) fiscal departments, (5) records personnel, and (6) personnel services.

Funding Source: GRF

Implication of the Enacted Budget: The Department previously estimated the cost of continuing FY 2005 Support Services at $10.7 million in FY 2006 and $11.1 million in FY 2007. Under the enacted budget, the levels of annual GRF funding for the Support Services program are short of the estimated continuation costs by around $400,000 annually. Although appearing to be fiscally problematic, this level of funding is intended to support the hiring of three new support services staff for the Ohio River Valley Juvenile Correctional Facility plus maintain the program's FY 2005 service levels. At this time, DYS is waiting until at least mid-FY 2006 before making any determination on whether it will be necessary to eliminate any FTEs in order to stay within the Department's funding levels.

Program 10: Private Facility Contracts

Program Description: The Private Facility Contracts program supports a contract the Department has with the Lighthouse Youth Center (Paint Creek). Paint Creek is a private nonprofit residential treatment facility for 49 males between the ages of 15 and 18 committed to DYS for felony 1 or felony 2 offenses. The facility is located on 32 acres outside the village of Bainbridge, Ohio in Ross County. The facility has been operating since 1986 as a program of the Lighthouse Youth Center of Cincinnati, Ohio.

Funding Source: GRF

Implication of the Enacted Budget: The Department previously estimated the cost of continuing the Paint Creek facility contract at $2.7 million in each of FYs 2006 and 2007. Under the enacted budget, the levels of annual GRF funding for the Paint Creek facility contract are short of the estimated continuation costs by around $100,000 annually. This may result in a reduction in the number of felony 1 or felony 2 juvenile offenders that can be placed at Paint Creek in the future; the alternative would likely be to place such juvenile offenders in an appropriate juvenile correctional facility operated by the Department.

Program Series 2 — Parole Operations

Purpose: To ensure public safety through parole supervision, while assisting youth in developing competency and accountability.

The following table shows the line items that are used to fund the Parole Operations program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	472-321	Parole Operations	$ 14,358,995	$ 14,962,871
		General Revenue Fund Subtotal	**$ 14,358,995**	**$ 14,962,871**
Federal Special Revenue Fund				
321	470-614	Title IV-E Reimbursements	$ 209,028	$ 214,254
		Federal Special Revenue Fund Subtotal	**$ 209,028**	**$ 214,254**
Total Funding: Parole Operations			**$ 14,568,023**	**$ 15,177,125**

This analysis focuses on the following specific programs within the Parole Operations program series:

- ***Program 1: Parole Operations***
- ***Program 2: Contract Treatment Services***

Program 1: Parole Operations

Program Description: The program provides funding for the operating expenses of the Department's six regional parole offices.

Funding Sources: (1) GRF, and (2) federal reimbursement payments

Implication of the Enacted Budget: The Department previously estimated the cost of continuing FY 2005 Parole Operations at $13.4 million in FY 2006 and $14.1 million in FY 2007. Under the enacted budget, the levels of annual GRF funding for the Parole Operations program are short of the estimated continuation costs by around $1 million annually. At this time, DYS is waiting until at least mid-FY 2006 before making any determination on whether it will be necessary to eliminate any FTEs in order to stay within the Department's funding levels.

Program 2: Contract Treatment Services

Program Description: The program provides residential and community-based treatment services for juveniles that are on parole.

Funding Source: GRF

Implication of the Enacted Budget: The Department previously estimated the cost of continuing its FY 2005 level of Contract Treatment Services for paroled juveniles at roughly $2.2 million in each of FYs 2006 and 2007. Under the enacted budget, the levels of annual GRF funding for the Contract Treatment Services program are short of the estimated continuation costs by around $400,000 annually. From the Department's perspective, the practical effect of those funding levels is that treatment services available to paroled juveniles will have to be reduced, but the nature of any reductions is uncertain at this time.

Program Series 3 Juvenile Court Subsidies

Purpose: To provide funding to juvenile courts for the purpose of developing and implementing nonsecure community programs for at-risk, unruly, and delinquent youth.

The following table shows the line items that are used to fund the Juvenile Court Subsidies program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	470-401	RECLAIM Ohio	$ 48,568,088	$ 49,025,041
GRF	470-510	Youth Services	$ 18,608,587	$ 18,608,587
		General Revenue Fund Subtotal	**$ 67,176,675**	**$ 67,633,628**
Total Funding: Juvenile Court Subsidies			**$ 67,176,675**	**$ 67,633,628**

This analysis focuses on the following specific programs within the Juvenile Court Subsidies program series:

- ***Program 1: Youth Services Block Grant***
- ***Program 2: RECLAIM County Subsidy***
- ***Program 3: Community Correctional Facilities (CCFs)***

Program 1: Youth Services Block Grant

Program Description: The purpose of the Youth Services Block Grant program is to distribute funds 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.

Funding Source: GRF

Implication of the Enacted Budget: The amount of GRF funding disbursed annually in support of the Youth Services Block Grant program has remained flat at around $18.6 million since FY 2002. As these moneys are used solely for subsidy purposes, there is no direct fiscal impact on the Department. At the local level, these funds are used by a juvenile court for probation, conflict mediation, diversion, and specialized educational services for offenders. Presumably, as the costs of those services rise, if a juvenile court cannot locate adequate financial resources, then the court will likely be forced to institute cutbacks in programming.

Program 2: RECLAIM County Subsidy

Program Description: The RECLAIM Ohio (Reasoned and Equitable Community and Local Alternatives to the Incarceration of Minors) program provides funding to juvenile courts for the purpose of developing community-based programs for juvenile offenders. By giving a juvenile court the option of treating juvenile offenders locally, counties are able to retain state funds that may be used for the development of local correctional options, developing community correctional facilities (CCFs), or contracting directly with private organizations.

Funding Source: GRF

Implication of the Enacted Budget: The amount of the RECLAIM Ohio county subsidy has not significantly changed in the last several fiscal years, ranging around $30 million to $35 million annually. The absence of any real growth in the annual RECLAIM subsidy amounts in combination with the effects of inflation means that this state financial support is purchasing less programming for the juvenile courts. The Department has discussed the enacted levels of GRF funding with the juvenile courts, and believes at this time that $30 million annually should be sufficient to fund local programs for juveniles that the court would prefer to keep in their community. The Department has expressed the concern, however, that, if funding to juvenile courts is significantly reduced from the $30 million annual figure, then the juvenile courts may end up placing more juveniles into the care and custody of the Department due to a lack of appropriate local alternatives for these juveniles.

Program 3: Community Correctional Facilities (CCFs)

Program Description: The moneys appropriated for the CCF program provide funding for 300-plus beds at 12 community correctional facilities located around the state. The beds are for juveniles who would otherwise be committed to a state juvenile correctional facility. A community correctional facility is a secure county-operated facility. The facilities are typically able to provide more individualized care for juvenile offenders by keeping them closer to their communities and support a better transition to community settings following release.

Funding Source: GRF

Implication of the Enacted Budget: As of this writing, it appears that the amount of funding in the enacted budget will be sufficient for CCFs to operate and meet the treatment and programming needs for juvenile offenders placed in their care.

Program Series 4 — Federal Juvenile Justice Grants

Purpose: To provide federal sub-grants to local governments and nonprofit agencies for implementing various programs addressing the problem of juvenile delinquency and its prevention.

The following table shows the line items that are used to fund the Federal Juvenile Justice Grants program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
Federal Special Revenue Fund				
3V5	470-604	Juvenile Justice/Delinquency Prevention	$ 3,831,911	$ 3,815,292
3W0	470-611	Federal Juvenile Programs FFY 2002	$ 222,507	$ 0
3Z8	470-625	Federal Juvenile Programs FFY 2004	$ 1,023,188	$ 773,812
3Z9	470-626	Federal Juvenile Programs FFY 2005	$ 465,000	$ 0
321	470-603	Juvenile Justice Prevention	$ 1,558,138	$ 1,558,138
321	470-617	Americorps Programs	$ 456,000	$ 463,700
		Federal Special Revenue Fund Subtotal	**$ 7,556,744**	**$ 6,610,942**
Total Funding: Federal Juvenile Justice Grants			**$ 7,556,744**	**$ 6,610,942**

Program Description: The program series consists of a single umbrella program – Juvenile Justice Programs – the purpose of which is to distribute federal funds as sub-grants to local governments and nonprofit agencies for implementing various programs that address the problem of juvenile delinquency and its prevention.

Funding Source: Federal grants

Implication of the Enacted Budget: The Department's enacted budget appropriates federal funding totaling $17.7 million in FY 2006 and $17.4 million in FY 2007, moneys that are largely shared, in order of magnitude, by three program series: Federal Juvenile Justice Grants, Program Management, and Institutional Operations. As noted in the above table, the amount of that federal funding to be allocated for the Federal Juvenile Justice Grants program series is estimated at $7.56 million and $6.61 million in FYs 2006 and 2007, respectively. At this point in time, unless more federal grant moneys than expected are awarded to Ohio, the federal grants distributed over the course of the FY 2006-2007 biennium appear likely to become fewer in number and/or smaller in magnitude.

Program Series 5 Program Management

Purpose: To provide oversight of departmental institutions, private facilities, community correctional facilities, and parole operations, as well as the administration of county subsidies.

The following table shows the line items that are used to fund the Program Management program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	470-401	RECLAIM Ohio	$ 3,261,282	$ 3,463,836
GRF	477-321	Administrative Operations	$ 14,239,494	$ 14,754,420
		General Revenue Fund Subtotal	**$ 17,500,776**	**$ 18,218,256**
General Services Fund				
175	470-613	Education Reimbursement	$ 1,001,679	$ 1,043,488
4A2	470-602	Child Support	$ 320,641	$ 328,657
4G6	470-605	General Operational Funds	$ 10,000	$ 10,000
479	470-609	Employee Food Service	$ 71,824	$ 74,912
523	470-621	Wellness Program	$ 46,937	$ 0
		General Services Fund Subtotal	**$ 1,451,081**	**$ 1,457,057**
Federal Special Revenue Fund				
3V5	470-604	Juvenile Justice & Delinquency Prevention	$ 422,834	$ 439,454
3Z8	470-625	Federal Juvenile Programs FFY 2004	$ 476,813	$ 0
321	470-601	Education	$ 94,881	$ 98,961
321	470-614	Title IV-E Reimbursements	$ 4,751,561	$ 5,798,107
		Federal Special Revenue Fund Subtotal	**$ 5,746,089**	**$ 6,336,522**
State Special Revenue Fund				
5BH	470-628	Partnerships for Success	$ 1,500,000	$ 1,500,000
		State Special Revenue Fund Subtotal	**$ 1,500,000**	**$ 1,500,000**
Total Funding: Program Management			**$ 26,197,946**	**$ 27,511,835**

Program Description: The Program Management program series consists of a single program – Program Management – the purpose of which is to provide oversight, management, and staff support to all divisions of the Department.

Funding Sources: (1) GRF, (2) federal moneys, (3) education payments, and (4) miscellaneous payments and collections

Implication of the Enacted Budget: The enacted budget appears to provide an annual level of funding that is somewhat less than DYS' estimated cost of continuing its FY 2005 level of program management services in FYs 2006 and 2007.

At this time, the Department is waiting until at least mid-FY 2006 before making any determination on whether it will be necessary to eliminate any FTEs in order to stay within the Department's funding levels. Factors complicating this decision include the need to fund mandatory pay raises, and the need to redirect funds as appropriate to higher priority areas.

Program Series 6 — Debt Service

Purpose: To ensure payment of bond service charges for obligations issued by the Ohio Building Authority to finance the cost of the Department's capital appropriations.

The following table shows the lone line item that is used to fund the Debt Service program series, as well as the enacted funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Revenue Fund				
GRF	470-412	Lease Rental Payments	$ 20,267,500	$ 21,882,700
Total Funding: Debt Service			**$ 20,267,500**	**$ 21,882,700**

Program Description: This program/line item 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 levels 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 correctional facilities, county detention centers, and the like).

Funding Source: GRF

Implication of the Enacted Budget: The debt service funding level contained in the enacted budget will permit the state to meet its legal and financial obligations to the OBA in each of FYs 2006 and 2007.

Tax Provisions

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- Tax decreases: income tax rates reduced; corporate franchise tax and tangible personal property tax phased out
- Tax increases: new commercial activity tax; sales tax rate increased
- Distribution to local government funds frozen again

INTRODUCTION

Am. Sub. H.B. 66 (H.B. 66) makes many changes to Ohio's tax structure. Reductions include a phased-in 21% cut in the personal income tax, the phase-out of the corporate franchise tax for general businesses, and the phase-out of the tangible personal property tax for general businesses and telecommunications companies. Increases include the new commercial activity tax (CAT) and an increase in the sales tax rate from 5% to 5.5%. These changes are designed to improve the competitiveness of the Ohio economy by reducing disincentives for investment and employment. Once again, deposits into and distributions from the three local government funds were frozen at the levels of the most recent fiscal year.

Commercial Activity Tax

H.B. 66 creates a new privilege tax on business entities operating in Ohio, the commercial activity tax (CAT). The CAT, which is not a transactional tax, is the centerpiece of the tax reform package included in the budget bill. Generally, business entities with annual gross receipts below $150,000 are exempt from the CAT, those with annual gross receipts above $150,000 and less than $1 million will pay $150, and businesses with gross receipts above $1 million will pay $150 plus the CAT tax rate of 0.26% on gross receipts in excess of $1 million.

Any business activity conducted for or resulting in gain, income, or profit is taxable under the CAT. H.B. 66 expressly provides that the tax applies to all legal persons with substantial nexus with Ohio.[26] The CAT applies to in-state and out-of-state businesses with taxable Ohio receipts. For purposes of the CAT, an out-of-state business will have "nexus" with Ohio and be taxable if it has over $50,000 in real or personal property, $50,000 in payroll for work in Ohio, $500,000 in taxable gross receipts, or has 25% or more of its activity in the state.

All persons must register by November 15, 2005, or within 30 days of having receipts above $150,000 in a calendar year. The registration fee is $15 (if done electronically) or $20 per taxpayer. The cost of registration is applied against the taxpayer's CAT liability. Persons with receipts above $1 million

[26] As defined in section 5751.01 of the Revised Code, "person" means, but is not limited to, individuals, combinations of individuals of any form, receivers, assignees, trustees in bankruptcy, firms, companies, joint-stock companies, business trusts, estates, partnerships, limited liability partnerships, limited liability companies, associations, joint ventures, clubs, societies, for-profit corporations, S corporations, qualified subchapter S subsidiaries, qualified subchapter S trusts, trusts, entities that are disregarded for federal income tax purposes, and any other entities. "Person" does not include nonprofit organizations or the state, its agencies, its instrumentalities, and its political subdivisions.

are to pay quarterly. Returns are due by the 40th day after the end of a quarter, with the fourth quarter return being an annual reconciliation return. The first CAT returns are due February 10, 2006. For CY 2006, the subsequent due dates of tax returns will be May 10, August 10, and November 10. Persons with receipts below $1 million may elect to pay annually and file a single annual return by the 40th day after the end of the calendar year.

The CAT will be phased in over a five-year period from FY 2005 to FY 2010, with taxpayers paying an increasing share of their calculated CAT liability. For the biennium, CAT taxpayers will pay 23% and 40% of their CAT liability in FY 2006 and FY 2007, respectively. The percentage will increase to 60% in FY 2008 and 80% in FY 2009. The CAT will be fully phased-in in FY 2010 when taxpayers pay 100% of the tax liability. For the six-month period beginning July 1, 2005, and ending December 31, 2005, the tax for CY 2005 is $75 plus the product of 0.06% and receipts in excess of $500,000. Generally, the minimum tax is reduced to $75 if the taxpayer is first engaged in business in Ohio after May 1 and before December of a given year, and the first $500,000 is excluded from the tax.

Taxpayers

Unlike the corporate franchise tax, which applies only to corporations, the commercial activity tax applies to any legal person with more than $150,000 in annual taxable gross receipts in Ohio regardless of the person's legal or organizational form, unless the business entity is specifically excluded. H.B. 66 excludes public utilities, financial institutions, dealers in intangibles, insurance companies, and nonprofit institutions. These business entities will continue their current tax regimes. The budget act also exempts banks' holding companies, financial holding companies, certain financial services companies, and majority-owned affiliates of all those companies and those of financial institutions and insurance companies. All of these financial-type exempted companies would be subject to the corporation franchise tax if they were C corporations (or treated as corporations). The exemption is for financial-type companies engaged only in activities allowed for a financial holding company under federal law. However, if a nonfinancial company is a part of a merchant banking activity, the company may not be exempted from the CAT. For legal entities majority-owned by insurance companies, the bill requires that the insurance companies be authorized to do business in Ohio. H.B. 66 also excludes from the CAT persons formed by financial institutions solely for the purpose of facilitating or servicing securitizations transactions for financial-type institutions exempt from the CAT. The instrumentalities of the state (e.g., universities) are excluded from the CAT.

Taxable receipts

Taxable gross receipts (the tax base for the CAT) are amounts realized on sales by a person on transactions that contribute to the production of gross income, without deductions for the cost of goods sold or other expenses. The definition of "taxable gross receipts" includes numerous exemptions and exclusions. H.B. 66 excludes certain receipts such as interest (except interest on credit sales), dividends, and certain capital gains, even when received in the ordinary course of the taxpayer's business. Most business dividends and distributions are excluded from gross receipts, including an investor's pass-through income from an "S" corporation, partnership, limited liability company, or other type of pass-through entity. The following are also excluded from "gross receipts" for purposes of the CAT.

- Sales and use taxes collected by a vendor.

- Federal and state excise taxes paid on cigarettes and tobacco products, alcoholic beverages, and motor fuel.

- The portion of pari-mutuel horse racing wagers that legally must be held as purse money or collected as tax.

- Receipts from sales of lottery tickets in excess of agents' commissions, bonuses, and reimbursements.

- Certain receipts by a motor vehicle dealer for selling a motor vehicle to another dealer that intends to resell the motor vehicle. The exclusion from taxable receipts applies only to those transactions by new and used motor vehicle dealers that are needed to meet a specific customer's preference for a motor vehicle.

- Amounts or gross receipts from transactions between electric companies and regional transmission organizations regardless of whether they are received in the ordinary course of business or as a form of payment for an otherwise taxable transaction.

- Receipts from selling accounts receivables to the extent the receipts from the transactions giving rise to the receivables were previously included in the taxpayer's receipts.

- Hunting, fishing, and similar license fees collected by a person authorized to issue such licenses (the fees such persons may charge for issuing the license are not excluded).

- The portion of a real estate brokerage fee not retained by a broker (share paid to another broker or to a real estate salesperson). The exclusion applies only to the portion of the fee that applies in transactions in which the taxpayer is acting as a real estate broker.

- Receipts for services provided to a financial institution in connection with issuing, processing, servicing, and managing loans or credit accounts, if such financial institutions and the recipients of the receipts have at least 50% of their ownership interests owned and controlled by common owners.

- Gross receipts received from administering cancer treatment drugs in a physician's office to patients with cancer.

- Amounts derived from the sale of tangible personal property that is delivered into or shipped from certain foreign trade zones that include a transshipment station capable of receiving and shipping freight by rail, highway, and air transportation. This exclusion expires on June 30, 2007.

- Property, money, and other amounts received by a professional employer organization from a client employer in excess of the administrative fee charged by the organization.

- Receipts from the sale of motor fuel (excluded until June 30, 2007).

- Receipts of members of a consolidated group taxpayer, including sales to a member of the consolidated group for the use of the member in Ohio. Receipts are not excluded if they are received from sales to persons outside the group.

- Receipts of a combined utility company attributable to a heating company or a natural gas company. A combined utility company must pay the CAT with regard to taxable gross receipts from a public utility activity that is not subject to the public utility gross receipts tax.

Distribution of CAT revenues

In FY 2006, taxpayers will make two CAT payments (February and May) at the rate of 0.06% (23% x 0.26%) on taxable gross receipts. For FY 2007, the quarterly CAT payments will be made at the rate of 0.10% (40% x 0.26%) on taxable gross receipts. Revenues from the CAT will be deposited in the commercial activity tax receipts fund in the State Treasury. The Department of Taxation estimates that the CAT will generate approximately $219.0 million in FY 2006 and $449.0 million in FY 2007, or $668.0 million for the biennium. This estimate is subject to a large degree of uncertainty because the CAT is a new tax without history in Ohio or nationwide. Most likely, the degree of compliance with the new tax will determine the level of CAT revenues in the biennium. H.B. 66 earmarks revenues from the CAT for the GRF and for reimbursing school districts and other local governments for the reductions and phase-out of local taxes on most tangible personal property. To that end, revenues from the CAT will be distributed to the School District Tangible Property Tax Replacement Fund (SDRF) and to the Local Government Tangible Property Tax Replacement Fund (LGRF).

Varying percentages are applied to the distribution of revenues from the commercial activity tax. For FY 2006, the GRF will receive 67.7% of CAT revenues, the SDRF will receive 22.6%, and the LGRF will receive 9.7%. Based on the revenue estimates above, the GRF will potentially receive $148.3 million, the SDRF $49.5 million, and the LGRF $21.2 million.

For FY 2007, the GRF will not receive distributions from the CAT (distributions to the GRF are to resume in FY 2012). The SDRF and the LGRF will receive 70.0% and 30.0% of CAT revenues. Revenues to SDRF and LGRF are estimated at $314.3 million and $134.7 million, respectively, for a total of $449.0 million in FY 2007. Thus, for the biennium, the CAT would provide $148.3 million to the GRF, $363.8 million to the SDRF, and $155.9 million to the LGRF. Total revenues from the CAT for replacing revenues from the tangible personal property (TPP) tax may be $519.7 million for the biennium.

LSC estimates that $493.0 million will be required in FY 2007 for the SDRF and the LGRF during the phase-out of the TPP tax. The Department of Taxation estimate of the same replacement amount is $527.3 million. Revenues from the CAT in FY 2007 ($449.0 million) might be inadequate to fully reimburse school districts and local governments for the loss of revenues from the tangible personal property tax in FY 2007. This may require a transfer from GRF to the LGRF and SDRF of between $44.0 million and $78.3 million.

Rate adjustments

H.B. 66 prescribes a rate adjustment mechanism if revenues exceed or fall below certain thresholds during three specified "test" periods. For the period of July 1, 2005 through June 30, 2007, expected revenues from the CAT are $815 million. For the period of July 1, 2008 through June 30, 2009, expected revenues from the CAT are $1.190 billion. For the period of July 1, 2010 through June 30, 2011, expected revenues from the CAT are $1.610 billion.

If receipts from the CAT exceed the expected revenues for the defined periods by more than 10%, the rate is adjusted downward to the rate that would have produced the specified revenues over the test period minus one-half of the amount by which actual revenue exceeded 110% of the expected amount. Also, 50% of the excess revenue (above 110% of the expected amount) is credited to the Budget

Stabilization Fund (BSF) and the other 50% is credited to the newly created CAT Refund Fund. Moneys credited to the CAT Refund Fund are returned to the CAT taxpayers that fully paid their taxes for the year in which the test period ends. Each taxpayer is entitled to its pro rata share of the excess revenue credited to the CAT Refund Fund based on the taxpayer's CAT liability as compared to the total liability of all taxpayers. If receipts fall short of 90% of expected revenues for any of the three test periods, the rate is adjusted upward to the rate that would have produced the expected amount over the test period. The Tax Commissioner will compute the new CAT rate.

Situsing of receipts

Only gross receipts sitused to Ohio are taxable under the commercial activity tax. H.B. 66 prescribes specific situsing rules for the various kinds of gross receipts. The following receipts are sitused to Ohio:

- Gross rents and royalties from real property located in Ohio.

- Gross rents and royalties from tangible personal property to the extent the property is located or used in Ohio.

- Gross receipts from the sale of real property located in Ohio.

- Gross receipts from the sale of tangible personal property if the purchaser receives the property in Ohio. Property received in the state for transportation by the purchaser to a location outside Ohio is not to be sitused in Ohio, but rather to the place where the property is ultimately located. Tangible personal property delivered into a foreign trade zone located in Ohio for the purpose of delivery out of Ohio, without regards to the passage of title and repackaging for further shipping purposes, shall be sitused to the location at which the person or person's affiliated customer delivers the property outside Ohio. H.B. 66 excludes from taxable gross receipts amounts derived from the sale of tangible property that is delivered into or shipped from "qualified" foreign trade zones that have a transshipment station capable of receiving and shipping freight by rail, highway, and air transportation ("intermodal" FTZ). This exception is temporary and expires on June 30, 2007.

- Gross receipts from trademarks, trade names, patents, copyrights, and similar intellectual property to the extent the property is used in Ohio.

- Gross receipts from the sale of services, and all other gross receipts not otherwise mentioned above are sitused to Ohio proportionately to the purchaser's benefit in Ohio. The physical location where the purchaser receives and uses the benefit would determine the share of benefits received in Ohio.

- Gross receipts from the sale of transportation services by a common or contract carrier will be sitused in Ohio based on the mileage in the state as compared to everywhere else.

Tax Credits

A limited number of tax credits, none of which will reduce revenues in the FY 2006-2007 biennium, may be applied against the CAT. A taxpayer may apply job creation and retention tax credits and two qualified research expenses credits against the CAT. These credits are currently available for the corporate franchise tax and the personal income tax.

The job creation tax credit is a refundable[27] credit available to a CAT taxpayer for new jobs created pursuant to an agreement with the Ohio Tax Credit Authority. The credit is equal to a designated percentage of the total amount of Ohio income tax withheld from new employees during the calendar year. The percentage is established in the agreement between the taxpayer and the Tax Credit Authority. The credit may be granted for a period of up to ten years.

The job retention tax credit is a nonrefundable[28] credit. Employers making at least $200 million in capital investments at a project site over a three-year period and with at least 1,000 full-time employees at the site may reach a retained jobs tax credit agreement with the Ohio Tax Credit Authority. In certain conditions, the taxpayer is required to make $100 million in investment over three consecutive years if the average wage is 400% above the federal minimum wage. The credit is equal to a designated percentage (not to exceed 75%) of the total amount of Ohio income tax withheld from employees at the project site during the calendar year (the percentage is established in the agreement between the taxpayer and the Tax Credit Authority). The credit may be granted for a period of up to ten years. Any unused portion of the credit may be claimed in a future tax year, but may not be carried forward beyond three tax years.

The nonrefundable tax credit for qualified research expenses is equal to 7% of the excess of qualified research expenses over the taxpayer's average annual qualified research expenses incurred in the three preceding calendar years. This credit may be carried forward for seven calendar years.

The nonrefundable credit for qualified research and development loan payments is equal to a borrower's qualified research and development loan payments made during the calendar year preceding the tax period for which the taxpayer is claiming the credit. The amount of the credit for a calendar year shall not exceed $150,000 and the taxpayer must obtain a certificate issued by the Director of Development. The credit may be carried forward to the next tax period or periods. The aggregate credit for loan payments against the personal income tax, the corporate franchise tax, and the commercial activity tax cannot exceed $150,000 per taxpayer per year.

The tax credits will not be allowed against the commercial activity tax if they were available against the corporate franchise tax or the personal income tax, except to the extent the credits were not applied against those taxes. The tax credits against the CAT must be taken in the following order: (1) the nonrefundable jobs retention tax credit, (2) the nonrefundable credit for qualified research expenses, (3) the nonrefundable credit for a borrower's qualified research and development loan payments, and (4) the refundable jobs creation tax credit. The credits can be applied against the CAT beginning on or after July 1, 2008, and can no longer be applied against the corporation franchise tax or the personal income tax after that date.

H.B. 66 creates a CAT tax credit if CAT revenues exceed specified thresholds. A portion of the excess revenues credited to the CAT Refund Fund will be returned to CAT taxpayers based on their pro rata share of liability compared to the total liability of all taxpayers entitled to the credit. The tax credit is allowed for CY 2008, CY 2010, and CY 2012 if a transfer was made from the GRF to the CAT Refund Fund in the preceding calendar year.

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[27] If the value of the credit is greater than the amount of tax owed, then the tax liability is reduced to zero and the taxpayer gets a refund equal to the amount by which the value of the credit exceeds the amount of tax owed.

[28] If the value of the credit is greater than the amount of tax owed, then the tax liability is reduced to zero and the taxpayer does not receive a refund. For some credits, the excess credit may be carried forward and applied to another year or years.

Corporations (subject to the corporation franchise tax) with a net operation loss (NOL) deduction of more than $50 million will be able to claim a NOL tax credit against the CAT beginning in tax year 2010. The credit will be phased in over ten years, but may not exceed 50% of the taxpayer's CAT liability in any year (after deducting any other credits). The Tax Commissioner may audit the accuracy of the value of the net operation losses or other lost unrealized tax assets (due to the phase-out of the corporate franchise tax).

Miscellaneous

H.B. 66 prohibits a taxpayer from billing or invoicing the CAT to another person. However, a taxpayer is not prohibited from adding the tax to the price of a good or service, and the tax remains part of the price for purposes of the sales and use tax. Business privileges may be revoked for noncompliance with the CAT law, and a person may not reregister until all outstanding taxes, penalties, and interest are paid in full. The budget act also provides for the refund of CAT tax liability and specifies the conditions under which an outstanding debt owed by a CAT taxpayer becomes final and offsets a refund of CAT liability. Sampling of taxpayer receipts during audits is allowed. The sampling method will be adopted by administrative rule, and the Tax Commissioner is required to try in good faith to reach agreement on the sampling method with the taxpayer.

Taxable gross receipts are to be calculated on an accrual basis,[29] rather than a cash basis, unless the taxpayer is not required to use accrual basis accounting for federal income tax purposes. The taxpayer must use the same accounting method for the CAT as it uses for federal income tax purposes for the same period of time. Taxpayers must include in their taxable gross receipts the value of property received outside Ohio and transferred into Ohio within one year after its receipt, unless the Tax Commissioner ascertains that the transfer was not carried out for purposes of avoiding the CAT.

Personal Income Tax

H.B. 66 made several changes to the personal income tax. The most notable is the 21% reduction in the personal income tax rates over a five-year period. The other major reduction to the personal income tax is a tax credit for low-income taxpayers. Increases to the personal income tax include: delaying the inflation adjustments to the personal income tax brackets until taxable year 2010, making the trust tax permanent, and eliminating the deduction for qualified tuition expenses.

Personal Income Tax Rate Adjustments

This provision reduces the marginal tax rates for each income bracket by a total of 21% over five years, beginning with taxable year 2005, in nearly even per-year increments. For each taxable year beginning after 2009, the income tax rates will be the same as for taxable year 2009. The rate reductions are estimated to reduce revenues from the personal income tax by $316 million in FY 2006 and $660 million in FY 2007.

Tax Credit for Low-Income Taxpayers

The personal income tax credit for low-income taxpayers essentially exempts from the personal income tax those taxpayers whose Ohio taxable income (Ohio adjusted gross income less personal

[29] In accrual accounting, transactions are counted when the order is made, the item delivered, or the service occurs, regardless of when the money for them is actually received or paid.

exemptions) does not exceed $10,000. This provision will reduce personal income tax revenue by an estimated $14.1 million in FY 2006 and $13.2 million in FY 2007.

Inflation Adjustments to the Personal Income Tax Deferred

Prior to H.B. 66, the personal income tax brackets were to be adjusted for inflation annually by the Tax Commissioner beginning in taxable year 2005. H.B. 66 defers that adjustment until taxable year 2010, after the phase-in of the rate reduction is complete. This provision increases revenue from the personal income tax by an estimated $65 million in FY 2006 and $126 million in FY 2007.

Permanently Extending the Trust Tax

The tax on trusts was set to expire at the end of taxable year 2004. The tax was only in effect for taxable years 2002, 2003, and 2004. H.B. 66 extends the trust tax past taxable year 2004. This will increase revenue from the personal income tax by an estimated $19 million in FY 2006 and $55 million for each year thereafter.

Elimination of the Deduction for Qualified Tuition and Fees

Prior to H.B. 66, taxpayers were permitted to take a deduction for certain tuition expenses and fees paid during the taxable year. The deduction was available for tuition and fees paid to a state university or other postsecondary institution located in Ohio. H.B. 66 eliminated the deduction. The elimination of this deduction will increase revenues from the personal income tax by an estimated $13.4 million per fiscal year, beginning in FY 2007.

Sales and Use Tax

H.B. 66 makes several changes to the sales and use tax law. The changes include an increase in the tax rate and the vendor discount, the repeal of the exemption for sales of investment coins and bullion, and an update of the law to conform to the Streamlined Sales and Use Tax Agreement.

Increase in the sales and use tax rate

H.B. 66 raises the statutory sales and use tax rate to 5.5%, up from 5.0%. The sales and use tax rate was temporarily set at 6.0% for FY 2004 and FY 2005 by the budget bill for the FY 2004-2005 biennium, Am. Sub. H.B. 95 of the 125th General Assembly, and was to return to the previous rate of 5.0% on July 1, 2005. This increase in the sales and use tax rate will enhance GRF revenues by up to $715.7 million in FY 2006 and $739.3 million in FY 2007.

Increase to the vendor discount

The budget act maintains the vendor discount for prompt remittance of sales and use tax collections at 0.9%. Am. Sub. H.B. 95 of the 125th General Assembly temporarily set the vendor discount at 0.9% between July 1, 2003 and June 30, 2005. The vendor discount was to return to 0.75% on July 1, 2005. The increase in the vendor discount potentially decreases GRF receipts by up to $16.4 million in FY 2006 and $17.2 million in FY 2007.

Repeal of the exemption for sales of investment coins and bullion

H.B. 66 repeals the sales tax exemption for sales of investment coins and bullion. The Department of Taxation estimates this provision will increase sales and use tax revenues by about $3.3 million in FY 2006 and $3.6 million in FY 2007.

Changes to conform to the Streamlined Sales and Use Tax Agreement

The budget act makes several changes to the sales and use tax law to comply with the Streamlined Sales and Use Tax Agreement (SSTA). H.B. 66 revises Ohio law regarding exemption certificates and changes the manner in which sales of digital goods and computer software or services are sourced when used in more than one taxing jurisdiction and the business consumer does not hold a direct payment permit.[30] The bill adopts the definitions in the SSTA for various types of communication services, and exempts sales by a vendor of a 900 service to a subscriber and sales of value-added nonvoice data services. The bill also amends the definition of "price" to address the treatment of coupons, discounts, third party payments, and other issues, and creates a new law regarding the tax treatment of "bundled transactions" by communication and other companies.[31] These changes to conform to the STTA potentially decrease GRF revenues.

County vendor license fee

Under current law, the Tax Commissioner may establish a registration system for payment of license fees available to remote vendors. The budget bill creates in the State Treasury the Vendor's License Application Fund in which vendor license fees collected by the Tax Commissioner are deposited. This change facilitates vendor registration and payment of fees, particularly for out-of-state vendors. The fees will be transmitted to the counties in which the vendor engages in business. The provision has no fiscal effect.

Corporate Franchise Tax

Phase-out of the corporate franchise tax

H.B. 66 phases out the corporate franchise tax (CFT) over a five-year period for nonfinancial corporations.[32] Financial corporations, which have a different tax base than general corporations, will

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[30] Direct pay permit holders are consumers authorized by the Tax Commissioner to remit the tax directly to the state instead of the vendor. Direct pay permit holders include consumers whose number of purchase transactions of goods and services exceed 5,000 annually and whose Ohio state sales and use tax paid on these purchases exceeds $250,000 annually, or who purchase goods or services under circumstances normally making it impossible at the time of the purchase to determine if the goods or services are exempt from taxation.

[31] Companies may offer one bill for bundled transactions that may include various services such as telephone, cable, and high-speed Internet services.

[32] The corporation franchise tax has two alternative bases: *a net worth base and a net income base*. General corporations are required to compute their tax liability under each base and pay the higher of the two. Financial institutions are required to compute their tax based only on net worth and are taxed at 13 mills. The net worth tax rate for general corporations is 4 mills, and tax liability is capped at $150,000 per taxpayer. The net income tax rates are 5.1% and 8.5%. In addition, current law requires two supplemental "litter" taxes, which are capped at $5,000 each per taxpayer. The Tier I litter tax applies to all corporations except farms and financial institutions. Rates are 0.14 mills (net worth base) or 0.11% on the first $50,000 of taxable income and 0.22% for taxable income in excess of $50,000. The Tier II litter tax applies to taxpayers that manufacture or sell litter stream

continue to pay the 13 mills tax on their net worth base. Starting in FY 2006, nonfinancial corporations will pay a decreasing percentage of their regular CFT liability each year. For example, in FY 2006, CFT payments from nonfinancial corporations will be 80% of the overall tax liability. In FY 2007, CFT payments will be 60% of the calculated tax liability. In FY 2008 and FY 2009, nonfinancial corporations will pay 40% and 20% of their CFT liability, respectively. In FY 2010, only financial corporations will be paying the CFT, which will be eliminated for nonfinancial corporations. The phase-out of the corporation franchise tax will decrease CFT revenues by about $176.2 million in FY 2006 and $361.6 million in FY 2007. During the phase-out of the CFT, the withholding tax imposed on pass-through entities owned by corporations will be based on each corporation-owner franchise tax liability. The phase-out rate of the pass-through entity withholding tax applies only to corporation-owners that become subject to the newly created commercial activity tax (CAT). The bill specifies the way in which the various franchise tax credits that are carried forward will be claimed during the phase-out of the tax.

Limited Liability Companies

H.B. 66 clarifies how limited liability companies classified as corporations for federal purposes are treated under the corporate franchise tax law. Any association taxable as a corporation for federal income tax purposes will also be treated as a corporation for state franchise tax law, and an equity interest in the business shall be treated as capital stock. This change is expected to have a minimal fiscal effect.

Machinery and Equipment Tax Credits

H.B. 66 limits the availability of the corporate franchise and personal income machinery and equipment tax credits to new manufacturing machinery and equipment purchased by June 30, 2005 and installed by June 30, 2006. These tax credits were previously available for the purchase and installation of manufacturing machinery and equipment until December 31, 2015. The Department of Taxation estimates the elimination of the M&E tax credits potentially increases GRF revenues by $7.2 million in FY 2006 and $10.5 million in FY 2007.

Revenue from Litter Taxes transferred to the GRF

Under current law, all corporations (except family farm corporations and financial institutions) pay the Tier I litter tax. An additional Tier II litter tax applies to CFT taxpayers that manufacture or sell litter stream products in Ohio. Revenues from the litter taxes were distributed to the Recycling and Litter Prevention Fund. The budget act redirects revenues from the litter taxes to the GRF, and thus increases GRF revenues by $8.0 million and $7.2 million in FY 2006 and FY 2007, respectively.

Telephone company tax credit

H.B. 66 permits telephone companies a full recovery of the tax credit for expenses to aid the communicatively impaired in FY 2006. Telephone companies were exempted from the public utility excise tax and made subject to the CFT beginning in tax year 2005. For tax year 2005, telephone companies were required to compute taxes owed and net operating loss carry forward by multiplying the tax owed, net of nonrefundable credits, or the loss for the tax year, by 50%. This feature of law (Am. Sub. H.B. 95 of the 125th General Assembly) was to solve timing issues in moving businesses from one tax (public utility excise tax) to the other (CFT), but had the effect of limiting the credit amount that a

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products (e.g., beverages, containers, etc.). Rates are 0.14 mills or 0.22% of Ohio taxable income in excess of $50,000.

company could claim. In FY 2006, telephone companies may claim the credit fully. This provision decreases GRF revenues by $3.1 million in FY 2006 only, according to the Department of Taxation.

Kilowatt-Hour Tax

H.B. 66 eliminated a provision of existing law that may change the allocation of revenues from the tax under specified conditions. While the largest portion of revenues from the tax (59.976%) goes to the GRF according to statutory formula, some of the revenue goes to the LGF (2.646%), the LGRAF (0.378%), the School District Property Tax Replacement Fund (SDPTRF, 25.4%), and the Local Government Property Tax Replacement Fund (LGPTRF, 11.6%). According to the provision eliminated, if revenue under the tax were below $552 million in a fiscal year, the allocation formula would be changed. In fiscal years before FY 2007, the GRF share would be reduced sufficiently to ensure that the LGF and the LGRAF would get the amounts they would have gotten under the statutory share if the total revenue had been $552 million. Similarly, beginning in FY 2007, the GRF share would have been reduced sufficiently to ensure that the LGF, the LGRAF, the SDPTRF, and the LGPTRF all received the amounts they would have received under the statutory formula if total revenue had been $552 million. The kilowatt-hour tax raised a total of $539.7 million in FY 2005, up slightly from $538.2 million in FY 2004. Allowing for growth in revenue at the rate projected in the May 2005 LSC revenue forecast, revenue would be approximately $551 million in FY 2006, triggering the change in allocation of revenues across funds, but is expected to exceed $552 million in subsequent fiscal years. Because the local government fund freeze provision in Section 557.12 of the bill would have overridden the statutory provisions in FY 2006, this provision of the bill would be expected to have no fiscal effect.

Domestic and Foreign Insurance Taxes

H.B. 66 extended the job creation tax credit, already existing for taxpayers of other business taxes, to domestic and foreign insurance companies. As with the existing credit, which is refundable, to claim the credit an insurer must submit a proposal for a project that would create new jobs in the state to the Tax Credit Authority. The authority must determine three things before entering into an agreement with the taxpayer for a credit: (1) that the project will create new jobs in Ohio, (2) that the project is economically sound, and (3) that receiving the credit would be a major factor in the taxpayer's decision to implement the project. The amount of the credit and the term of the credit are determined by the Tax Credit Authority subject to conditions specified in section 122.17 of the Revised Code. If the conditions are met, the Director of Development issues a tax credit certificate. The taxpayer must claim the credit for the calendar year specified in the certificate. The job creation tax credits are estimated to reduce revenues to the GRF from the domestic insurance tax and from the foreign insurance tax by approximately $2.6 million per fiscal year for each of the two taxes.

The bill also clarified language relating to the existing venture capital tax credit, as it applies to domestic and foreign insurers. The clarifications have no fiscal effect.

Dealers in Intangibles Tax

H.B. 66 provides for procedures whereby dealers in intangibles may petition for the review of penalties imposed upon them in connection with their reporting and payment of the tax. The budget bill also narrows the definition of who qualifies as a dealer in intangibles by specifying that the person must be engaged "primarily" in the specific activities that distinguish dealers in intangibles from other types of businesses, such as lending money, dealing in mortgages, other debt instruments, and securities for profit or gain, and requires the Tax Commissioner to adopt a rule clarifying the definition of "dealer in intangibles." These provisions have no fiscal effect.

Cigarette and Other Tobacco Products Tax

H.B. 66 increased the cigarette tax rate from $0.55 per pack of 20 cigarettes to $1.25 per pack of cigarettes on July 1, 2005. The tax on other tobacco products remains unchanged. The tax rate increase is expected to boost receipts from the tax on cigarette and other tobacco products by up to $457.0 million in FY 2006 and $443.0 million in FY 2007. The bill also imposes a "floor" tax on cigarettes in inventory on July 1, 2005. These cigarettes have the "old" stamp of $0.55 per pack of 20 cigarettes and dealers must pay the additional $0.70 on the amount of cigarettes in inventory. The "floor" tax, due on September 30, 2005, is expected to increase GRF revenues by about $64 million in FY 2006 only. H.B. 66 also allows an additional 5% discount to dealers for prompt remittance of the floor tax before or on August 15, 2005.[33] This additional discount is expected to decrease GRF receipts by about $3.6 million in FY 2006.

Under previous law, taxpayers could bring $60 worth of cigarettes for personal consumption into Ohio, without paying the cigarette excise tax or the cigarette use tax. H.B. 66 allows purchases of $300 worth of cigarettes each month without the payment of the use tax. This provision has the potential to substantially reduce tax revenues by encouraging more smokers to purchase cigarettes in lower taxing jurisdictions. The Department of Taxation estimates the potential revenue loss at $30.0 million in FY 2006 and $43.0 million in FY 2007. The potential revenue loss might be higher than this estimate, depending on the differential in rates between Ohio and other states, and potential changes in rates in other states.[34]

Taking into account the cigarette rate increase, the floor tax, and the change in use tax law, the net revenue gain from the cigarette and other tobacco products tax may be up to $487.4 million in FY 2006 and $400.0 million in FY 2007.

Revisions of laws governing the sale, distribution, and taxation of cigarettes

H.B. 66 revises numerous laws governing cigarette sales, distribution, taxation, stamps, records, reports of sales and purchases, seizure and forfeiture, inspection powers of the Tax Commissioner, licenses to manufacture and import, and electronic and mail order purchases. Most of these changes have no fiscal effect. The bill specifies that an importer for purposes of the cigarette excise tax is a person that imports finished cigarettes into the United States under a valid federal permit to engage in the importation of tobacco products. The bill changes references in the law regarding prohibitions against possessing unstamped cigarettes from a wholesale value of $60 to an amount of 1,200 cigarettes.

H.B. 66 creates a fine of up to $1,000 for transporting or causing cigarettes to be shipped to a person other than an authorized recipient of cigarettes (wholesaler or retailer). A person may not, without prior consent of the Tax Commissioner, transport cigarettes upon which taxes have not been paid if the quantity transported exceeds 1,200 cigarettes during any 12-month period. Manufacturers and importers are required to obtain licenses from the Tax Commissioner rather than county auditors. The identity of licensed cigarette distributors is subject to public disclosure. The bill makes other changes regarding the sale of cigarettes between manufacturers, wholesalers, and retailers. Except for the provision regarding

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[33] Under existing law, cigarette excise taxpayers are eligible for a 1.8% discount when purchasing stamps as a commission for affixing stamps.

[34] As of July 1, 2005, Kentucky imposes a tax rate of $0.30 per pack of 20 cigarettes. West Virginia's rate is $0.55 per pack and Pennsylvania's rate is $1.35 per pack. The tax on a pack of 20 cigarettes is $0.555 per pack in Indiana and $2.00 per pack in Michigan.

the payment of the use tax on out-of-state cigarette purchases, these changes to the sale, distribution, and administration of the excise tax have no fiscal effect.

Estate Tax

H.B. 66 updates the state estate tax law to address changes in the federal estate tax law affecting the additional estate tax, the generation-skipping tax, and the deduction for family-owned business.[35] The changes are estimated to reduce the GRF share of estate revenue by $2 million in FY 2006 and $8 million in FY 2007.

The federal "Economic Growth and Tax Relief Reconciliation Act of 2001" phased out the federal credits for state estate or inheritance taxes and state generation-skipping transfer taxes. The credits no longer apply to estates of decedents dying December 31, 2004, or to generation-skipping transfers made after that date. H.B. 66 amends the sponge tax statutes to incorporate the changes made by the federal act and effectively repeals Ohio's sponge taxes.[36] The federal act also suspended the federal deduction for family-owned business interests. H.B. 66 repealed the state deduction for family-owned businesses to match the suspension of the federal deduction. Previously, the Ohio deduction could be claimed only if the federal deduction was claimed against federal estate tax liability.

Venture Capital Tax Credits for Dealers in Intangibles and Public Utilities

H.B. 66 extends the venture capital tax credits to dealers in intangibles and public utilities, and specifies how refundable and nonrefundable credits may be claimed for each tax-reporting period. Under previous law, the venture capital tax credits were available to businesses paying the corporate franchise tax, the personal income tax, or the insurance taxes. The venture capital tax credit is a refundable or nonrefundable credit for losses on loans made by businesses to the Ohio Venture Capital Program.[37] Venture capital tax credits are available only to "qualifying" dealers in intangibles, which are dealers affiliated with financial institutions. H.B. 66 also specifies that equity investors of a lender pass-through entity may claim their distributive shares of tax credits approved by the Ohio Venture Capital Authority, and requires the entity to elect refundable or nonrefundable credits. Although the Ohio Tax Credit

[35] The additional estate tax and the generation-skipping tax are based on federal credits and are sometimes referred to as "sponge" taxes because they allow the state to absorb as much revenue from an estate as is permitted by the federal credits. The sponge taxes allow a state to collect more revenue from an estate without increasing the estate's combined federal and state tax liabilities because the federal tax liability is decreased by the amount by which the state tax liability increases.

[36] The estate of a decedent who dies on or after January 1, 2002, but before the effective date of H.B. 66, receives a tax credit against the additional estate "sponge" tax. The credit equals the portion of the additional estate sponge tax that is over and above the sponge tax that would have been imposed if the tax had been equal to the maximum federal credit allowable for paying state estate taxes under the federal law that was in effect and applicable on the date of the decedent's death. This credit retroactively gives the relatively few larger estates that are subject to the sponge tax the tax reduction they would have received if Ohio's law had reflected the phase-out of the federal credit for state estate taxes.

[37] Am. Sub. S.B. 180 of the 124th General Assembly established the Ohio Venture Capital Program (effective April 9, 2003). Moneys in the Ohio Venture Capital Program are invested in venture capital funds, which in turn invest in Ohio-based businesses that are in seed or early stages of development or established Ohio-based businesses that are developing new methods or technologies. The program fund is funded through investments from private investors. Some of the profits from the program are put into the Ohio Venture Capital Fund (OVCF), which is used to secure the private investors against losses. To the extent the moneys in the OVCF are not adequate to secure an investor against losses, the investor is eligible for a tax credit granted by the Authority.

Authority may authorize these tax credits anytime, a taxpayer may not claim these credits during the first four years of the Ohio Venture Capital Program. The venture capital tax credits for dealers in intangibles and utilities will decrease GRF revenues in future years (outside this biennium).

Local Government Funds Freeze

The enacted budget "freezes" the amount of revenues to be credited to and distributed from the three local government funds – Local Government Fund (Fund 069), Local Government Revenue Assistance Fund (Fund 064), and Library and Local Government Support Fund (Fund 065) – in FY 2006 and FY 2007 to the lower of the FY 2005 "freeze" amounts or the amounts determined by the statutory formulas. Under the "freeze" tax receipts that would otherwise be credited to the local funds will instead be credited to the GRF. The freeze affects deposits and distributions of receipts from the "major" taxes: the personal income tax, the sales and use tax, the corporate franchise tax, the public utilities excise tax, and the kilowatt-hour tax.

Recent state operating budgets (H.B. 94 of the 124th General Assembly and H.B. 95 of the 125th General Assembly) included "temporary adjustments to local government distributions." After growing through FY 2001, distributions were frozen and reduced in FYs 2002 and 2003 and remained at the FY 2003 level for FYs 2004 and 2005. The FY 2005 amounts were equal to the FY 2003 amounts, which were equal to the FY 2001 amounts.[38]

Tangible Personal Property Tax

The budget bill phases out taxation of all tangible personal property of general business evenly over four years, eliminating this tax in 2009, except that new manufacturing equipment is exempted immediately. Virtually all receipts from taxation of tangible personal property go to local governments, other than a small amount paid to the Department of Taxation to defray administrative costs. In 2003, the latest year published, taxes currently levied on tangible personal property of general business totaled $1,637 million. The peak year for tangible personal property taxes levied was 2001, at $1,802 million.

Most of these forgone tax revenues will initially be reimbursed to local governments by the state, funded with receipts from the new commercial activity tax or, if these proved insufficient, from the General Revenue Fund. Reimbursement will be based on the value of tangible personal property in tax year 2004, and generally on tax rates in effect in 2004 or applicable to tax year 2005 or passed in elections prior to September 1, 2005, and applicable to tax year 2006. Two varieties of school district levies, which have phased-in or increasing rates, are to be reimbursed at their 2010 tax rates. For forecasting purposes, LSC assumes that the base amount for calculation of reimbursements will be similar to the amount of taxes levied in 2003. For tax levies designed to raise a fixed sum of money, such as

[38] H.B. 94 froze, for FY 2002 and FY 2003, deposits into and distributions from the Local Government Fund and the Local Government Revenue Assistance Fund at the levels of FY 2001. Deposits into and distributions from the Library and Local Government Support Fund were also frozen at the FY 2001 level, except that distributions to each county undivided library and local government support fund were further reduced by the county's pro rata share of any transfers made from the Library and Local Government Support Fund to the OPLIN (Ohio Public Library Information Network) Technology Fund.

H.B. 95 froze, for FY 2004 and FY 2005, deposits into and distributions from the three local government funds 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 was the amount before the transfer to the OPLIN Technology Fund under Section 70 of H.B. 94 of the 124th General Assembly.

bond levies, reimbursement will be for amounts forgone in excess of 0.5 mill times the value of all taxable property (of all types, net of the tangible personal property that is no longer taxable) in each taxing jurisdiction. Fixed-sum levies will no longer be reimbursed after they cease to be in effect, with an exception through 2010 for emergency levies. Reimbursement from the state is estimated at $86 million in FY 2006 and $493 million in FY 2007. These reimbursement payments are to be phased out during 2011 through 2018.

Taxation of tangible personal property used by telephone, telegraph, and interexchange telecommunications companies is phased out over five years, eliminating the tax in tax year 2011. Both owned and leased property are no longer to be subject to this tax. State reimbursement to local governments for forgone tax revenues is similar to that for general business tangible personal property, phasing out in tax year 2019. Tangible personal property of other utilities and of persons other than utilities that lease such property to these utilities remains taxable.

The bill ends exemption from personal property taxation for patterns, jigs, dies, and drawings of electric utilities beginning in tax year 2006. Patterns, jigs, dies, and drawings of other utilities remain exempt. Assessment rates of electric companies are reduced beginning in that tax year, from 88% to 85% for transmission and distribution property and from 25% to 24% for all other taxable property. The lower assessment rates offset the tax increase that would otherwise result from eliminating the tax exemption for electric companies' engineering drawings, according to Department of Taxation calculations.

The bill exempts from the tangible personal property tax all oil and gas recovery equipment installed on the premises or leased premises of the owner. This exemption does not apply to public utilities. The value of the tangible personal property used in recovery of these minerals is to be excluded from the real property tax value of the minerals or mineral rights. The bill requires the Tax Commissioner to review multipliers used in oil and gas valuation in time for these provisions to be applicable to tax year 2006. These provisions may reduce tangible personal property tax receipts in tax years 2006 through 2008. However, the amount of oil and gas recovery equipment taxed as tangible personal property is unknown. The sections of the tax bill providing reimbursement to local governments for loss of tangible personal property tax receipts are specified in terms of a four-year phase-out schedule and would not provide reimbursement for any tax revenues lost as a result of full tax exemption in 2006 for the equipment covered by this provision. State education aid may increase in FY 2008 through FY 2010 as a result of this change.

A provision of the bill continuing a tax exemption for a performing arts center used by a charitable or educational institution, the state, or a political subdivision and conveyed to another, generally taxable entity if certain conditions are met may reduce personal property tax revenues to one or more local governments, and may increase state base cost funding for schools. This provision is discussed in more detail under "Real Property Tax."

The bill accelerates the phase-out of reimbursement to local governments for tax revenues forgone as a result of exemption from taxation of the first $10,000 of business tangible personal property. Under previous law, local governments were reimbursed in full by the state for this tax exemption. The FYs 2004-2005 budget bill, Am. Sub. H.B. 95 of the 125th General Assembly began a ten-year phase-out of this reimbursement, based on the amount reimbursed by the state in FY 2003. The current budget bill shortens the phase-out period to seven years, eliminating state reimbursement in FY 2010. Resulting savings to the GRF, relative to the ten-year phase-out schedule, are $5.7 million in FY 2006, $19.1 million in FY 2007, and continue through FY 2012. This phase-out schedule remains based on the amount of the FY 2003 reimbursement for the exemption, and is separate from both the four-year phase-out of the tangible personal property tax on general business described above and the reimbursement to local governments through 2018 for loss of that revenue source.

Real Property Tax

For real property used in a business activity, as defined in the bill, the 10% rollback of real property taxes is eliminated beginning in tax year 2005. Under previous law, all real property tax bills were reduced by credits equal to 10% of taxes charged. The state reimbursed local governments for the tax revenues forgone as a result of these credits. The new law raises real property taxes and eliminates state reimbursement, except for specifically listed types of property. Local government receipts are unaffected by this change, apart from timing differences resulting from a lag between tax payments and state reimbursement. Types of real property still eligible for the rollback include that used for farming; leasing property for farming; occupying, holding, or leasing property improved with one-, two-, or three-family dwellings; or holding vacant land that the county auditor determines will be used for these purposes.

Property still eligible for the rollback approximately coincides with Class I residential and agricultural real property, and that no longer eligible for the rollback with Class II all other real property. However, some Class I agricultural real property might be classified as used for an agricultural purpose other than farming, and therefore no longer eligible for the 10% rollback. Timberland is specifically excluded from the rollback benefit. The distinction between Class I and Class II real property is drawn for the purpose of determining tax reduction factors. The magnitude of the difference between Class II real property and the real property no longer eligible for the 10% rollback is unknown but is probably small relative to all property affected by this change.

The increase in real property taxes resulting from elimination of the 10% rollback, except for specifically listed types of property, is estimated to be approximately $300 million for tax year 2005 (generally payable in calendar year 2006). Savings to the state GRF will be about $150 million in FY 2006 and $300 million in FY 2007. These costs to business and savings to the state will grow over time.

The budget bill specifies that the real property tax exemption for buildings and lands of the 13 state universities, not used for profit, extends to those used for housing-related facilities, or for other purposes related to the university's educational purpose, and lands used for common space, walkways, and green space; that are under control of a charitable organization with which the university has a joint agreement entitling its students, faculty, or employees to use the lands or buildings; and for which the university has agreed to make payments to the organization sufficient to maintain required debt service coverage ratios on bonds related to the lands or buildings. Leasing of housing in such buildings shall not be considered a profit-making activity under this division. This clarification could result in loss of local government tax revenues due to the property tax exemption, and could increase state base cost funding for schools.

The bill specifies that a performing arts center used by a charitable or educational institution, the state, or a political subdivision continues to be exempt from taxation after its conveyance to an entity that is not a charitable or educational institution and is not the state or a political subdivision if certain quite specific conditions are satisfied. The property must have been tax-exempt for at least ten years, and must be leased to the entity that owned or occupied the property during those ten years. It must include improvements at least fifty years old, and be undergoing renovation in connection with a claim for historic preservation tax credits under federal law. It must continue to be used as a community or area center in which presentations in music, dramatics, the arts, and related fields are made in order to foster public interest and education therein. Finally, it must be certified by the United States Secretary of the Interior as a certified historic structure or as part of such a structure. This provision may reduce real property tax revenues, as well as personal property tax revenues, to one or more local governments, and may increase state base cost funding for schools.

The bill provides that real property of railroads not used in railroad operations is to be assessed by county auditors. The Tax Commissioner is to continue to assess real property used in railroad operations and tangible personal property of railroads. County auditors may incur additional costs to assess real property assessed under current law by the Tax Commissioner. The state's expenditures may decline as a result of this change.

The bill changes the process by which real property assessments are determined in reappraisal or update years by specifying that the Tax Commissioner, in deciding whether real property has been assessed at its correct taxable value, shall consider only aggregate values of property that existed in the prior year and is to be taxed in the current year. In addition to adjustments for new construction and property destroyed or demolished, any other adjustments that the Tax Commissioner considers necessary to comply with this requirement are to be made. Such adjustments could include reclassifications of properties, changes in tax-exempt status, and other changes. Under the procedure previously used, new construction was subtracted from the current year's value but other adjustments were not made in determining whether valuation was appropriate.

LSC estimates that changing the tax equalization procedure by subtracting destroyed property from the prior year's value would reduce taxable values statewide by roughly $150 million, or about 0.08% of total taxable property values. The net effect of making other adjustments could be positive or negative, but has tended to be negative, and would also likely be small relative to total statewide taxation. The reduction in taxes collectible that would otherwise result would be largely offset by smaller tax reduction factors. For inside millage, not subject to tax reduction factors, taxes due would decline an estimated $1.5 million as a result of subtracting destroyed property. Higher effective tax rates resulting from smaller tax reduction factors would raise additional tax revenues from new construction and other additions. On the other hand, lower taxable value would raise less tax revenue from new fixed-rate levies. State base cost funding payments to schools would rise as a result of lower real property valuations. Additional effort and expense may be required of the Department of Taxation's Tax Equalization Division to perform these more complex calculations. LSC does not have an estimate of the amount of any added expenditures required to implement this change.

Property Tax Administration Fund

The bill changes calculation of transfers to the Property Tax Administration Fund, used to defray Department of Taxation costs to administer property taxes. The current charge of 0.3% against the amount of the 10% real property tax rollback is raised to 0.33% for FY 2006 and to 0.35% for FY 2007 and thereafter. Current charges of 0.15% against public utility tangible personal property taxes and 0.75% against tangible personal property taxes are changed to 0.5% for FY 2006, to 0.56% for FY 2007, and to 0.6% for FY 2008 and thereafter. Charges in each fiscal year are based on the preceding tax year. For example, FY 2006 charges are based on tax year 2005. In conjunction with other changes described above – elimination of the 10% rollback on real property used in business activities and the phase-out of taxes on tangible personal property of general business – these changes result in transfers to the Property Tax Administration Fund that LSC estimates at about $14 million in FY 2006 and $13.8 million in FY 2007.

School District Income Tax

The bill permits school districts to apply school district income taxes only to earnings. With this change, school districts could either apply the tax to Ohio adjusted gross income less exemptions as at present or only to employee compensation and net earnings from self-employment that is included in Ohio adjusted gross income. The tax would be subject to approval by voters.

By applying the school district income tax to a narrower base, school districts might obtain voter approval of levies that would otherwise be defeated. Alternatively, the narrower base might result in reduction of school district revenues from income taxation. LSC has no estimate of the net revenue effect of this change.

Motor Fuel Tax and Motor Fuel Use Tax

H.B. 66 reduced the motor fuel tax discounts and shrinkage refunds provided to dealers for reporting and paying the motor fuel excise tax on time. Discounts and refunds were reduced for reporting periods between July 2005 and June 2007. This provision increases revenue to the Highway Operating Fund (Fund 002), the Waterways Safety Fund, and the Wildlife Boater-Angler Fund, and to municipalities, counties, and townships for FYs 2006 and 2007. The total amount of the revenue increase is approximately $6 million each fiscal year.

The enacted budget also gave school districts and educational service centers that failed to file an application for a refund of that portion of the motor fuel tax that became effective on July 1, 2003, 60 days after the effective date of the bill to file such an application. This provision has the potential to reduce revenue to the funds and local governments listed in the preceding paragraph by an unknown amount. The revenue loss will depend on the number of school districts and educational service centers that file such applications.

H.B. 66 also made changes to terms under which an individual must obtain a motor fuel use permit. It provides that an individual must obtain a permit only if operating a commercial car or commercial tractor on public highways in two or more states. It also eliminates a requirement that owners of farm trucks pay the tax annually and substitutes a requirement that they pay quarterly as do owners of other commercial cars and tractors. These provisions would have had a significant fiscal effect if the use tax still included a surcharge on the motor fuel tax, but this surcharge was eliminated, starting in FY 2006, by Am. Sub. H.B. 87 of the 125th General Assembly. Therefore these provisions have a minimal fiscal effect.

Natural Gas Consumption Tax

The bill eliminated a provision in existing law that relates to the amount of revenue collected under this tax. Revenues from this tax are split between the School District Property Tax Replacement Fund (SDPTRF, which receives 68.7% of the revenue) and the Local Government Property Tax Replacement Fund (LGPTRF, which receives 31.3%). Beginning in FY 2007, previous law provided that if revenue from the tax were less than $90 million, the difference between $90 million and the amount collected was to be transferred from the GRF to these two funds, with each fund receiving its statutorily proportionate share of the total difference. This provision was eliminated by the bill. The tax raised approximately $73.7 million in FY 2005, down slightly from approximately $76.4 million in FY 2004. This suggests that it is likely that the provision in previous law would have been triggered, and the transfers from the GRF to the SDPTRF and the LGPTRF would have been made. The precise transfer amounts would have depended upon natural gas usage, but historical experience suggests that this change would save the GRF approximately $15 million starting in FY 2007, and would reduce revenues to the SDPTRF by approximately $10.3 million and to the LGPTRF by approximately $4.7 million.

Tax Increment Financing

The budget bill makes various changes to the sections of the Revised Code dealing with tax increment financing districts. It removes the sunset provisions that previously applied to these districts. For a municipal corporation, county, or township with property in an incentive district – also known as an areawide tax increment financing district – that it did not create, the bill provides for notice regarding creation of the district and for compensation of up to 50% of the amount of taxes exempted in the eleventh or subsequent year of an exemption period that are in excess of a 75% tax exemption on the value of the improvement. The budget bill limits creation of an additional areawide tax increment financing district in a municipality, county, or township with a population of more than 25,000 if doing so would result in more than 25% of that local government entity's taxable value being located in incentive districts. Real property tax exemptions granted under tax increment financing law must begin in the tax year specified in the ordinance or resolution granting the exemption. Police or fire equipment is not a public infrastructure improvement that may be financed under tax increment financing law.

Transportation Improvement Districts

The budget bill authorizes a transportation improvement district and two or more government agencies to agree, before the end of 2005, on joint financing of a street, highway, interchange, or other transportation project. Any party to the agreement may issue securities, and the transportation improvement district may invest in these securities, representing the obligations of that party to the district for its share of the project's cost. More than half of the property needed for such a project must be located within the transportation improvement district.

Lodging Tax

The bill provides that a board of county commissioners of a county where a lodging tax is already in effect may adopt a resolution to levy an additional lodging tax up to 3% to make payments on bonds and notes issued by or for the benefit of a convention and visitors' bureau to construct and equip a convention center in the county. The bill also allows certain convention facilities authorities in Appalachian counties with populations less than 80,000 to levy a lodging tax at any rate up to 3%, and permits a board of county commissioners in a county with a population of 1,200,000 or more to establish and provide local funding options for constructing and equipping a convention center. A county with a population of 1,200,000 or more may levy a tax on lodging by transient guests at a hotel, to pay the cost of constructing, improving, expanding, equipping, financing, or operating a convention center. In addition, such a county may, for these purposes, levy a tax on food and beverages consumed on the premises where sold.

These provisions may increase local government revenues from taxes on lodging and on food and beverages, and may increase expenditures on convention centers in some counties. To the extent that potential hotel or motel guests respond to the higher tax by reducing their demand for lodging at Ohio facilities, tax revenues may not rise pro rata with the tax rate increase, and could even decrease.

Grain Handling Tax

The bill phases out the grain handling tax, reducing the tax rates in half in 2006, and eliminating the tax in 2007. Tax rates per bushel vary by type of grain. Revenues are distributed to local governments in proportion to their property tax rates. Grain handling tax receipts ranged from $229,403 to $287,800 in calendar years 1999-2002. The tax has been imposed in Ohio since 1935, but no adjacent state has a comparable tax.

Fee Increases

Glenn C. Wintrich, Economist

- Approximately $75.1 million in additional revenue will be generated for the biennium, of which $1.29 million will go to the GRF

INTRODUCTION

Overall, 55 fees were added or increased in Am. Sub. H.B. 66. The additional revenue generated by these fees is an estimated $37.45 million in FY 2006 and $37.65 million in FY 2007. Non-GRF funds will receive an estimated $73.81 million of this revenue over the biennium and the GRF will receive an estimated $1.29 million in revenue. The table below provides a summary of the fee changes.

Summary of Fees and Fee Revenue Generated by Am. Sub. H.B. 66

AGENCY	# OF FEES	FEE CATEGORIES	FUND GROUP	EST. ADDITIONAL REVENUE	
				FY 2006	FY 2007
Ohio EPA	7 fees	(2) – Environmental Protection fee, 401 Water Quality Certification fees	5BC 4K4	$15,000,000 $800,000	$15,000,000 $800,000
Department of Aging	3 fees	(1) – Nursing Home/Residential Care	5K9	$552,000	$552,000
Department of Agriculture	10 fees	(4) – Plant Industries, Pesticide, Food S & I, Amusement Rides	4C9 669 4P7 578	$159,000 $517,000 $74,000 $275,000	$159,000 $517,000 $74,000 $275,000
Board of Regents	2 fees	(1) – New Degree Programs	220	$38,000	$38,000
Department of Health	15 fees	(4) – Hospice/Adult Care/Nursing Homes, Radiation, Vital Statistics	470 5BK	$547,000 $1,000,000	$547,000 $1,000,000
Public Defender	3 fees	(2) – Indigent Application, Legal Aid Filing	408 574	$2,200,000 $8,000,000	$2,200,000 $8,000,000
Department of Natural Resources	8 fees	(3) – Construction and Demolition Debris, Oil and Gas Well Permits, ATV License	532 5BV 518 521	$5,400,000 $1,900,000 $100,000 $50,000	$5,600,000 $1,900,000 $100,000 $50,000
Board of Sanitarian Registration	4 fees	(1) – Registration Fees	4K9	$10,000	$10,000
Department of Insurance	3 fees	(2) – Insurance Company Statement, Insurance Company Certificate	554 GRF	$234,000 $643,000	$234,000 $643,000

Local Government Provisions

Terry Steele, Budget Analyst

- Continues "freeze level" funding of local government funds
- Creates the Local Government and Library Financing and Support Committee
- Changes to tax increment financing districts

Overview

This section addresses various budget and policy issues applicable to local government entities. Typically, these provisions do not neatly fit with the law and funding changes affecting state agencies that are described in the other sections of this analysis. The items are organized alphabetically, by subject title, with a brief summary of their fiscal impact on the applicable political subdivisions.

Notable Provisions

Estate Tax Changes and Real Estate Assessment Funds

(R.C. 325.31, 5731.01, and 5731.41)

Counties, Cities, Villages, and Townships

The bill updates the state estate tax law to incorporate changes in the federal estate tax law and eliminates the deduction for family-owned business. Additionally, the bill authorizes county auditors to expend moneys in real estate assessment funds to defray costs incurred in enforcing estate taxes. The changes in estate tax law will result in a decrease in estate tax collections by an estimated $2 million in FY 2006 and $8 million in FY 2007. There could be some potential savings to county treasuries by permitting county auditors to use real estate assessment funds to defray costs of enforcing estate taxes. However, these savings may potentially be offset by cost increases occurring in the real estate assessment fund.

Fee Increases for Birth Certificates, Death Certificates, and Divorce or Dissolution of Marriage Decrees

(R.C. 3705.24 and 3705.242)

Counties

This permanent law provision increases the fees charged for birth and death certificates by $1.50 and the fees for divorce and dissolution of marriage filings by $5.50. For birth and death certificates, local health districts may retain up to 3% of the fee increase. For divorce and dissolution filings, the county clerk of courts may retain up to 3% of the new fee. All additional revenue from the fees is to be credited to the Family Violence Prevention Fund created by the bill and used by the Director of Public Safety for grants to family violence shelters. This provision will result in an increase in revenue for counties that retain their portion of the fee increase.

Law Library Associations and Associated County Financial Obligations

(R.C. 3375.48, 3375.49, 3375.54, 3375.55, and Section 503.06 of the bill)

Counties

This provision transfers the power to fix the compensation of a librarian and assistant librarian for a law library association from the judges of the court of common pleas to the association's board of trustees. Apportionments for the payment of these employees, as well as costs for any furniture or fixtures, will be on a graduated scale from calendar years 2007-2009. Beginning in FY 2010, the association's board of trustees must assume all costs from the board of county commissioners. Previously, all costs for such libraries were paid from the county treasury. This provision will gradually decrease costs for counties until the association's board of trustees assumes full financial responsibility in FY 2010. However, counties will continue to provide office space and utilities.

This provision also creates the Task Force on Law Library Associations, which must study the structure, funding, and administration of the associations' law libraries and by June 30, 2006 report its findings and recommendations to the Speaker and Minority Leader of the House of Representatives, the President and Minority Leader of the Senate, and the Chief Justice of the Supreme Court. After submitting this report, the task force will cease to exist. The fiscal impact of this change is that the recommendations of the task force that are adopted could reduce costs for counties as they continue to pay on a graduated scale.

Levy Lodging Tax to Finance Convention Centers

(R.C. 5739.09 and Section 307.695 of the bill)

Counties

This provision provides that a board of county commissioners of a county, with a population of 1,200,000 or more, where a lodging tax is already in effect, may adopt a resolution to levy an additional lodging tax up to 3% to make payments on bonds and notes issued by or for the benefit of a convention and visitors' bureau or a community improvement corporation to construct and equip a convention center in the county. The provision also allows certain convention facilities' authorities in Appalachian counties with populations less than 80,000 to levy a lodging tax at any rate up to 3%, which may result in an increase in lodging tax revenues in some counties. Some counties may also experience an increase in expenditures for financing the building and equipping of convention centers.

Local Government Fund Adjustments

(Sections 557.12, 557.12.01, and Section 209.78 of the bill)

Cities, Villages, and Townships

This provision continues the FY 2005 local government fund distribution "freeze" provisions through FYs 2006-2007, providing that subdivision FY 2005 proportionate shares of the county undivided local government fund and county undivided local government revenue assistance fund cannot be reduced. The local government funds - Local Government Revenue Assistance Fund (Fund 064), Library and Local Government Support Fund (Fund 065), and Local Government Fund (Fund 069) will all be funded at the current "freeze" levels set forth in H.B. 95 of the 125th General Assembly. The freezing of local government funds will not result in a decrease of revenue with respect to the amount of funding received. However, local governments will experience a loss of revenue with respect to statutory distribution percentages. The provision also requires cities with populations over 100,000 and counties to submit a report by October 1, 2005, to the Auditor of State describing efforts to reduce costs by consolidating services and engaging in regional cooperation. For more detail regarding this provision, consult the "Tax Provisions" section of this publication.

Local Government and Library Financing and Support Committee

(Section 503.12 of the bill)

Cities, Villages, Libraries, and Townships

This provision creates the Local Government and Library Financing and Support Committee. The Committee consists of ten legislative members and one nonvoting member appointed by each of the following: the Ohio Library Council, the County Commissioners Association, the Ohio Municipal League, the Ohio Township Association, and the Ohio Parks and Recreation Association, to study potential sources of state funding for the Local Government Fund, the Library and Local Government Support Fund, and the Local Government Revenue Assistance Fund. The Committee must report its recommendations and suggested implementing legislation to the Governor and General Assembly, due by June 1, 2006, at which time, the Committee will cease to exist. Some political subdivisions and libraries could experience revenue gains dependent upon the findings of the Committee.

Participation of Local Agencies in Self-Insurance Plans

(R.C. 9.833, 2744.08, and 2744.082)

Counties, Cities, Villages, and Townships

This provision permits agencies and instrumentalities of political subdivisions to establish and participate in individual and joint self-insurance programs to provide health care benefits to officers and employees of the agency or instrumentality. It also permits political subdivisions to require payment of deductibles under their liability insurance or self-insurance programs from accounts or funds in its treasury from which a loss was directly attributable. The provision also provides a procedure for the transfer of the deductible amount, plus the cost of the liability insurance or self-insurance program from the appropriate funds or accounts to the general revenue fund of the political subdivision. The direct fiscal effects of this provision are uncertain. Potentially, insurance rates could decline, but these could be offset by increased administrative costs for such self-insured plans. The overall impact would depend on the level of coverage included and administrative overhead.

Phase Out Taxation of Fixtures and Furniture

(R.C. 5711.22, 5751.20, 5751.21, and 5751.22)

Counties, Cities, Townships, Villages, and School Districts

This provision phases out the taxation of business tangible personal property that the enacted bill does not already propose a phase-out for, such as business fixtures and furniture, over five years, beginning in CY 2006. Accordingly, all forms of tangible personal property would become exempted under the bill except public utility property and business property used incidentally to supply electricity to others. The provision compensates school districts and other local taxing units for the phased-out taxes from furniture and fixtures through transfers of $10,010,000 in FY 2006 and $70,210,000 in FY 2007 from the GRF to appropriation item 200-900, School District Property Tax Replacement - Business (Fund 047) and $4,290,000 in FY 2006 and $30,090,000 in FY 2007 from the GRF to appropriation item 110-900, Local Government Property Tax Replacement - Business (Fund 081).

Purchase of Electronic Indigent Drivers Alcohol Treatment Fund Money

(R.C. 4511.191)

Counties and Cities

The provision permits a county, juvenile, or municipal court judge to use money in that court's indigent drivers alcohol treatment fund to pay the cost of electronic continuous alcohol monitoring devices or the cost of the continued use of such devices. This provision gives a county, juvenile, or municipal court judge greater flexibility in the use of available indigent drivers alcohol treatment fund money. Currently, the practical fiscal effect of this provision in any given local jurisdiction is uncertain.

Services from Free Public Libraries

(R.C. 3375.40)

Libraries

This provision permits the boards of trustees of school district public libraries, county free public libraries, township free public libraries, municipal free public libraries, county library districts, and regional library districts to assess fees for services other than the circulation of printed materials. This would increase revenue for these entities. Any such revenue increases will be dependent upon the amount and type of fees imposed.

Spending Authority and Health Benefits for County Boards of Elections

(R.C. 3501.141, and 3501.17)

Counties

This permanent law provision limits the authority of county boards of elections to contract, purchase, or procure and pay all or any part of group insurance policies to circumstances in which the board of county commissioners, by resolution, denies coverage to full-time employees of the board of elections and subjects that authority to the approval of the board of county commissioners. It also forbids boards of elections from applying to the court of common pleas within the county for the needed appropriation, and specifies that boards of county elections may only transfer funds as provided in sections 5705.14 to 5705.16 of the Revised Code. As a result of this provision, boards of county elections may experience increased costs if a board of county commissioners denies medical coverage to full-time board of elections employees. By prohibiting the county boards of elections from seeking funds elsewhere, this will presumably force them to reduce operating costs in other areas if they wish to provide health care benefits to their full-time staff.

Sunset of Tax Increment Financing Agreements

(R.C. 5709.40, 5709.73, and 5709.78)

Counties, Cities, Townships

This eliminates provisions in the bill that would have sunsetted the ability of incentive districts to offer tax exemptions. Sunsetting tax increment financing agreements may have generated additional revenue for political subdivisions for any such public improvements that would be have been made after the beginning of FY 2006 that would otherwise have been given a tax exemption. This item is discussed in detail in the "Tax Provisions" section of this analysis.

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