



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. S.B. 1 of the 128th G.A. **Date:** March 4, 2009
Status: As Reported by Senate Finance & Financial Institutions **Sponsor:** Sen. Hughes

Local Impact Statement Procedure Required: No — No local cost

Contents: Continues funding for job stimulus programs and declares an emergency

State Fiscal Highlights

Operating Appropriations

STATE FUND	FY 2010	FY 2011	FUTURE YEARS
General Revenue Fund			
Revenues	Potential loss due to Technology Investment Tax Credit changes		
Expenditures	\$100,000,000 for Co-op/Internship Program		- 0 -
Logistics and Distribution Infrastructure Fund (Fund 7008) – Department of Development			
Revenues	- 0 -		
Expenditures	\$50,000,000 for Logistics and Distribution Infrastructure Program		- 0 -
Jobs Fund (Fund 5Z30) – Department of Development			
Revenues	- 0 -		
Expenditures	\$90,000,000 for Jobs Fund Bioproducts Development and Jobs Fund Biomedical Development programs		- 0 -
Local Government Fund and Public Library Fund			
Revenues	Potential loss due to Technology Investment Tax Credit changes		
Expenditures	- 0 -		

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The bill makes appropriations totaling \$240.0 million over the FY 2010-FY 2011 biennium for the Co-op/Internship Program in the Board of Regents and the Logistics and Distribution Infrastructure Program and the Jobs Fund Bioproducts Development and Jobs Fund Biomedical Development programs in the Department of Development.
- The GRF, Local Government Fund, and Public Library Fund may lose some revenue as a result of the bill increasing the cap on the Technology Investment Tax Credit from \$30 million per year to \$45 million per year.

Capital Appropriations

STATE FUND	FY 2009	FY 2010	FUTURE YEARS
Clean Ohio Revitalization Fund (Fund 7003) – Department of Development			
Revenues		- 0 -	
Expenditures	- 0 -	Additional appropriations of \$60,000,000	- 0 -
Clean Ohio Conservation Fund (Fund 7056) – Public Works Commission			
Revenues		- 0 -	
Expenditures	- 0 -	Additional appropriations of \$45,000,000	- 0 -
Clean Ohio Agricultural Easement Fund (Fund 7057) – Department of Agriculture			
Revenues		- 0 -	
Expenditures	- 0 -	Additional appropriations of \$7,500,000	- 0 -
Clean Ohio Trail Fund (Fund 7061) – Department of Natural Resources			
Revenues		- 0 -	
Expenditures	- 0 -	Additional appropriations of \$7,500,000	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The bill makes appropriations totaling \$120.0 million over current capital appropriations made for the four components of the Clean Ohio Fund for FY 2009 and FY 2010 in Am. Sub. H.B. 562 of the 127th General Assembly.
- The bill provides guidance on the criteria to be used in evaluating local infrastructure development broadband project applications and a mechanism governing the distribution of the funds.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Operating Appropriations for Job Stimulus Programs

The bill makes appropriations for several programs enacted in Am. Sub. H.B. 554, the Bipartisan Job Stimulus Act, of the 127th General Assembly, pursuant to that bill's language that specified the intent of the General Assembly to continue funding for those programs in FY 2010 and FY 2011. The programs that receive appropriations for continued funding in the bill are the Logistics and Distribution Infrastructure Program, the Jobs Fund Bioproducts Development Program, and the Jobs Fund Biomedical Development Program in the Department of Development (DOD), as well as the Co-op/Internship Program in the Board of Regents (BOR). Table 1 shows the complete breakdown of the operating appropriations made in the bill.

Table 1. Job Stimulus Operating Appropriations					
Fund	Line Item	Title	S.B. 1 Appropriations		Total
			FY 2010	FY 2011	
GRF	235441	Co-op/Internship Program	\$50,000,000	\$50,000,000	\$100,000,000
7008	195698	Logistics and Distribution Infrastructure	\$25,000,000	\$25,000,000	\$50,000,000
5Z30	195694	Jobs Fund Bioproducts	\$20,000,000	\$10,000,000	\$30,000,000
5Z30	195695	Jobs Fund Biomedical	\$40,000,000	\$20,000,000	\$60,000,000
Total Job Stimulus Operating Appropriations			\$135,000,000	\$105,000,000	\$240,000,000

Co-op/Internship Program

The bill makes appropriations of \$50.0 million in each fiscal year for the Board of Regents' Co-op/Internship Program in line item 235441, Co-op/Internship Program. The program is funded out of the GRF. The program was enacted in H.B. 554 and is intended to promote cooperative education and internship programs at Ohio institutions of higher education that would recruit Ohio students to stay in-state and attract students who have left the state for institutions in other states by means of cooperative programs and internships at businesses that are designed to provide job opportunities. The program would provide support to institutions in Ohio that implement programs to meet these goals.

Logistics and Distribution Infrastructure

The bill makes appropriations of \$25.0 million in each fiscal year for the Logistics and Distribution Infrastructure Program in line item 195698, Logistics and Distribution Infrastructure, in the Department of Development. Under the program, DOD will make loans to eligible entities for qualifying logistics and distribution infrastructure projects from the Logistics and Distribution Infrastructure Fund (Fund 7008). The program is

funded by the issuance of taxable bonds by the Ohio Public Facilities Commission that are backed by liquor profits. As of February 18, 2009, no bonds have been issued for the Logistics and Distribution Infrastructure Program.

Jobs Fund Bioproducts and Biomedical Development

The bill makes appropriations of \$20.0 million in FY 2010 and \$10.0 million in FY 2011 for the Jobs Fund Bioproducts Development Program in line item 195694, Jobs Fund Bioproducts, and appropriations of \$40.0 million in FY 2010 and \$20.0 million in FY 2011 for the Jobs Fund Biomedical Development Program in line item 195695, Jobs Fund Biomedical, both in the Department of Development. Under these programs, DOD would issue loans and grants for bioproducts and biomedical development purposes as approved by the Third Frontier Commission. Under H.B. 554, these programs are to be funded through the Jobs Fund (Fund 5Z30), which is to be capitalized through the liquidated assets of the Ohio Tobacco Use Prevention and Control Foundation. Legal proceedings concerning the disposition of these funds have prevented their release for these programs.

Capital Appropriations for Clean Ohio

The bill increases appropriations made in H.B. 562 of the 127th General Assembly for the four programs that encompass the Clean Ohio Fund pursuant to Issue 2, approved by the voters of Ohio in November, 2008. Issue 2 ratified Article VIII, Section 2q of the Ohio Constitution, which allows for the issuance of bonds in amounts of up to \$50.0 million in each fiscal year for brownfield revitalization purposes and up to \$50.0 million in each fiscal year for conservation purposes under the Clean Ohio initiative. To this end, the bill increases appropriations for the FY 2009-FY 2010 capital biennium that were made in H.B. 562.

Clean Ohio Revitalization

The Clean Ohio Revitalization and Clean Ohio Assistance programs are operated by the Department of Development for remediation and cleanup activities on urban brownfield sites. The bill increases the appropriations for capital line item C19500, Clean Ohio Revitalization, by \$48.0 million to \$80.0 million and appropriations for line item C19501, Clean Ohio Assistance, by \$12.0 million to \$20.0 million. This is a total increase of \$60.0 million over existing appropriations for FY 2009 and FY 2010. These line items are both funded through the proceeds of bonds in the Clean Ohio Revitalization Fund (Fund 7003). Table 2 shows how the appropriations made in the bill have been added to those made in H.B. 562.

Table 2. Clean Ohio Revitalization Appropriations					
Fund	Line Item	Title	H.B. 562 Appropriations	S.B. 1 Additional Appropriations	Total
7003	C19500	Clean Ohio Revitalization	\$32,000,000	\$48,000,000	\$80,000,000
7003	C19501	Clean Ohio Assistance	\$8,000,000	\$12,000,000	\$20,000,000
Total Clean Ohio Revitalization			\$40,000,000	\$60,000,000	\$100,000,000

Clean Ohio Conservation

The three programs that encompass the conservation objectives of Clean Ohio are the Green Space Conservation Program under the Public Works Commission (PWC), the Farmland Preservation Program under the Department of Agriculture (ODA), and the Clean Ohio Recreational Trails Program under the Department of Natural Resources (DNR). Under Issue 2, these programs collectively may be funded by outstanding debt of up to \$50.0 million in each fiscal year. The bill makes additional appropriations to each program totaling \$50.0 million for FY 2010, as described below and seen in Table 3 at the foot of this section.

The Clean Ohio Green Space Conservation Program is operated by PWC to support the conservation of natural areas, sensitive ecological zones, and stream corridors. The bill increases H.B. 562 appropriations in line item C15060, Clean Ohio Conservation, by \$45.0 million to \$75.0 million for the FY 2009-FY 2010 capital biennium. These appropriations are made to the Clean Ohio Conservation Fund (Fund 7056).

The Clean Ohio Farmland Preservation Program is operated by ODA to assist landowners and communities in purchasing agricultural easements to preserve farmland. The bill increases H.B. 562 appropriations in line item C70009, Clean Ohio Agricultural Easements, by \$7.5 million to \$12.5 million for the FY 2009-FY 2010 capital biennium. These appropriations are made to the Clean Ohio Agricultural Easement Fund (Fund 7057).

The Clean Ohio Recreational Trails Program is operated by DNR to assist with projects that provide outdoor recreational opportunities through systems of trails. The bill increases H.B. 562 appropriations in line item C72514, Clean Ohio Trail – Grants, by \$7.5 million to \$12.5 million for the FY 2009-FY 2010 capital biennium. These appropriations are made to the Clean Ohio Trail Fund (Fund 7061).

Table 3. Clean Ohio Conservation Appropriations					
Fund	Line Item	Title	H.B. 562 Appropriations	S.B. 1 Additional Appropriations	Total
7056	C15060	Clean Ohio Conservation	\$30,000,000	\$45,000,000	\$75,000,000
7057	C70009	Clean Ohio Agricultural Easements	\$5,000,000	\$7,500,000	\$12,500,000
7061	C72514	Clean Ohio Trails – Grants	\$5,000,000	\$7,500,000	\$12,500,000
Total Clean Ohio Revitalization			\$40,000,000	\$60,000,000	\$100,000,000

Requirement to Use Funds for Training Opportunities

The bill requires projects receiving economic development assistance through appropriations made in the bill to provide training opportunities for unemployed or underemployed persons where such opportunities would be practicable. The bill requires these opportunities to be made available through local workforce development programs, Workforce Investment Act programs, and the Supplemental Nutrition Assistance Program, and requires such programs to promote the participation of minorities and persons with incomes below 200% of the federal poverty level.

Guidance for Distributing Local Infrastructure Development Capital Funds

H.B. 554 provided \$80 million in one-time capital moneys for local infrastructure development through the Local Infrastructure Development Fund (Fund 7039) was to be administered by the Public Works Commission (PWC) and capitalized with a transfer from the Jobs Fund (Fund 5Z30). In addition to capital improvement projects, H.B. 554 permitted the funds to be used for broadband initiatives, under rules to be adopted in conjunction with the public-private partnership known as Connect Ohio.

The bill provides guidance on the criteria to be used in evaluating applications and a mechanism governing the distribution of the funds. Further, the bill provides that all of the money transferred to Fund 7039 must be used for broadband initiative projects that increase access to high-speed Internet through new or improved fiber or wireless infrastructure. The funding structure would be very similar to the current process used by PWC for State Capital Improvements Program (SCIP) and Local Transportation Improvement Program (LTIP) projects, in which applications are first received by the 19 District Public Works Integrating Committees (DPWIC). DPWICs evaluate and score applications, create a list of high-priority projects, and submit them to PWC.

In terms of allocations, PWC must allocate \$750,000 to each county for broadband initiative projects that have been approved by DPWICs. After that allocation, any funds remaining are to be allocated on a per capita basis to each DPWIC. The bill allows grants to cover 100% of total project costs and exempts grants from

certain financing instrument and allocation requirements under Chapter 164. of the Revised Code.

Technology Investment Tax Credit

The bill increases from \$30 million to \$45 million the total amount of technology investment tax credits ("Edison Center" tax credit). This tax credit, originally enacted in 1996, is available for investors who provide capital for small, Ohio-based research and development and technology transfer companies, and can be applied against the personal income tax, the corporate franchise tax, the public utility tax, and the dealers in intangibles tax. Under current law, revenue loss to the General Revenue Fund from the credit is estimated at \$5.8 million in FY 2010 and \$6.8 million in FY 2011. Revenue loss to the Local Government Fund and the Public Library Fund would be about \$0.4 million each year. The bill will increase the revenue loss from the tax credit. However, both the amount and the timing of the additional revenue loss from the expansion of the credit are indeterminate, as they depend on the total amounts of credits authorized by the Ohio Tax Authority and credit claims by taxpayers.

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