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Legislative Update

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WEDNESDAY, FEBRUARY 4 2009

JUSTICES TO HEAR GROCERS CAT SUIT

The Ohio Supreme Court agreed Wednesday to decide if the state's application of the commercial activity tax (CAT) to grocers and others violates a prohibition in the Ohio Constitution against taxing food sales.

The Supreme Court voted 6-1, without comment, to hear the Strickland administration's appeal of a lower court decision that struck down the CAT as applied to food wholesalers and grocers.

State Tax Commissioner Richard Levin asked justices last year to reverse a decision from the 10th District Court of Appeals that found the levy was an excise tax on the sale or purchase of food that the Constitution prohibits.

The appellate panel's ruling came in a lawsuit that the Ohio Grocers Association filed.

The state said that if the decision were allowed to stand, it would lose about \$188 million in revenue per year from the exemption for food producers, wholesalers, and retailers.

In addition, state officials said they would have to refund an additional \$355 million already collected. And they said a ruling in favor of the grocers would likely produce similar challenges from "a multitude of businesses."

Justice Paul Pfeifer dissented from the decision to take up the case, effectively voting to find the CAT as applied to food sales unconstitutional.

BUDGET GROWTH ADJUSTED UPWARD

The comparative cost of Gov. Ted Strickland's \$54.7 billion two-year spending plan went up Wednesday due to an error in the budgetary "Blue Book." While not uncommon, budget errata usually don't affect major talking points in an executive budget. But the problem identified on the Office of Budget and Management's website impacts what the administration has been stating is the biennium spending increase in the plan compared to the current fiscal year, which ends June 30.

Instead of a 4.4% increase general revenue fund spending over the last biennium, OBM is now saying Mr. Strickland's FY 2010-2011 budget package would result in 6.3% in additional expenditures when compared to the estimated FY 2009 baseline. Stated in the Blue Book originally as \$27.4 billion, that baseline assumes three rounds of biennium budget cuts and other factors in estimating what this fiscal year's actual spending will be through June 30 versus original budget bill (HB 119) appropriations. OBM said Wednesday that the starting point for comparisons should instead be about \$26.93 billion.

"This difference is due to an error in a report from the Budget Planning System where two line items were included twice, but were not corrected. The two line items in question are tax relief lines 110401 and 110406 that were listed both under the Department of Taxation, as well as under Tax Relief Programs," the agency reported on its Blue Book website.

"This error is being corrected in the Budget Planning System and in the Executive Budget Recommendations," OBM reported. "As a result of the change in FY 2009 estimates, the growth rate of GRF spending during the 2010-11 biennium is 6.3% and not 4.4% as previously stated."

WHITE HOUSE SAYS ECONOMIC STIMULUS EQUALS 142,000 OHIO JOBS; BROWN WANTS 'BUY AMERICA' PROVISIONS

The White House said Wednesday that the roughly \$900 billion economic stimulus package now under consideration would create or save almost 142,000 jobs in Ohio over the next two years. In addition, it said the "American Recovery and Reinvestment Plan" would provide a tax cut of up to \$1,000 for about 4.5 million working Ohioans.

The White House said President Barack Obama's plan would create or save up to four million jobs nationwide over the next two years, while providing tax cuts to 95% of U.S. workers. State-specific estimates the White House released said the plan would "deliver immediate, tangible impacts" for Ohio:

- Create or save 141,700 jobs over two years. Jobs created will be in a range of industries from clean energy to health care, with over 90% in the private sector.
- Provide a tax cut of up to \$1,000 for 4.53 million workers. The plan would make a down payment on the President's Making Work Pay tax cut for 95% of workers and their families.
- Provide a college tax credit. "By creating a new \$2,500 partially refundable tax credit for four years of college, this plan will give 3.8 million families nationwide - and 128,000 families in Ohio - new assistance to put college within their reach."
- Provide an additional \$100 per month in unemployment insurance benefits to 666,000 Ohioans, and extended benefits to another 92,000 laid-off workers.
- Provide funds to modernize at least 369 schools in Ohio.

Separately, U.S. Sen. Sherrod Brown (D-Cleveland) said it would be irresponsible not to include and enforce Buy America provisions in the economic recovery package. He said such laws have been in place for decades and are consistent with international trade agreements.

"Let's be clear. No one is advocating tariffs in the economic recovery legislation. No one is calling for quotas," Sen. Brown said in a news release. "What we are asking for is the smart use of taxpayer dollars to create jobs at home in a way that is consistent with our trade commitments. The provisions in the bill maintain flexibility to ensure that the same exceptions that currently apply will also apply in the economic recovery program," he said.

The White House has signaled that it does not want "protectionist" trade provisions in the bill.

OEPA LOOKS TO POUR FEDERAL BAILOUT FUNDS TOWARD LOCAL WATER INFRASTRUCTURE PROJECTS

After years of dwindling funds for drinking water and sewage infrastructure upgrades, the state is asking local communities to quickly submit proposals in anticipation a boon of federal monies designed to stimulate the flagging economy.

"Ohio's state revolving loan funds for drinking water and wastewater treatment projects are expected to see a boost if supplemental funding from the federal economic stimulus plan becomes available," the Ohio Environmental Protection Agency said Tuesday. "In preparation for the possibility of federal Economic Recovery assistance, Ohio EPA is requesting interested applicants to submit information about potential projects."

With federal policymakers' emphasis on "shovel-ready" infrastructure projects, OEPA is updating its project priority list. To qualify, communities need to have detailed plans prepared, submitted or approved, the agency said.

"Ohio EPA encourages low-income communities that typically don't seek loans to apply, since grants may be awarded," the agency said.

Local governments' costs for modernizing wastewater and drinking water infrastructure jumped from \$8.8 billion to \$12.9 billion between 2000 and 2004, according to an OEPA report issued last year. Federal funding for such projects has dropped over the past several years.

THURSDAY, FEBRUARY 5 2009

TIRE FEE-FUNDED E-CHECK EXTENSION IN CLEVELAND COULD GET MORE 'CREATIVE,' OEPA OFFICIAL SAYS

Northeast Ohio will still have some type of emissions testing requirement in the coming biennium, but the state is hoping to get more creative with the wildly unpopular E-Check program, an official said Wednesday.

Gov. Ted Strickland's latest budget proposes funding the tailpipe emissions testing program with a \$2.30 fee on every tire sold in Ohio to generate more than \$29 million over the biennium. In addition, the Ohio Environmental Protection Agency wants to revise E-Check to make it more convenient for northeast drivers. The current program has been criticized for having too few testing sites.

The administration raised hackles two years ago when it proposed spending \$30 million in General Revenue to extend E-Check to comply with federal air pollution standards for ozone in the northeastern region.

OEPA Assistant Director Laura Powell said the agency is currently seeking proposals for a different program that could include other types of air pollution reduction initiatives, such as controls on stationary sources.

"We wanted to draft this RFP as broadly as we possibly could. We've given flexibility to allow for a centralized program with new stations, or a decentralized program with your local Jiffy Lubes or gas station if they want to participate," she said in an interview.

Proposals could include initiatives that have nothing to do with tailpipe emissions, she said. One idea that has been discussed is a "cash-for-clunkers" program that would offer drivers money to remove older, heavily polluting vehicles from the road.

Any enforceable program that would achieve the same total emissions reductions as the current E-Check program will be considered, she said. "We still need to get those emissions reductions. But let's be creative in how we do that."

The executive budget would give the existing E-Check vendor Envirotech the option to extend the contract for up to six months to buy time for a new vendor to begin implementing the program, according to OEPA spokeswoman Melissa Fazekas. The state has already issued a request for proposals and is awaiting bids.

Ms. Powell said the federal government still requires some type of tailpipe emissions testing for the Cleveland area, which is in "moderate non-attainment" with the federal Clean Air Act. Any proposals to decentralize the program will have to include significant outreach to inform residents about changes to E-Check so they know where to have their vehicles tested, she said.

"We certainly want to make this program convenient to motorists. As long as, at the end of the day, we get the emissions reductions that help get Cleveland closer to attainment, that's our ultimate goal," she said.

The administration's decision to extend the current E-Check program in northeast Ohio during the last budget riled some lawmakers, she allowed. "But we got the biggest bang for the buck by doing enhanced and it made the most sense at the time."

Meanwhile, the federal government is considering new rules that could require an emissions testing program in the Columbus and Cincinnati areas, she said.

"We were kind of freaking out about that. So we'll be arguing for a whole number of different reasons why that's just a really bad idea," she said. For example, data the U.S. EPA used was out of date.

SENATE ANNOUNCES COMMITTEE ROSTERS, ADDS GOVERNMENT OVERSIGHT PANEL

The Senate on Thursday announced its committee structure and rosters, a move that gets the chamber ready to conduct business on legislation.

The assignments, announced by Sen. President Bill Harris (R-Ashland), include a handful of committee chair shifts from last session, and provide chairmanships for a handful of first-term senators who recently came to the chamber from the House.

The standing committees, chairs, and ranking minority members are:

- **Agriculture:** Sen. Kirk Schuring, Sen. Jason Wilson
- **Education:** Sen. Gary Cates, Sen. Tom Sawyer
- **Energy & Public Utilities:** Sen. Chris Widener, Sen. Ray Miller
- **Environment & Natural Resources:** Sen. Tim Schaffer, Sen. Sue Morano
- **Finance & Financial Institutions:** Sen. John Carey, Sen. Dale Miller
- **Government Oversight:** Sen. Jon Husted, Sen. Shirley Smith
- **Health, Human Services & Aging:** Sen. Kevin Coughlin, Sen. Sue Morano
- **Highways & Transportation:** Sen. Tom Patton, Sen. Nina Turner
- **Insurance, Commerce & Labor:** Sen. Steve Buehrer, Sen. Joe Schiavoni
- **Judiciary-Civil Justice:** Sen. Bill Seitz, Sen. Eric Kearney
- **Judiciary-Criminal Justice:** Sen. Tim Grendell, Sen. Tom Roberts
- **Reference:** Sen. Bob Schuler, Sen. Capri Cafaro
- **Rules:** Sen. Bill Harris, Sen. Capri Cafaro

- **State & Local Government & Veterans Affairs:** Sen. Jim Hughes, Sen. Teresa Fedor
- **Ways & Means & Economic Development:** Sen. Bob Gibbs, Sen. Tom Roberts

Sen. Harris said the new Government Oversight Committee would be a place where the chamber can review government accountability and transparency issues.

"Ohioans are sick and tired of hearing about corruption and waste," Sen. Harris said. "How can they even begin to trust that government is working for their best interests when they hear about government employees who are putting their own self interests first."

"The Senate Committee on Government Oversight will give us the process we need to identify and address any shortfalls in the law that may have allowed individuals to abuse their power or misappropriate state resources, regardless of their political party."

Sen. Harris said the new panel will meet on an as-needed basis, and has the same authority of the Senate, including the ability to issue subpoenas.

NEW ODOT CHIEF HEADS FOR WASHINGTON AS OBAMA ADMINISTRATION TALKS WITH STATES ABOUT STIMULUS FOR TRANSPORTATION

Ohio's new transportation chief heads for Washington next week with a list of multi-modal projects for funding under President Obama's proposed economic stimulus package, and a request for flexibility in spending the money.

Gov. Ted Strickland administered the oath of office Thursday to Jolene Molitoris as director of the Ohio Department of Transportation. Next Wednesday, Ms. Molitoris and her counterparts from other states are to meet with U.S. Transportation Secretary Ray LaHood.

They will discuss road, bridge, rail, and related projects on which construction could begin immediately upon passage of the stimulus legislation. Secretary LaHood said in a conference call with reporters from the Midwest that the Obama administration wants to quickly release money for projects on which all necessary environmental and other requirements have been met.

"We're looking for projects ready to go," Mr. LaHood said.

An estimated \$100 billion of the \$900 billion proposal for which Mr. Obama is trying to drum up Senate support would go for an array of public works projects that typically fall under transportation agencies.

"Part of the idea here is that we want projects that are ready to go, that have met all the environmental standards. We're not going to short-circuit any of the guidelines, and rules and regulations," Secretary LaHood said. "I don't know how much each state is going to get," he said. "We know there's a pent up demand out there."

He said projects would be judged in part on whether they could put people to work immediately. States applying for a share of the money would not have to provide local matching funds.

Scott Varner, ODOT deputy director of communications, said later the agency already has collected about \$7 billion worth of projects that state officials thought would qualify for the stimulus under rules released thus far.

Mr. Varner said the department knows Ohio would likely receive only a fraction of that total. He said the projects represent not only highway work, but all modes of transportation. He said Ms. Molitoris also would take with her some concerns that Ohio has raised about the need for flexibility, and "a reasonable time line" on the projects.

FRIDAY, FEBRUARY 6 2009

BUDGET ANALYSTS SEE OPPORTUNITIES, PROBLEMS IN STRICKLAND'S TWO-YEAR PACKAGE

Depending on one's view of government's role in society, Gov. Ted Strickland's budget is either too fee-laden and large, or wanting for more revenue while appropriately funding expanded services for the poor.

Budget watchers at three Ohio think tanks followed roughly along those lines of reasoning this week when asked for their second-blush reactions to the governor's \$54.7 billion executive budget proposals for fiscal years 2010 and 2011.

Zach Schiller, research director for Policy Matters Ohio, said the plan does well to preserve funding for important programs but underscores the need for more state revenue in the longer term.

"We're certainly encouraged by some of the initiatives here to allow more people to qualify for health insurance - both children and adults, to try and at least keep college from becoming less affordable, to invest more toward public K-12 education," he said. "So there are some very worthwhile important initiatives here that I think especially in a time of obviously very substantial belt-tightening are quite commendable. That said, I also think that the revenue side of this budget shows more than ever that we need to reevaluate the tax overhaul of 2005."

Policy Matters Ohio recently released a study on the subject that urges restoration of business tax cuts.

Mr. Schiller said he doesn't have the problem that some critics do with the use of one-time money in the plan given that the budget would otherwise have to be cut \$3-4 billion or so.

"You can carp about it all you want but it's important both for the individual programs and for the state economy that we maintain these state expenditures," he said. "That, in fact, is one of the key points of the federal stimulus plan is to ...keep us from having to make big reductions, so I don't quarrel with that.

"What it does illustrate is that on a long-term basis we are going to need sustainable state revenue sources and we have created a significant part of our financial problems."

Analyses of the use of nonrecurring revenue in the budget, a focal point for some critics of the document, range from more than \$5 billion to nearly \$8 billion once various accounting moves and federal stimulus monies are distributed. The administration said \$3.4 billion from the bill still moving through Congress has been incorporated into the planned GRF spending from money specifically designated for general state financial assistance.

While social service advocates say that revenue rescue points to the need for bolstering taxes in the long term, the free market think tank Buckeye Institute for Public Policy Solutions argues that government needs to get smaller, not larger.

"The best thing for Strickland's reelection that might have happened is counting on the stimulus money to keep him from having to raise taxes much this year," Buckeye Institute President David Hansen said.

"The amount of one-time money seems so large now. All you're doing is kicking the can down the road," he said. "That's just not fiscally responsible, really. It sort of turns this money into a bailout for the states - they're getting bailed out just like GM is, like the banks are."

Along with questioning the use of federal money to prop up the budget, Mr. Hansen took aim at the 120 fee increases Gov. Strickland has proposed in the budget to generate about \$236 million in revenue for various state operations. He said the volume and nature of the fees "speaks to the intrusiveness of government in our everyday life."

"If its animal, mineral or vegetable, it looks like government is going to go raise the fees on it," Mr. Hansen said.

"When you have no choice but to use a government service, then it becomes a tax," he said. "They should really charge a fee for going to the public parks. In that case it would really be a fee because you could always go to the movies or a private campground. A user fee is a user fee when you truly have choice."

Mr. Hansen cited the example of fee hikes in the bill for waste disposal - which like others would ultimately be passed onto consumers.

"When you really don't have a choice and you have to pay these fees, it's a loss of economic freedom, which is a tax," he said. "It's going to cost more to go to a private campground. It's going to cost more to go to a pool. You're going to get up in the morning and it's going to cost you more."

In urging for smaller government, the Buckeye Institute has published an Ohio Piglet Book to critique and question government programs.

Mr. Hansen offered up an alternative to the increased spending in the budget at hand: "Can they finally just say 'no' to some amounts of spending that we do in this state?" he said. "Do we really need a Department of Development that is bringing in so few jobs or has been around when so many jobs are lost?"

Spending hundreds of millions through programs such as DOD's "Third Frontier," he added, "Doesn't do anything for this state except spread money around to political constituencies."

John Habat, director of Public Policy and Advocacy for the Cleveland-based Center for Community Solutions, said digesting the voluminous budget document was proving a challenge during what he described as a "confusing budget cycle" at federal and state levels.

"It's a little confusing trying to figure out all these pieces," he said, noting that the commingling of so many funding sources will make past and future comparisons more difficult in terms of assessing the spending plan. "In comparing apples to apples it's a tough one too."

Mr. Habat said the budget is variously impacted by the ending stages of the phased-in tax restructuring of 2005, the still-evolving federal stimulus plan and the extensive use of one-time funds. "By the time you juggle those three or four things it's confusing, but there are certain things we can make of it," he said.

"The first one, from, my point of view, is the increasing size of the structural deficit. The three previous budgets had multi-hundred million dollar one-time funds to balance them, and that's been exacerbated in the current one," Mr. Habat said.

"The longer it takes to address permanent revenue base, the more difficult it gets to address the deficit of that revenue base compared to appropriations. At the Center, we believe you have to look at an increase in the revenue base. There's not going to be any way around it."

The structural imbalance at hand, Mr. Habat added, "Really exposes those in most critical need of state services." Mr. Habat said analysts at the Center see several things to like on the policy side of the equation.

"There are some nice things in here from a public policy point of view, especially with respect to health and human services," he said. "The expansion of SCHIP to 300% (FPL), we're very excited over. There have been some childhood education initiatives that have been affirmed in this budget that were basically enacted in the last budget."

"We're happy to see the increases for some of the services for the aging, the Unified Long-Term Care Budget proposal," he said.

SALES TAX LAGS AGAIN IN JANUARY, PUSHES TOTAL RECEIPTS BELOW STATE ESTIMATES; \$777 MILLION YEAR-TO-DATE DROP FROM FY 2008

Despite analysts' repeated adjustments to estimates this biennium, state tax revenues continued their slide in January and now stand about \$85 million short of Office of Budget and Management's latest projections.

Most of that underage occurred last month, when sales tax and personal income tax intake failed to meet expectations that were officially tempered in the form of reduced forecasts developed in November.

Total tax receipts for January were \$60.5 million, or 3.8%, below estimates, preliminary OBM revenue data show. The \$10.253 billion in taxes collected so far in fiscal year 2009 is 0.8% lower than revised estimates.

The total of sales and use tax collections last month, \$651 million, was \$60 million, or 8.5%, less than OBM anticipated. Personal income taxes, which totaled \$918 million, were off by \$45 million, or 4.7%.

The latest state revenue data comes with further signs that the national recession is of historic proportions.

The U.S. Department of Labor reported Friday that the economy shed 598,000 jobs in January and the unemployment rate has hit 7.6%, the highest since September 1992.

State coffers did get some relief in January from corporate franchise taxes. The soon-to-be extinct revenue source brought in \$132 million, which was a third more than expected for the month. The business tax category, which is under a phase-out, now stands above estimates for the year to date by a third, or \$33.5 million.

Public utility taxes (by \$8.6 million) and tobacco taxes (by \$4.1 million, or 5.6%), also exceeded revised estimates for January, OBM reported.

The elimination of the corporate franchise tax, reduction in personal income tax rates and other changes brought about by the 2005 tax system overhaul (HB66, 126th General Assembly), coupled with the stubbornly sagging economy, are born out in OBM's actual-to-actual revenue comparisons to FY 2008.

Compared to January of 2008, the state brought in \$405 million, or 18.3%, less last month, according to OBM. The year-to-date tax revenue total for FY 2009 is \$777 million, or 7%, less than the first seven months of the prior fiscal year.

COMMITTEE SCHEDULE FOR WEEK OF FEBRUARY 9

TUESDAY, FEBRUARY 10

House Finance & Appropriations, (Chr. Sykes, 466-3100), Rm. 313, 9 a.m.

--Budget presentation from the Office of Budget & Management and Department of Taxation

House Finance & Appropriations, (Chr. Sykes, 466-3100), Rm. 313, 1 p.m.

--Budget presentation from the Legislative Service Commission

WEDNESDAY, FEBRUARY 11

House Finance & Appropriations, (Chr. Sykes, 466-3100), Rm. 313, 8:30 a.m.

--Budget presentation from the Department of Education

House Finance & Appropriations: Transportation & Justice Sub., (Chr. Ujvagi, 644-6017), Rm. 018, 6:30 p.m.

--Organizational meeting

THURSDAY, FEBRUARY 12

House Finance & Appropriations, (Chr. Sykes, 466-3100), Rm. 313, 8:30 a.m.

--Budget presentation from the Board of Regents and Department of Rehabilitation & Correction

House Finance & Appropriations, (Chr. Sykes, 466-3100), Rm. 313, 1 p.m.

--Presentation from the Department of Transportation on the ODOT budget

House Finance & Appropriations: Transportation & Justice Sub., (Chr. Ujvagi, 644-6017), Rm. 018, 4 p.m.

-- Review of transportation budget

MONDAY, FEBRUARY 9 2009

STRICKLAND: SENATE STIMULUS CHANGES CRIPPLE STATE BUDGET PLANS; SHIFT CREATES NEARLY \$1 BILLION HOLE

A \$25 billion state aid cut by the U.S. Senate from the pending federal stimulus bill would have a "devastating" impact on Ohio's budget and would likely bring about cuts in several crucial services, Governor Ted Strickland said Monday.

Without restoration of the funds in further congressional negotiations - the current version includes \$1.2 billion less for Ohio than the U.S. House approved - Mr. Strickland said reductions to higher education, mental health, child care, public health and safety, rehabilitation and corrections and natural resources are likely. Further, he said, more jobs will be lost.

"Put simply, without substantial fiscal relief for states, more Ohioans will lose jobs and fewer Ohioans will have access to the critical services that our state and local communities provide," Mr. Strickland wrote to members of the congressional delegation. "Those negative consequences will undermine the very purpose of the bill by slowing the stimulative effects of the infrastructure investments and tax cuts."

When he introduced his budget last week, the governor spread \$3.4 billion in expected federal funds throughout his spending plan, allocating money for a variety of programs including K-12 education.

Estimates show that Ohio would lose \$930 million in general purpose resources that were included in the budget plan and \$293 million in education-related funds if the Senate version was approved versus the House bill. Strickland spokesman Amanda Wurst said the administration is studying the education funding reduction to determine its direct impact on the state.

Ms. Wurst said the federal package is headed to conference to resolve differences between the two versions.

Meanwhile, Mr. Strickland continues to push for the higher bailout, saying the changes made by the Senate would likely cost the state more jobs.

"As an elected official, I believe that fiscal restraint and taxpayer accountability are fundamental responsibilities rightly demanded by the people we serve," the governor wrote. "They deserve nothing less. Yet nearly all economists agree that substantial federal spending is necessary today to avoid the dangers of deflation and to stimulate a stagnant national economy."

The administration said the elimination of \$25 billion in state aid would put Ohioans' health and safety at risk and cost the state another 9,000 jobs.

Without restoration of the funds, the administration said the state would likely be forced to:

- close two medium-sized prisons;
- eliminate Alzheimer's respite care for 1,652 families;
- impose major cuts on the scope of services provided to those with mental health needs;
- eliminate proposals to freeze tuition for many college students;
- reduce safety net services for the poor;
- reduce public health funding;
- cut child care provider rates by 10% or cut coverage for 8,000 children;
- eliminate alcohol and drug addiction services to 32,000 Ohioans and eliminate 130 public jobs; and,
- scale back natural resources-related regulatory operations.

REMOVAL OF \$592 MILLION IN EARMARKS FROM BIENNIUM BUDGET RAISES STAKES FOR SPECIAL INTERESTS

As if the upcoming biennium budget talks needed any more angst. Hearings on the fiscal year 2010-2011 spending package could be longer and more urgent as groups, which have benefited from the 263 earmarks that Gov. Ted Strickland's spending plan eliminates, lobby for continued state funding.

The governor's \$54.7 billion executive budget removed more than \$592 million worth of special appropriations items that were funded in the current biennium (HB119, 126th General Assembly).

House Finance Chairman Vernon Sykes (D-Akron) said recently that he expects the chamber will reinsert earmarks during upcoming budget. Strickland spokeswoman Amanda Wurst said Monday the administration left earmarks up to "legislative prerogative."

Some earmarks appear to be removed in anticipation of replacement funding by the federal economic stimulus package. Several proposed Department of Education cuts, for instance, appear to be a result of the governor's effort to overhaul the school funding formula.

Nevertheless, the administration's decision to introduce a budget absent earmarks could significantly change the dynamics of budget negotiations - especially for the stakeholders with direct ties to those line items, some of which go back many years.

General revenue for Department of Mental Health funding for local boards would drop by at least \$37 million a year under Gov. Strickland's proposed budget, unless those earmarks are restored.

Several Department of Alcohol and Drug Addiction Services' GRF line items would be eliminated. Erased earmarks include: \$8.1 million for program grants; \$4 million for substance abuse; and \$2.5 million for the Juvenile Aftercare Program.

ODADAS's \$5 million in federal Temporary Assistance for Needy Families funding for treatment services would also be removed, as would a whole series of TANF block grants under the Department of Job & Family Services. Those include:

- \$125 million for early learning agencies.
- \$13 million for faith based and community initiatives.
- \$10 million for the Kinship Incentive Program.
- \$10 million for summer and after school programs.
- \$10 million for African American male graduation rate.
- \$6.5 million for intervention services.
- \$5 million for adoption services.
- \$2 million for Ohio Boys & Girls Clubs.

Other earmarks that have been eliminated in Gov. Strickland's proposed budget:

- \$8.2 million for the American Red Cross Greater Columbus Chapter.

- \$12 million for the Board of Regents' Research Initiative Program.
- \$4.2 million for the Governor's Office of Appalachia.
- \$10 million for Diesel Emission Reduction & Transit Capital Grant Programs.
- \$24.1 million for Help Me Grow subsidies.
- \$9.1 million for foster care reform funding to counties.
- \$6 million in youth employment grants.

OHIO AWARDED FEDERAL PLANNING GRANT TO STUDY HIGH-SPEED PASSENGER RAIL SYSTEM

U.S. Rep. Betty Sutton (D-Chardon) said Monday the federal Department of Transportation has awarded a \$62,500 planning grant to the Ohio Rail Development Commission for study of a high-speed rail system.

The "planning and alternative analysis" money is for the Amtrak/Ohio HUB high-speed corridor from Cleveland through Columbus and Dayton to Cincinnati.

Rep. Sutton said the grant would provide funding for the development stage of the project that would bring Amtrak start-up service and high-performance passenger rail service to metropolitan centers across the state.

"This high speed rail corridor will bring 110-mph passenger trains to the 11 million people of Ohio, greatly improving transportation options in the state," Rep. Sutton said in a news release.

"Not only will this benefit local residents, but it will help bridge travel and commerce markets, encouraging others to come to our state for business and leisure. I am pleased that funding has been secured for this project," she said.

TUESDAY, FEBRUARY 10 2009

FINANCE COMMITTEE KICKS OFF BUDGET HEARINGS AMIDST MORE GLOOMY FISCAL DEVELOPMENTS

Office of Budget & Management Director Pari Sabety painted a bleak picture of Ohio's economic future Tuesday in kicking off executive budget testimony in the House. Then things got worse.

Continuing a lengthy and painful streak of job news, General Motors Corp. announced 10,000 salaried position cuts worldwide and pay reductions of 10% for remaining workers. The auto industry's plummet has played a significant role in the downfall of Ohio's closely tied economy, which Ms. Sabety said is expected to be problematic through at least the first half of fiscal year 2010.

Shortly after GM's announcement, the U.S. Senate finalized its version of the federal stimulus package, which to the chagrin of Gov. Ted Strickland's administration would reduce Ohio's share by an estimated \$1.2 billion, including some \$930 million already built into the governor's fresh-off-the-presses spending plan for FYs 2010-2011.

Then, to add insult to injury, a Franklin County judge further delayed the resolution of a dispute over \$230 million in former tobacco cessation funds that policymakers had earmarked last for high-tech bio industry development. The ongoing freeze of the funds continues to thwart plans for a sizeable chunk of last year's \$1.57 billion Ohio stimulus package, although the OBM director said a good portion of those funds are already being put to use in other targeted investment areas.

While those developments occurred outside of the hearing room where the House Finance & Appropriations Committee began deliberations on Mr. Strickland's two-year, \$54.7 billion proposal, there was already enough gloom and doom for panelists to ponder as they set forth on what promises to be one of the more uniquely challenging budget debates in recent memory.

"Today, we are about to embark on a very important responsibility," Chairman Vernon Sykes (D-Akron) said, adding that Ohioans "really need us to make good decisions in a bipartisan way."

The longtime lawmaker noted he has worked 20 years with Rep. Ron Amstutz (R-Wooster), the ranking minority member on the panel, and promised "robust, interesting and productive meetings to craft a budget we can be proud of."

Gov. Strickland presented the legislature with a good starting document to work with, the chairman said. "We plan on improving it here in the House."

Director Sabety said the administration builds on initiatives in the current budget and sets a course for overhauling the public school-funding system while addressing three major challenges.

"First, we must assure that basic services for Ohio's citizens are maintaining while the economy recovers from the deep recession we have been experiencing. Second, it is critical that we continue momentum on key investments that will position our state for success as the national economy returns to growth. Finally, we need to assure that we are managing our resources for sustainability."

Director Sabety highlighted various policy initiatives of the budget as laid out in the executive Blue Book, including the administration's proposals for education, child care and health care.

Some lawmakers indicated they would have more questions after reviewing the actual legislation, which Chairman Sykes said could be introduced as early as Thursday. Speaker Armond Budish (D-Beachwood) has designated House Bill 1 as the budget measure.

Proposed spending levels in those areas and the administration's explanations to that effect were the subject of some back-and-forth on Tuesday that followed along the lines of first-blush reaction that has been aired since the Blue Book unveiling last week.

Director Sabety said the new "evidence-based" school finance system, to be phased on over eight years, was predicated on goals that the funding be adequate, student-centered, teacher quality driven, adaptable and flexible, and transparent and simple. Rep. Randy Gardner (R-Bowling Green) questioned the administration's figure of a \$925 million increase in state funding for K-12 education in the budget, saying that number doesn't seem to jibe with the Blue Book spreadsheet. Reiterating previous GOP concerns, he said that absent the property tax rollback, it appears that Department of Education funding is actually cut by \$5 million in the first year.

Regarding Medicaid, Director Sabety said, "The program is expected to provide coverage for (an) additional 172,700 people over the next biennium. Of this amount, 148,675 will be in the Covered Families and Children category."

With Medicaid enrollment traditionally increasing in tough economic times, the administration has pursued a variety of moves to reduce costs in some areas and provide additional coverage in others. State data show pressure on the entitlement, for which the state pays about 40% of the costs, has increased over the last year as the economy has worsened.

Ms. Sabety said Medicaid caseload increased by 100,000, or 6%, in 2008, including a 13,000 or 0.7% rise in December alone. "This is the largest single-month caseload increase in nearly three years and the largest increase for the month of December in at least 10 years," she said.

The administration has shifted some of the Medicaid burden out of the general revenue fund based on expected federal money and "cost containment strategies." Including increases in Medicaid "franchise fees," the latter approach is to include a biennium total of about \$2.78 billion in GRF "offsets," Ms. Sabety said.

As a result, GRF spending on Medicaid in FY 2010 would be \$8.775 billion, which Ms. Sabety described as a \$2.28 billion reduction from forecast spending. Medicaid would cost the state \$10.9 billion in GRF in FY 2011, she said.

Rep. Amstutz asked for more information regarding the all-funds spending on Medicaid, which he said appeared to be closer to \$12.9 billion in the first year and \$13.9 billion in the second.

Ms. Sabety's presentation came with several doses of harsh fiscal reality for budget crafters, including indications that an economic recovery won't be forthcoming until halfway through the next biennium, which starts July 1. For instance, while IHS Global Insight projects that the U.S. unemployment rate will peak at 9.2% in the first half of 2010 and remain above 8% through 2011, she said, "Ohio's unemployment rate is projected to rise to 10.4% by the fourth quarter of 2009."

The OBM director said rising unemployment and falling consumer confidence "have had profound consequences for the personal income tax and sales tax, which contribute to 75% of Ohio's resources."

"As a result of this economic picture, the Strickland administration has developed revenue estimates that assume decreases in total Ohio employment of 2.1% in FY 2009, 4% in FY 2010 and 1.1% in FY 2011, with wage and salary income increasing slightly by 1.5% in FY 2009 before declining by 1.8% in FY 2010 and remaining flat in FY 2011."

"The situation I've described in the national and Ohio economies is reflected in the administration's revenue forecast as we see a baseline decline in Ohio tax revenues of 7.1% in FY 2009, 5.4% in FY 2010, and 0.1% in FY 2011," Ms. Sabety said. Personal income tax and sales taxes are expected to generate about \$1.6 billion less in 2011 than in FY 2008, she said.

HOUSE MEMBERS QUESTION ADMINISTRATION OVER FEE HIKES, ONE-TIME FUNDS, OTHER BUDGET MATTERS

The first chance for lawmakers to have at administration officials over Gov. Ted Strickland's \$54.7 billion biennium budget went off civilly and fairly predictably Tuesday.

In stark contrast to two years ago, when the administration presented its first budget to a GOP-controlled House, the process went smoothly and only one member got gaveled for not asking queries through the chair.

During the hearing, Minority Republicans further questioned the use of one-time monies, such as federal bailout funds, and fee hikes in the plan.

House Democrats, who took control of the chamber in the November elections for the first time in 14 years, were mostly complimentary and supportive.

The question-and-answer session ensued following Office of Budget & Management Director Pari Sabety's testimony and spanned a morning and afternoon hearing. The panel is to resume deliberations 8:30 a.m. Wednesday with a focus on the Department of Education budget.

Revenues: Rep. Jeff McClain (R-Upper Sandusky) asked how much of the \$1.57 billion from last year's state stimulus plan (HB554, 127th General Assembly) has already been spent and what kind of impact it had. Director Sabety said a significant amount of the money has been spent.

In two related developments on Tuesday, majority Republicans in the Ohio Senate proposed redirecting unspent money from that package and a Franklin County judge extended a hold on \$230 million in disputed former anti-tobacco funds pending a trial to begin in April.

Rep. Matthew Dolan (R-Novelty) asked if the director believes there will be a hole in the next budget and whether the state is on a path to threaten the 5% debt limit.

In a similar vein, Rep. Seth Morgan (R-Huber Heights) asked if the state would be in trouble when policymakers have to refill the hole left by one-time money in the next biennium.

Director Sabety said that there would not be a hole in the next budget because, among other reasons, the state's economy is expected to eventually turn around and the administration would make appropriate tough choices to present a balanced budget.

Fee Hikes: Rep. David Burke (R- Marysville) asked for clarification on the difference between a tax and a fee, then questioned a licensing fee increase of \$200 to \$1000 for cigarette sellers.

The Director said that the main difference between a tax and a fee is that a tax is a mandatory cost inflicted on every Ohio citizen in order to pay for the cost of government, whereas a fee is a price certain groups pay in order to receive specific services from government. In regards to the increase in fees for cigarette sellers, the director said that the hike was worked out with an association and that it is intended to insure cigarettes are not being sold across the border and to make sure establishments selling cigarettes are legitimate and are actually in the business

Rep. McClain asked how the increase in fees would help stimulate the economy. Ms. Sabety responded that most of the increases were the result of industry group and regulator requests. Rep. Clayton Luckie (D-Dayton) said that was an important point to stress.

However, Rep. Robert Mecklenborg (R-Green Twp.) later questioned the director's comments, saying the caucus had contacted affected stakeholders during the committee recess and "found the opposite," - that is little to no support for some of the hikes. "Some of these fees are quite substantial," he said.

Ms. Sabety, noting there are 120 fee increases in the bill, acknowledged that some would be opposed. "I am sure there are a number of fees that people find disturbing," she said.

Taxes: Chairman Sykes asked why the budget does not propose raising taxes. Director Sabety said that because of the economic situation Ohioans are facing, it would not be the right thing to do. She said the administration avoided tax increases in part by using federal money to offset state revenues.

Rep. Barbara Sears (R-Sylvania) asked the director if administration considered "unintended consequences" of raising the nursing home bed tax from \$6.25 to \$11 per bed, per day, such as the increased cost to private-pay constituents and potentially negative effects on the businesses.

Responding to a question from Rep. Jay Goyal (D-Mansfield), Tax Commissioner Rich Levin said indexing the income tax as originally planned for in the 2005 tax system overhaul would cost the state about \$50 million a year.

TAX EXPENDITURES TO RISE UNDER STRICKLAND BUDGET, ODT REPORTS; HOUSE DEMOCRATS EYING SUNSET PROPOSAL

Ohio would forego an estimated \$15.1 billion in revenue in the next biennium as a result of 122 different tax breaks included in Gov. Ted Strickland's budget, according to a Department of Taxation analysis. ODT's Tax Expenditure Report, which state law requires the agency to produce each biennial budget cycle, projects the total cost of tax deductions, exemptions and credits would increase by about \$1.1 billion under the governor's \$54.7 billion biennial budget compared to the current biennium.

According to the ODT report, the cost of tax expenditures offered to individuals, organizations and businesses in fiscal year 2008 was about \$6.9 billion and \$7.1 billion in FY 2009. Under Gov. Strickland's proposal the total would rise to about \$7.4 billion in FY 2010 and \$7.7 billion in FY 2011.

Tax Commissioner Richard Levin says in an introductory letter that the report doesn't appraise the policy value of tax expenditures, but simply estimates the amount of revenue that would be generated if policymakers repealed them. "The responsibility of evaluating the public policy merits of tax expenditures belongs jointly to Gov. Ted Strickland and the General Assembly," Mr. Levin says. "The information does, however, lend itself to a better understanding of the current tax system."

Given dwindling state revenue, some House Democrats are considering whether to revive a stalled proposal from last session that would create a committee to review all state tax expenditures (HB269, 127th General Assembly). Those deemed unworthy would expire.

Rep. Michael Skindell (D-Lakewood), who co-sponsored the bill last session, said he has discussed the idea with the Strickland administration and hopes to pursue something similar in the current General Assembly. "I think with every tax expenditure you need to review every one to ensure that it is doing what it was intended to do," Rep. Skindell said in an interview.

"Whether we have a historic building tax credit, whether we have a film industry tax credit, we need to review that periodically to make sure it's accomplishing the goals that were set out when it was originally introduced - that it's not just a giveaway to certain industries," he said.

Rep. Jennifer Garrison (D-Marietta) said the proposal was under review, along with all of Democrats' previous bills, to determine whether it was appropriate for reintroduction this session. "I think most tax expenditures are good for Ohio and good for the people of Ohio," said the new House majority floor leader, who also co-sponsored last session's bill.

"But I also think it's important to ensure that bills and expenditures that were enacted 20 years ago are still relevant for Ohio today," she added.

Rep. Ron Amstutz (R-Wooster) said he was willing to consider reviewing tax expenditures, but sounded a note of caution. "It's another path to tax increases," he said. "It's one of the things you do when you want to raise revenues."

The ODT report found more exemptions to the sales & use tax than any other type of state taxes, as well as the highest cost. Much of that appears related to exemptions for tangible personal property, which was phased-out during the state's business tax restructuring measure (HB66, 126th General Assembly). A manufacturing related TPP exemption would cost \$1.7 billion a year, while agriculture related TPP provision would cost \$149.1 million in FY 2010 and \$153 million in FY 2011. Exclusion of TPP and services used or consumed by an electric utilities would cost \$316.4 million in FY 2010 and \$331.8 million in FY 2011.

INTRODUCED IN THE SENATE

- SB 2 FEDERAL STIMULUS FUNDING (Carey) To provide for the distribution of moneys received by the state from the federal American Recovery and Reinvestment Act of 2009 by making appropriations and to declare an emergency.
- SB 7 FRAUD REPORTING (Wagoner) To require the Auditor of State to establish a fraud-reporting system for residents and public employees to file anonymous complaints of fraud and misuse of public funds by public offices or officials. Am. 124.341
- SB 18 ENVIRONMENTAL FINES (Gibbs) To require the proceeds of fines paid by certain political subdivisions under environmental laws to be expended by the state in the county that incurred the fine or in which the political subdivision that incurred the fine is located and to require the proceeds of fines paid by private entities under environmental laws to be deposited in the General Revenue Fund. En. 3745.25
- SB 26 NON-RESIDENT TAXPAYERS (Schaffer) To require municipal corporations with more than \$100 million in annual income tax collections to provide a tax credit to nonresident taxpayers. Am. 718.17
- SB 29 DITCH IMPROVEMENTS (Roberts) To allow a board of county commissioners to adjust the permanent base of a ditch improvement that is used for maintenance fund assessments and to allow a board to use certain ditch maintenance procedures to maintain soil and water conservation district improvements. Am. 1515.29 and 6137.112
- SB 34 GROUP HEALTH INSURANCE (Miller, D.) To require the Department of Administrative Services to create a health insurance program that allows municipal corporations, small employers, and nonprofit corporations or associations to purchase for their employees the same policies or contracts provided to state employees. Am. 124.824
- SB 44 PROPERTY TAX ROLLBACKS (Miller, D.) To require county auditors to make reasonable efforts to identify property owners wrongfully receiving the 2.5% property tax rollback, to limit the monetary charge against violators to five years' worth of reductions plus interest, to require 10% of monetary charge collections to be credited to the rollback enforcement fund, and to provide amnesty for persons who report their illegal receipt of the rollback. Am. 323.152, 323.153, and 323.156
- SB 50 ROAD NAMINGS (Hughes) To require the Director of Transportation to designate portions of state highways, county or township roads, or streets or highways located within municipal corporations as memorial highways in honor of each State Highway Patrol trooper, county sheriff, deputy sheriff, township constable, or police officer of a township police department or district or law enforcement agency of a municipal corporation who is or has been killed in the line of duty. En. 5501.70

WEDNESDAY, FEBRUARY 11 2009

STRICKLAND EDUCATION PLAN FOCUSES ON TEACHERS, FAMILIES AND MODERN ASSESSMENTS, DISPUTE SIMMERING OVER DISTRIBUTION OF FEDERAL STIMULUS CASH FOR PUBLIC WORKS PROJECTS

A policy dispute simmered Wednesday over whether the 132-member General Assembly - or the seven-member Controlling Board - should oversee spending of potentially millions in federal stimulus money for highways and other public works.

Rep. Peter Ujvagi (D-Toledo), chairman of a House panel that will handle Gov. Ted Strickland's proposed budget for the Department of Transportation, said the federal cash could more quickly be put to use with Controlling Board approval of spending authority.

"Clearly the Controlling Board enables it to move a lot faster. Sorry to say, the legislative process is like making sausage and is very, very long," Rep. Ujvagi said in an interview. "And I have heard no suggestions by anybody of how we can possibly expedite that. We certainly can't wait three months, or six months, or nine months to get these dollars out there."

Rep. Ujvagi heads the Transportation and Justice subcommittee of the House Finance and Appropriations Committee. The panel held an organizational meeting late Wednesday and released a tentative schedule of meetings. He said the "number one priority" is to take whatever money Ohio receives from the stimulus package that is ultimately enacted and use it to put people to work as quickly as possible.

"We're in a crisis mode as we keep looking at unemployment and we keep looking at the number of people who are losing their jobs," he said. "We need to be able to get whatever funds are going to be coming from Washington out there into people's pockets, and into small businesses and to business organizations that have the ability to spend it. Now, the question becomes what is the most effective and cost efficient way of doing that? And I think that's what this discussion is all about."

Senate Republicans introduced priority legislation (SB 2) Tuesday under which federal funding for infrastructure would be appropriated through existing mechanisms. Sponsored by Sen. John Carey (R-Wellston), the bill calls for channeling highway

construction funding through the Department of Transportation. It would require that the 12 ODOT districts receive at least \$15 million each. Sen. Carey agreed the state needs to move quickly, but not at the expense of transparency in spending the money.

"We must work together to ensure these funds are invested to their full potential and provide economic benefit in every region of the state," the senator said.

If federally permissible, the Senate bill would allocate \$200 million to the Ohio Public Works Commission for the Local Transportation Improvement Program. The allocation would replace budget stabilization funds from the original bipartisan economic stimulus bill that the GOP says is now being used to balance the governor's two-year budget. Federal funds for energy efficiency would go through the Department of Development, while school construction cash would flow through the Ohio School Facilities Commission.

"An open and transparent legislative process that provides for public input into the allocation of significant taxpayer dollars is a better public policy than merely sending funds through the state Controlling Board," the Senate GOP said.

Democrats currently hold a 4-3 majority on the Controlling Board, which is made up of three Republicans, three Democrats, and a president who represents the governor's Office of Budget and Management.

Rep. Ujvagi said he would look at the Senate proposal. "(But) I think the reality is that we have to select the strategy that will get us there the fastest," he said.

Adding more fuel to the fire was a five-page Department of Transportation spreadsheet titled "Priority Stimulus Projects" as of Jan. 22, 2009. It included at least \$570 million in projects statewide for highway, aviation, and rail projects.

Scott Varner, ODOT director of communications, said the department had been trying to determine what projects might be eligible for funding with the federal stimulus money, and that it totaled about \$7 billion overall.

"We do not have a specific list of projects," Mr. Varner said. "There is no such list."

DATA SHOWS RECORD NUMBER OF OHIO FORECLOSURE FILINGS IN 2008, RATE OF INCREASE SLOWS

Statewide data the Ohio Supreme Court released Wednesday showed that while the number of foreclosure filings reached a record high in 2008, the 3.1% increase over 2007 levels was the smallest in the last 13 years. There were 85,773 foreclosures in 2008, compared with 83,230 the previous year. It was the 13th consecutive annual increase.

Foreclosure filings grew in 61 of the state's 88 counties, but declined in 26 others - including Cuyahoga and Summit. Numbers were unchanged in Paulding County, which had 126 filings in both 2007 and 2008.

Chief Justice Thomas Moyer said the report shows an unprecedented number of Ohioans continued to face the prospect of losing their residences, and courts continued to struggle with record filings.

"There is some positive news in this report, though, as some counties have seen significant declines, and the overall rate of growth in foreclosure filings declined in 2008," he said.

New foreclosures were numerically highest in Cuyahoga County last year at 13,858. The total represented a 2.9% decline from figures for 2007. Franklin County had the second-highest number of filings in 2008 at 9,305, followed by Hamilton County at 6,673, and Montgomery County at 5,194. Washington County showed the largest year-to-year percentage drop in foreclosures at 39.3 percent. Release of the foreclosure data came almost one-year after the start of a multi-agency foreclosure assistance program. The Save the Dream website provides information to homeowners and access to an approved housing counselor.

Director Kimberly Zurz of the Ohio Department of Commerce said the latest foreclosure statistics demonstrate why persons should seek help as soon as possible.

"With many homeowners struggling to make their mortgage payment in today's challenging economy, it is more important than ever to spread the word that free assistance is available to help Ohioans to stay in their homes," she said.

REFERRED TO SENATE COMMITTEE

Finance & Financial Institutions:

- SB 1 REVITALIZATION DEBT AUTHORITY (Hughes) To implement the additional debt for conservation and revitalization programs provided by Section 2q of Article VIII of the Ohio Constitution, to authorize the issuance of that debt, to make new appropriations for the purpose of continuing programs established by Am. Sub. H.B. 554 of the 127th General Assembly, the Bipartisan Job Stimulus Act, and to declare an emergency.
- SB 2 FEDERAL STIMULUS FUNDING (Carey) To provide for the distribution of moneys received by the state from the federal American Recovery and Reinvestment Act of 2009 by making appropriations and to declare an emergency
- SB 18 ENVIRONMENTAL FINES (Gibbs) To require the proceeds of fines paid by certain political subdivisions under environmental laws to be expended by the state in the county that incurred the fine or in which the political subdivision that incurred the fine is located and to require the proceeds of fines paid by private entities under environmental laws to be deposited in the General Revenue Fund.

Highways & Transportation:

- SB 50 ROAD NAMINGS (Hughes) To require the Director of Transportation to designate portions of state highways, county or township roads, or streets or highways located within municipal corporations as memorial highways in honor of each State Highway Patrol trooper, county sheriff, deputy sheriff, township constable, or police officer of a township police department or district or law enforcement agency of a municipal corporation who is or has been killed in the line of duty.

Insurance, Commerce & Labor:

- SB 34 GROUP HEALTH INSURANCE (Miller, D.) To require the Department of Administrative Services to create a health insurance program that allows municipal corporations, small employers, and nonprofit corporations or associations to purchase for their employees the same policies or contracts provided to state employees.

State & Local Government & Veterans Affairs:

- SB 7 FRAUD REPORTING (Wagoner) To require the Auditor of State to establish a fraud-reporting system for residents and public employees to file anonymous complaints of fraud and misuse of public funds by public offices or officials.
- SB 29 DITCH IMPROVEMENTS (Roberts) To allow a board of county commissioners to adjust the permanent base of a ditch improvement that is used for maintenance fund assessments and to allow a board to use certain ditch maintenance procedures to maintain soil and water conservation district improvements.

Ways & Means & Economic Development:

- SB 26 NON-RESIDENT TAXPAYERS (Schaffer) To require municipal corporations with more than \$100 million in annual income tax collections to provide a tax credit to nonresident taxpayers.
- SB 44 PROPERTY TAX ROLLBACKS (Miller, D.) To require county auditors to make reasonable efforts to identify property owners wrongfully receiving the 2.5% property tax rollback, to limit the monetary charge against violators to five years' worth of reductions plus interest, to require 10% of monetary charge collections to be credited to the rollback enforcement fund, and to provide amnesty for persons who report their illegal receipt of the rollback.

THURSDAY, FEBRUARY 12 2009

GOVERNOR VIEWS BUDGET SHORTFALL TIED TO FEDERAL STIMULUS CUT AS MANAGEABLE; MORE REDUCTIONS TO BIENNIUM PLAN POSSIBLE

Gov. Ted Strickland said Thursday there may be a shortfall in his proposed state budget because of a reduction in anticipated federal stimulus revenue, but that the gap would be manageable. Mr. Strickland said he had not personally received a final assessment about the impact on the state of changes in the \$790 billion economic stimulus package that emerged from a congressional conference committee.

"We are working on that, but it will be manageable. I will deal with it, and I will do it while continuing to protect education," the governor told reporters. He acknowledged the federal cutback could result in further state spending reductions. "I will manage it in the way that I determine to be best for the state of Ohio. Will it involve further cuts? Very possibly," he said. "But I will not know that until I have complete information and data regarding exactly what is in the stimulus bill."

Strickland spokeswoman Amanda Wurst said later in the day that the administration would wait to see the results of the final legislation before analyzing its impact on the executive budget. Congress was expected to send the measure to President Barack Obama in time for him to sign it next week.

The governor said it was not a mistake to rely heavily on federal stimulus cash in drafting his biennial spending plan. His package counted on \$3.4 billion in federal money for general state operations, however that funding source may be pared by several hundred million based on late changes made to reconcile differences between the U.S. House and Senate versions of the rescue bill.

"We're going to get very significant federal stimulus money. There may be a shortfall in what I had hoped to receive, but I believe it will be a manageable shortfall because we are getting lots of resources," he said.

Among other things, the administration is waiting to see if late changes in the Medicaid portion of the bailout will benefit Ohio because the state has been hit hard by job losses. Preliminary data indicates that Ohio is to receive a total of about \$8.2 billion from the federal stimulus, but that figure is significantly reduced from the House-passed version.

Ohio's anticipated cut took a big hit when the congressional compromise reduced the state stabilization fund total from \$79 billion approved originally by the House to \$44 billion. Based on the Senate's original cutbacks to that pot of money, to \$39 billion, the administration faced a \$925 million hole in the spending plan unveiled just last week.

With some early estimates pegging the current gap in the biennium budget at more than \$700 million as a result of the late stimulus changes, Republicans reiterated their concerns over relying on the one-time bailout funds.

"It is clear to me that based on reports from Washington at this point in time the governor's proposal may be out of balance," House Minority Leader Bill Batchelder (R-Medina) said. "This situation is certainly difficult and highlights the problems with the reliance on one-time federal funds to fix the challenges of our state budget."

Sen. Tom Niehaus (R-New Richmond), the Senate president pro tem, said: "That was one of our concerns from the beginning. For lack of a better term, some of us referred to it as phantom revenue. It was revenue we thought we were going to get, weren't sure we were going to get and now it turns out we're not going to get it. So that's problematic. If there is a silver lining, it is in the fact that we are early in the process. So we have plenty of time to make adjustments to look at what cuts we need to make in order to balance the budget. I certainly prefer looking at cuts before looking at revenue increases. I mean, we already have more than 100 fee increases (in the budget proposal). Yeah, we need to be looking at cuts."

Sen. Niehaus evoked Gov. Strickland's mantra in stating that Ohio should "live within our means and invest in what matters." He added: "Sometimes we have to make tough choices."

Gov. Strickland said U.S. Sen. George Voinovich (R-Cleveland) made the wrong decision this week when he voted against the stimulus package.

"I find it troubling and puzzling, quite frankly, that people could vote to give over \$700 billion to the financial institutions, and suddenly become fiscally conservative when it comes to giving an additional \$25 billion to help the states of this nation," the governor said.

ODOT: OHIO COULD GET EXTRA \$1 BILLION IN FEDERAL STIMULUS CASH FOR TRANSPORTATION; RAIL, TOLL PLANS IN BUDGET SPARK QUESTIONS

The Strickland Administration began its drive in the House on Thursday for a \$7.5 billion transportation budget that would pave the way for \$2.8 billion in construction, engineer support for passenger rail, and cash in on new toll roads.

Director Jolene Molitoris of the Ohio Department of Transportation told the House Finance and Appropriations Committee - on her ninth day in office - that the agency was making "meaningful changes" in the way it funds and delivers the transportation system.

"Investments in transportation can and will create jobs and stimulate the economy, just as it did when the canal system connected Ohio to a booming national economy and when the Wright Brothers taught us to look to the sky," Ms. Molitoris said. "Today, Ohio is set to be a leader in transportation innovation once again," she said.

ODOT's initial presentation to the full committee, and later Thursday to a subcommittee, came hours after the transportation budget (HB 2) was introduced in the House. Unlike the separate executive budget, Ms. Molitoris said the transportation spending plan does not include money the state expects to receive from the pending \$790 billion federal economic stimulus package.

She told Rep. Ron Amstutz (R-Wooster) the state could be in line for about \$1 billion for transportation purposes.

"The stimulus money is not included in our budget. Based on the information that we have right now ... I think it is probably somewhere in the neighborhood of \$1 billion," she said.

"It might be closer to \$900 million since they did reduce it a little bit. As soon as we understand that number we'll be working with the governor's office to understand the process going forward," the director said.

Funding for ODOT accounts for \$6 billion of the \$7.5 billion biennial transportation budget. Also included in the bill is an additional \$1.4 billion for the Ohio Department of Public Safety. The spending plan proposes \$106 million in higher motor vehicle fees to erase a projected shortfall in the State Highway Patrol budget. ODOT plans to spend \$3.2 billion in fiscal year 2010 and \$2.8 billion in 2011.

"Through this budget, ODOT will oversee nearly \$1.4 billion in construction contracts in each of the two fiscal years over the biennium," Ms. Molitoris said in her written testimony. "Our investments will continue our commitment to 'Fix it First' - a category that includes the preservation and maintenance of our existing roadways and bridges."

The budget's dedication to restoring passenger rail service from Cleveland through Columbus to Cincinnati, and to finalize planning for high-speed passenger rail, drew questions from Rep. Ross McGregor (R-Springfield).

"Have there been any studies done whatsoever that show this could be a self-sustaining entity or would it rely on continuing government subsidies?" Rep. McGregor asked. "I'm not saying I'm against passenger rail. It's a romantic notion."

Director Molitoris said it was difficult for her to think of any transportation system anywhere that was totally self-sustaining.

"It is a worldwide reality that partnerships, investments from entities, state federal and local are always involved in transportation," she said. "The studies do not show that they would be self-sustaining. They do establish the need for this, and the benefits for the state in broad ways."

Director Molitoris said ODOT and local Transportation Innovation Authorities, proposed for creation in the bill, also need the ability to pursue new road construction projects that could be financed with tolls. Tolls currently are charged only on the 241-mile Ohio Turnpike that stretches from Indiana to Pennsylvania.

"The tolling authority today rests with the turnpike. We are asking for authority to toll for ODOT and the TIA's," Ms. Molitoris said. "It's been very successful in many states." She said 26 states now use tolling.

Rep. Mecklenborg (R-Green Twp.) questioned the impetus for the TIA initiative, agencies that he characterized as "extremely powerful."

"This body has vast authority, and yet there are a lot of inherent contradictions. It is a very complicated bureaucratic entity that you're proposing here. I'm wondering how integral this is to the budget?" he asked.

Ms. Molitoris described the TIA's as a tool for development. "Once the project is completed, the TIA can go away," she said. Rep. Mecklenborg disagreed with that contention, saying there was no sunset.

Rep. Michael Skindell (D-Lakewood) drew attention to a problem in Cleveland that he acknowledged had been in the making for decades.

"I really think it's shameful to allow the interstate bridge in Cleveland, the I-90 bridge, to be in such a shape," he said, noting it is closed to semi tractor-trailer traffic. "It's critically important for commerce not only in Ohio but the United States."

Ms. Molitoris said the problem would be a high priority. "Of course this bridge has been under discussion, as I understand it, for several administrations," she said.

Rep. David Burke (R-Marysville) urged a transportation subcommittee that Rep. Peter Ujvagi (D-Toledo) heads to pull from the budget a provision that would make the seat belt law a primary offense. The change would allow police to stop motorists for failure to buckle up even though they had committed no other traffic offense.

Ms. Molitoris said the proposal could boost seat belt use to 90 percent, and save an average of 60 more lives each year.

"There is no cost that could be placed on any life saved, but the National Highway Traffic Safety Administration will write Ohio a one-time check for \$26.7 million simply for making this one change to save lives," she said.

Public Safety: Director Henry Guzman said the ODPS budget would make investments in key priorities in a fiscally sound way. Included among the department's eight divisions are the Highway Patrol, Bureau of Motor Vehicles, and Ohio Homeland Security.

"The most challenging funding concern ... is cash solvency for the Highway Safety Fund which is the primary source of revenue to support the Highway Patrol's operations," the director said.

He said that without proposed fee adjustments in the bill, the fund would be insolvent in the fiscal year 2010.

The single-largest generator of revenue in the package would be a \$5.75 increase in vehicle registrations, excluding commercial trucks. The boost is estimated to generate \$61.7 million. Another \$21 million in additional revenue would come from a new, \$10 fee for late renewal transactions such as driver licenses and vehicle registrations.

Director Guzman said in committee testimony that the department was planning to implement two safety initiatives in the coming biennium. One is implementation of the proposed primary seat belt law. The second is a two-year pilot of a construction work zone speed enforcement system.

INTRODUCED IN THE HOUSE

- HB 1 STATE BUDGET (Sykes) To make operating appropriations for the biennium beginning July 1, 2009, and ending June 30, 2011, and to provide authorization and conditions for the operation of state programs.
- HB 2 TRANSPORTATION BUDGET (Ujvagi) To make appropriations for programs related to transportation and public safety for the biennium beginning July 1, 2009, and ending June 30, 2011, and to provide authorization and conditions for the operation of those programs. Am. 121.51, 125.11, 133.52, 151.01, 151.09, 151.40, 1548.14, 2949.094, 4501.01, 4501.03, 4501.044, 4501.06, 4501.34, 4503.04, 4503.042, 4503.07, 4503.10, 4503.182, 4503.26, 4503.65, 4505.14, 4506.08, 4507.05, 4507.071, 4507.23, 4507.24, 4509.05, 4511.093, 4513.263, 4519.63, 4561.17, 4561.18, 4561.21, 5501.03, 5501.311, 5501.34, 5502.03, 5502.39, 5502.67, 5502.68, 5515.01, 5515.07, 5517.011, 5525.15, 5531.09, 5537.07, 5537.99, 5703.053, 5703.70, 5735.06, 5735.145, 5735.16, and 5735.23; to enact sections 5502.131, 5531.11, 5531.12, 5531.13, 5531.14, 5531.15, 5531.16, 5531.17, 5531.18, 5531.99, 5539.01, 5539.02, 5539.03, 5539.04, 5539.05, 5539.06, 5539.07, 5539.08, 5539.09, 5539.10, and 5539.11; to repeal section 5735.141

COMMITTEE SCHEDULE FOR WEEK OF FEBRUARY 17

TUESDAY, FEBRUARY 17

House Finance & Appropriations, (Chr. Sykes, 466-3100), Rm. 313, 9 a.m.

--Budget presentations on the Department of Job & Family Services and Medicaid

House Finance & Appropriations: Transportation & Justice Sub., (Chr. Ujvagi, 644-6017), Rm. 018, 1 p.m.

--Budget presentations from Department of Public Safety, Office of Criminal Justice Services and Public Works Commission and public testimony

House Finance & Appropriations: Human Services Sub., (Chr. Brown, 466-1401), Rm. 116, 1 p.m.

--Budget presentations from Commission on Dispute Resolution, Ohio Legal Rights Services, Commission on Minority Health, State Medical Board and Board of Nursing

Senate Finance & Financial Institutions, (Chr. Carey, 466-8156), Finance Hearing Rm., 1:30 p.m.

- SB 1 REVITALIZATION DEBT AUTHORITY (Hughes) To implement the additional debt for conservation and revitalization programs provided by Section 2q of Article VIII of the Ohio Constitution, to authorize the issuance of that debt, to make new appropriations for the purpose of continuing programs established by Am. Sub. H.B. 554 of the 127th General Assembly, the Bipartisan Job Stimulus Act, and to declare an emergency. (1st Hearing-Sponsor)
- SB 2 FEDERAL STIMULUS FUNDING (Carey) To provide for the distribution of moneys received by the state from the federal American Recovery and Reinvestment Act of 2009 by making appropriations and to declare an emergency. (1st Hearing-Sponsor)

WEDNESDAY, FEBRUARY 18

Senate Ways & Means & Economic Development, (Chr. Gibbs, 466-7505), North Hearing Rm., 9 a.m.

- SB 26 NON-RESIDENT TAXPAYERS (Schaffer) To require municipal corporations with more than \$100 million in annual income tax collections to provide a tax credit to nonresident taxpayers. (1st Hearing-Sponsor)

Senate Finance & Financial Institutions, (Chr. Carey, 466-8156), Finance Hearing Rm., 9:30 a.m.

- SB 1 REVITALIZATION DEBT AUTHORITY (Hughes) To implement the additional debt for conservation and revitalization programs provided by Section 2q of Article VIII of the Ohio Constitution, to authorize the issuance of that debt, to make new appropriations for the purpose of continuing programs established by Am. Sub. H.B. 554 of the 127th General Assembly, the Bipartisan Job Stimulus Act, and to declare an emergency. (2nd Hearing-All testimony-Possible amendments, substitute & vote)
- SB 2 FEDERAL STIMULUS FUNDING (Carey) To provide for the distribution of moneys received by the state from the federal American Recovery and Reinvestment Act of 2009 by making appropriations and to declare an emergency. (2nd Hearing-All testimony-Possible amendments, substitute & vote)

FRIDAY, FEBRUARY 13 2009

STAKEHOLDERS PREPARING TO FIGHT, SUPPORT WIDE RANGE OF PROPOSED FEE INCREASES IN STRICKLAND BUDGET

Gov. Ted Strickland's 125 proposed new fees and increases on everything from court costs to oil extraction will have their backers and detractors in upcoming budget hearings. Hikes to 120 state agency fees in the governor's \$54.7 billion executive budget would generate nearly \$236 million in new revenue over the biennium, according to the Office of Budget & Management.

The state stands to gain much more revenue from the five proposed new or increased Medicaid fees estimated to generate more than \$1.3 billion during the two-year cycle. The federal match for those assessments on Ohio's health care facilities is expected to rise from the previous 60%-40% under the \$790 billion economic stimulus package pending in Congress.

The administration has said the proposed changes to the state's fee structure are designed to reduce agencies' dependence on general revenue funding while maximizing the federal match. The 120 agency fee hikes would shift more than \$53 million from GRF, while the five Medicaid maneuvers would offset nearly \$1.2 billion.

Gov. Strickland's budget proposes a wide array of increases and new fees on things like elevator inspections, livestock operations, mortgage broker applications, food processing plants, dam construction, X-ray equipment, campgrounds, tires, surety and appearance bonds, and cigarettes.

Many of the industries and professions that would pay more under the governor's proposal are gearing up to oppose the increases during budget subcommittee hearings that begin next week. Nursing homes and hospitals have already expressed concern that federally matched revenue from the proposed new and increased fees would be diverted to unrelated areas of the state's Medicaid program. Another proposed fee increase on construction and demolition debris landfills promises to rekindle old debate over an industry that has been criticized for accepting large amounts of waste from other states.

Among those planning to testify is Thomas Stewart, executive vice president of the Ohio Oil and Gas Association, who said he would "vehemently" oppose the new energy extraction fee, which the administration estimates would generate \$6.2 million for the Department of Natural Resources.

The proposal to create a new fee based on production of oil and gas in Ohio equates to a 2% tax hike on the industry's gross receipts, Mr. Stewart said in an interview. "This tax increase is devised to encourage Saudi Arabian oil production," he said. "I'm going to fight it with everything I have."

The total projected revenue from the new fee is far more than ODNR's cost of regulating the oil and gas industry in Ohio, he said. Meanwhile, the increased cost would eliminate at least 300 jobs, prevent drilling additional wells, increase reliance on out-of-state natural gas and do nothing to reduce the state's dependence on exported oil.

However, Amy Gomberg, program director for Environment Ohio, supports the proposed fee increases on the oil and gas industry, saying they would encourage development of cleaner forms of energy production.

"Ohio should raise the costs associated with fossil fuels to help put clean energy on a level playing field. If the coal, oil and gas industries were actually paying for the environmental externalities of their businesses, we would have made the transition to clean energy decades ago," she said.

"Ohio has given the oil, coal and gas industries a free pass at our environment for decades," she added. "It's about time these industries start paying the price for their toll on Ohio's environment."

Other provisions in the governor's proposed budget are designed to raise nearly \$43 million for the Ohio Public Defender through a range of increases on court costs and financial responsibility reinstatement fees and license reinstatement fees. The measure would also impose a new \$25 surcharge on surety and appearance bonds.

John Leutz, senior policy analyst for the County Commissioners Association of Ohio, said the provisions would make good on the state's historic responsibility to share the cost for indigent defense. The proposed increase would raise the state's reimbursement rate to counties for indigent defense from the current 25% to nearly 45%, he said. Counties have been struggling for years with decreasing state funding and rising caseloads. Originally the state provided half the funding for indigent defense, until revenues from statewide court costs began declining in the 1970s and the legislature responded by decreasing county reimbursements, he said.

"It was basically whatever the General Assembly appropriated was spread over whatever the costs happened to be," he said. "And we paid the balance." Although judges have objected to court cost increases in the past, Mr. Leutz anticipated less resistance this time. "The courts, I think, are a little more sympathetic and understanding here because these fee increases will actually benefit the administration of justice."

HOUSE DELAYS HEARINGS ON OPERATING BUDGET PENDING ADMINISTRATION DOCUMENTS; GRF SPREADSHEET DEVELOPED

With nothing but a one-page placeholder bill and Gov. Ted Strickland's "Blue Book" overview to work with, the House has canceled most of next week's planned budget hearings.

The administration has informed the House that the main operating bill won't be ready for its official introduction until later in the month. In the meantime, the chamber will focus on the separate budgets for transportation (HB 2) and Bureau of Workers' Compensation and Ohio Industrial Commission.

The House Insurance Committee will hear the BWC and OIC budgets starting next Wednesday and Thursday. Along with the transportation budget, those spending plans, which generally don't entail GRF money, have traditionally been the first to get processed.

Meanwhile, the operating budget delay impacts numerous hearings that had been set by the five subcommittees of the House Finance & Appropriations Committee. The panels had each slated multiple hearings next week. The Transportation Subcommittee still plans to meet next week.

House Minority Leader Bill Batchelder (R-Medina) formerly asked for the delay of main budget deliberations in a letter to Speaker Armond Budish (D-Beachwood), but the subcommittees had already started canceling by the time the Republican's letter was distributed to the media.

"The House Finance Committee has yet to see the governor's proposal in legislative form. At this point we appear to be taking testimony from people who have not had an opportunity to read the budget," Mr. Batchelder wrote. "Furthermore, questions are being asked by our distinguished colleagues who also have also not been able to read the budget.

"I have full confidence in the governor and that he will find a way to balance the budget as the constitution requires. It is understood that this may take some time. However, it is not productive to move forward with debates on a proposal that is not available to the member or the witnesses."

Budish spokesman Keary McCarthy said the main operating budget likely wouldn't be introduced until after next week.

Budget Spreadsheet: While it could be several days before the Legislative Service Commission posts the complete executive budget proposal and supporting documents online, the Senate GOP researchers have developed a complete general revenue fund spreadsheet for Gov. Strickland's two-year, \$54.7 billion spending package based on Blue Book data.

The House this week introduced a one-page placeholder version of the budget (HB 1). LSC is expected to eventually update the full version online along with other data, including the agency's own Budget in Detail spreadsheet, once drafting is completed on the measure.

As of Friday afternoon it remained unclear when the House subcommittees, which had been scheduled to delve into the budget full bore next week, would have the independent LSC Red Book analyses of agency budgets to work with.

POLICY BATTLE BREWS OVER PROPOSED FEE HIKES ON CONSTRUCTION INDUSTRY WASTE LANDFILLS

Gov. Ted Strickland's recently released budget would hike fees for both household and construction waste landfills, setting the stage for yet another fight between the state and commercial waste haulers.

Tipping fees on both municipal solid waste (MSW) and construction and demolition debris (C&D) landfills would rise under the governor's biennial budget, however the increase on the latter is considerably higher. In both cases, the revenue would be split between the Ohio Environmental Protection Agency and the Department of Natural Resources, both of which are largely fee-funded.

In explaining the proposal, Gov. Strickland recently said Ohio's low tipping fees make it a destination for out-of-state trash.

"Ohio gets a lot of debris - garbage if you will - from states like New York," he said, adding tipping fees in Ohio are considerably lower than most neighboring states.

"We're going to increase those fees, but we're going to increase them in a way that keeps them consistent with - in fact, still lower than - our surrounding states," he said.

OEPA spokeswoman Melissa Fazekas said the executive budget would jack up MSW tipping fees by \$1.25 to total \$4.75 per-ton, with \$1 earmarked for OEPA and \$0.25 for ODNR. C&D fees would increase by \$2.70 to total \$4.40 per-ton, with \$0.45 for OEPA and \$2.25 for ODNR.

After problems with C&D landfills emerged several years ago and the General Assembly began deliberations over regulating the facilities, the industry opposed efforts to raise tipping fees, arguing the waste was less harmful than typical household waste.

Mike Cyphert, general counsel for the Construction & Demolition Association of Ohio, said the proposed fee increase was unfair because most of the revenue would flow to an agency that has nothing to do with regulating the industry.

"This is just unacceptable to give money to a state agency that we have absolutely nothing to do with simply to fund a shortfall," he said about the transfer of fee revenue to ODNR. Even the smaller portion going to OEPA is unjustified since local boards of health - not the state - are charged with actually regulating the facilities, he added.

"Simply to pick on this industry is inappropriate," he said. "It's going to be a battle because it just isn't fair."

Moreover, the proposed increase, which represents nearly 50% of the current cost to dispose of C&D waste, would exasperate problems in the housing market, he said.

"It's going to impact disproportionately that very industry that the federal government and state governments are trying to help," he said. "You're going to spend all this money to stimulate the economy to let people build new homes, buy new homes and at the same time, the cost of doing so is going up dramatically."

Mr. Cyphert also took issue with the governor's argument that low tipping fees encourage other states to dump trash in Ohio. Only a few C&D landfills accept out-of-state trash, comprising no more than about 10-20% of the total, he said.

Hiking the fee would be counterproductive and would disproportionately impact small homebuilders, "Unless you want them just to dump it in vacant lots and alleys," he said. "Now you're telling them in years in which they are barely scraping out a living, their costs are going up."

OEPA Assistant Director Laura Powell said the proposed fee increases would put the C&D and MSW industries "on more of an even footing."

"We spend a lot of time from our air divisions, our groundwater division, and our solid waste division all overseeing these facilities," she said about C&D landfills. "In some cases, at least as much as we are on the solid waste side."

"They unfortunately are not without some problems," she said, citing some recent incidents at facilities that have accepted too much household waste and pulverized debris, which can pollute air and groundwater as it decomposes.

"So to say that they just receive this innocuous waste that doesn't cause any problems for us - unfortunately there are some that do," she said.

Ms. Powell said agency's relations with the C&D industry has been somewhat strained as OEPA is still developing rules to implement legislation that increased regulation on the facilities (HB397, 126th General Assembly). "There's still some bad feelings I think and coming in and raising a fee on that industry - it's going to be rough."

The increase would support the Environmental Protection Fund, the agency's main source of funding for operations, Ms. Fazekas said. "It's to keep our operations where we are - it's not an expansion."

Jack Shaner, public affairs director for the Ohio Environmental Council, welcomed news of the proposed fee hike for C&D operators.

"From an environmental standpoint, it makes sense to equalize disposal fees for C&D waste and mixed municipal waste," he said. "Despite what its apologists may claim, study after study confirms that there's little difference between the two types of waste."

Defending the industry could present a political challenge for sympathetic lawmakers, he said. "We're hard pressed to think of the first lawmaker that will sympathize with raising fees on waste haulers bringing East Coast trash to our fair state."

Kathy Trent, government affairs director for Waste Management Inc., which handles both C&D and MSW in Ohio, said the company was concerned about the impact any fee increase might have during the current weak economy.

"In general we're concerned about increased costs to our customers - municipalities and our businesses," she said. "But we'll continue to work with the administration as we look at this."

Solid Waste: Ms. Powell said discussions with local governments over the proposal to raise MSW fees were generally less contentious.

"I expect us to have very collegial discussions," she said. "These are hard times, we understand that. We want to work with them and make sure they know where the moneys are going and everything."

John Mahoney, deputy director of the Ohio Municipal League, said the proposal is a concern for cities, but he hadn't heard much from members yet.

"I expect everything to cramp city budgets and it's a question of where does this fit on the scale?" he said. "Part of why we pay fees to EPA is to get our permits done for projects. It's a balancing act and we'll see how it goes."

In some cities that don't have municipal trash collection, such as Springfield, the increase would affect individual homeowners, he said. "That will also be true of most counties, township areas."

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