



## Ohio Township Association

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## Legislative Update

Friday, May 29, 2009

TUESDAY, MAY 26 2009

### **CONSUMERS' COUNSEL: FUTURE UTILITY PROJECTS PRESENT 'SCARY' COST PICTURE**

The future for Ohio utility consumers is a "scary picture," with billions of dollars needed for upcoming projects, the state's residential consumer representative said Tuesday.

Consumers' Counsel Janine Migden-Ostrander said big-ticket items are being planned in the electric, gas and water industries at a time when consumers are already having trouble paying their utility bills.

"What we see on the horizon is a really scary picture," she told the House Public Utilities Committee at its first meeting of the session.

In terms of the electric industry, the official said construction of a smart grid, upgrades in transmission lines, new power plants and implementation of clean coal technologies could add billions in costs that consumers could be asked to pay.

Similarly, new gas transmission lines, pipeline replacements and new meters could bring about major expenses.

"Each of these things are important, and each of these things need to be done," Ms. Migden-Ostrander said. "The problem is that each of these things are going to dip in the same pocket."

As utilities propose upgrades - including improvements in aging water lines -officials need to be careful to balance those needs with keeping utility costs affordable.

"There's no room for giveaways to utility companies now," she said, noting that cost caps, audits and project verification need to be part of the process. "We shouldn't be writing blank checks. We simply cannot afford gold plating."

Ms. Migden-Ostrander said her office has helped consumers avoid \$3 billion in proposed charges, and has helped shape key energy policies.

She underscored the success of a recent FirstEnergy auction that produced lower rates than what the utility had proposed. "These are fabulous results at a time when everything has gone up," she said.

Ms. Migden-Ostrander also told the panel the state needs to be certain there is "real, true competition" before further deregulating the telecom industry.

She told Rep. Jennifer Garrison (D-Marietta) that she is supportive of the smart grid, noting that it provides opportunities for consumers to lower their costs over the long run. She said, however, that all smart grid costs need to have net benefits. "The trick and the challenge is to make sure it's done as lean as possible."

Separately, Public Utilities Commission of Ohio Chairman Alan Schriber reviewed the commission's role, saying it works to reach a balance between the interests of utilities and consumers.

"I don't see it as a we versus they," he said. "The interests of the two are not independent."

Mr. Schriber said Ohio has moved decidedly toward competition in recent years, saying its natural gas choice program has been successful.

He also noted the state has implemented two major electric industry laws in the past several years, also citing the cost reductions included in a recent FirstEnergy auction.

Rep. Sandra Williams (D-Cleveland) raised concerns about the use of wood chips and other materials as a potential renewable energy source, suggesting that FirstEnergy may be able to use those fuels - rather than wind or solar - to meet renewable energy requirements.

Mr. Schriber said language regarding those fuel sources is included in pending rules, but noted that the use of biomaterials at the utility's Burger plant will help keep many Ohioans in their jobs.

He told Rep. Connie Pillich (D-Cincinnati) that governmental aggregation programs have been a success, particularly in the region served by the Northeast Ohio Public Energy Council. Mr. Schriber said, however, it will be interesting to see what happens to NOPEC as the generation rate in the FirstEnergy territory falls.

### **POLITICS NOTEBOOK: COUGHLIN TELLS GOP TO 'BUTT OUT' OF PRIMARY**

Political memo Tuesday from one Kevin to another: let primary voters determine the Republican Party's candidate for governor next year, not "party bosses."

Sen. Kevin Coughlin (R-Cuyahoga Falls), who earlier this year declared his candidacy for the GOP gubernatorial nomination, voiced concern over the Ohio Republican Party's "apparent support" of former U.S. Rep. John Kasich of Westerville.

Mr. Kasich is expected to begin his campaign June 1. Mr. Coughlin said he plans to start his own campaign after the anticipated legislative recess for the summer.

"Recently, the ORP has sent several communications, paid for by the party, promoting next week's event to announce John Kasich's campaign for governor," Sen. Coughlin said in a public letter to Kevin DeWine, the state party chairman.

"(The) privilege of selecting our nominees is reserved to the people by direct election in a primary. Until the people have selected their nominee, the party and its bosses should butt out - overtly and covertly," Mr. Coughlin said.

Sen. Coughlin described Mr. Kasich in an accompanying news release as a "Wall Street executive and Fox News personality."

The state senator said that if the Republican Party keeps recycling names from its past, it will not be a significant part of Ohio's future.

"Ohio needs a rupture from the past," Sen. Coughlin said.

John McClelland, the party's communications director, said no response was expected from Chairman DeWine.

"We sent out an email that was the same email that the Kasich folks sent out," Mr. McClelland said.

He said all material from the party contains a legal disclaimer, including videos produced in the past with Sen. Coughlin.

Mr. Kasich, a former state senator and nine-term member of the U.S. House, now is a business adviser for the Schottenstein Stores Corp. in Columbus.

He previously was managing director at Lehman Brothers in the investment banking division, leaving in November 2008 after Barclay's Capital acquired the failing company.

### **OHIO HOUSING AGENCY AMONG FIRST TO GET STIMULUS FUNDS; \$104 MILLION RECEIVED**

The Ohio Housing Finance Agency recently received \$104 million in federal funds that the agency plans to use toward low-interest loans and grants for affordable housing projects.

OHFA said it was among the first state agencies to benefit from federal money under the American Recovery and Reinvestment Act. The agency received \$83 million from the U.S. Department of Housing and Urban Development's Tax Credit Assistance Program and another \$21 million from the Treasury Department as part of the Tax Credit Exchange program.

"Funding safe, affordable housing is important to revitalizing Ohio's housing industry," Gov. Ted Strickland said in a news release. "Not only will this help us increase the number of affordable housing units, but we can stimulate the economy through jobs in construction and rehabilitation of these housing communities."

OHFA said it would use the TCAP funds to pay for "low-interest loans or grants to developers who are awarded Housing Tax Credits in 2007, 2008 or 2009." Eligible developers must have secured an investor for their tax credits, the agency said. More information on the programs is available on the OHFA website.

"These programs will allow us to assist developers who are experiencing difficulties securing an investor or are receiving lower returns on current tax credits," OHFA Executive Director Doug Garver said. "The future of affordable housing development in Ohio relies on these programs. Without them, many families would not have a safe, affordable place to call home."

### **OHIO BUSINESS: AKRON'S GOODYEAR TIRE CUTS PRODUCTION, 820 JOBS IN FRANCE**

The Goodyear Tire & Rubber Co. in Akron said Tuesday it would discontinue production of consumer tires at a plant in France, eliminating 820 of the total 1,200 jobs at the factory that also produces farm tires.

Goodyear said the plant was not competitive.

"Reaching a union agreement to modernize the operation provide impossible," said Serge Lussier, vice president of manufacturing for Goodyear in Europe, the Middle East and Africa.

"Due to high costs and weak industry demand, the consumer tires produced there are uncompetitive in the marketplace," he said in a news release.

Goodyear said ending consumer tire production at the French plant would result in the reduction of about 6 million units.

The company intends to remove at least 15 million units over the next two years to reduce high-cost manufacturing capacity globally. Goodyear employs about 71,000 people in 25 countries.

### **INTRODUCED IN THE HOUSE**

HB 194 HOUSEHOLD SEWAGE (Dolan) Regarding the operation of certain provisions of the Household and Small Flow On-Site Sewage Treatment Systems Law and that enacted temporary provisions regarding that Law by extending the termination of the suspension and temporary law from July 1, 2009, to December 31, 2009, and to declare an emergency. Am. 120.01, 120.02, and 120.05

WEDNESDAY, MAY 27 2009

### **SENATE POISED TO UNVEIL BUDGET CHANGES; ADVOCATES BRACE FOR WORST WITH CUTS LOOMING**

Dissatisfied with Gov. Ted Strickland's education plan and wary of its price tag, Senate Republicans are poised to overhaul the proposal when they release their biennial budget rewrite on Thursday or Friday.

While Senate GOP leadership has indicated that their version of the budget (HB 1) would incorporate some elements included in the House's education proposal, Sen. Gary Cates (R-West Chester), chairman of the Senate Education, anticipated a vigorous conference committee process to hammer out the differences.

"I'm quite certain the House is not going to agree to all the changes," he said in an interview Wednesday.

Sen. Cates said his caucus doubts the governor's proposed Ohio Evidence-Based Model for school funding would live up to its billing without breaking the state's bank in future years.

"Our caucus had a lot of concerns about the evidence-based model - about what it gets you and more importantly about how you pay for it," he said. "We have to be careful about committing ourselves to something you can't afford."

Republican senators have expressed a preference for a per-pupil funding system that links money to student enrollment. The system facilitates funding for charter schools and private school vouchers, a key priority for the GOP. By contrast, the proposed OEBM would generally fund school districts based on ideal organizational units with staffing and facilities requirements believed to be effective in improving student performance. (*See separate story*)

Senate President Bill Harris (R-Ashland) has said the Senate would restore proposed funding cuts for charter schools despite the chamber's stated goal of addressing revenue shortfalls by adjusting the plan to the tune of \$1 billion.

Sen. Cates said testimony from charter school groups has reinforced the importance of increasing funding from levels Gov. Strickland proposed. "His plan would have killed off most of the charter schools financially."

Another proposal to reduce the required local share of funding from 23 to 20 mills was already scaled back in the House, which chose to phase-in the measure over three biennia. That change freed up hundreds of millions of dollars that were redistributed toward poorer school districts and special programs.

Sen. Cates said the charge-off reduction is in doubt in the upper chamber. "That's a money issue. It means more money needs to be put into districts and I don't really know right now what we're going to be able to do to address the charge-off because of the fact the we just don't have any money."

The substitute bill probably won't include the requirement to extend the school year that the House has already reduced, he said.

However, the idea could be appropriate for troubled school districts where the student achievement gap is an problem as a way to keep pupils engaged during the summer months, he added. "You can't just take a broad brush approach and say we want everybody to have 20 extra days. It's going to have some more limited application than I think people realize."

**Other Changes Pending:** As of deadline Wednesday evening, Senate Republican leaders had kept a fairly tight lid on their plans for the measure. Based on prior statements from key lawmakers and feedback from stakeholder groups, the GOP-led Senate is expected to:

- Eliminate expansions of collective bargaining rights to employee groups.
- Remove the insurance requirement to cover autism services.
- Require more legislative oversight of spending and other budgetary maneuvers by deleting provisions in the bill that would otherwise expand executive authority.
- Scrap Gov. Strickland's proposal to allow state agencies to create non-profit arms.
- Eliminate many earmarks and, as part of the overall cuts, shave areas in the budgets of K-12, higher education and Medicaid that are not main line items or tied to federal requirements for the receipt of stimulus funds.

Stakeholders say one area under consideration for some \$100 million in cuts is the Board of Regents budget, specifically the co-op and internship program enacted last year as part of the state stimulus measure.

Supporters of the Help Me Grow program for home visitations said all state funding could be slashed.

### **HOUSE DEMOCRATS SELECT ASSISTANT CUYAHOGA COUNTY PROSECUTOR TO REPLACE FORMER REP. MILLER**

House Democrats Wednesday seated Cleveland lawyer Robin Belcher to replace former Rep. Eugene Miller in the 10<sup>th</sup> House District.

She has worked the last five-and-a-half years in the Cuyahoga County Prosecutor's office, where she has been involved with children's issues, juvenile delinquency, criminal laws and other matters. Earlier, Ms. Belcher worked at the Cleveland Job Corps Center and was a law clerk in Columbia, Missouri's law department.

"I am privileged and pleased to swear in Rep. Belcher today because her qualifications are impressive," House Speaker Armond Budish (D-Beachwood) said. "After her time in the Cuyahoga County Prosecutor's office, she has vast experience with the law and the way it directly affects people's lives. Her career has largely focused on service to others, and all of us in the House are thrilled that today marks another proud step in that commitment to public service."

Ms. Belcher said she was excited to start her term. "I am humbled and honored by this chance to serve Ohioans in the 10<sup>th</sup> district," she said in a statement. "Swearing the oath of office today marked the beginning of a term that I pledge will be characterized by commitment to the growth of our great state and fidelity to Ohioans' best interests."

The new lawmaker holds a bachelor's degree from Bowling Green State University, a master's degree from Ohio State University and a law degree from the University of Missouri-Columbia.

She won the seat over five other applicants, including Roosevelt Coats and William Patmon, both former members of Cleveland City Council, city planner Freddy Collier, Jr., associate minister David Dawson and precinct committeewoman Jocelyn Travis.

Mr. Coats had strong local support for the seat. Mr. Miller resigned his House seat earlier in the month to take Mr. Coats' slot on council.

### **POLITICS NOTEBOOK: MANDEL TO DECLARE STATE OFFICE CANDIDACY THURSDAY**

Republican Rep. Josh Mandel of Lyndhurst has scheduled a Thursday morning Webcast at which time he will announce his candidacy for statewide elected office.

Expected to challenge Kevin Boyce for the treasurer's job, Mr. Mandel will make his formal announcement at 8 a.m. on [www.joshmandel.com](http://www.joshmandel.com)

He has also scheduled a 12:30 p.m. news conference in the Statehouse's State Room, and will file campaign paperwork with the Secretary of State's office later in the day.

THURSDAY, MAY 28 2009

## **SENATE TO SLASH MORE THAN \$600 MILLION IN GRF FROM BUDGET BUT BOOST OVERALL K-12 FUNDING**

In what is expected to be just the first round of major cuts to the two-year budget bill, Senate Republicans have shaved well over a half billion in state general revenue spending and some \$1 billion in all-funds appropriations from the substitute version of the measure to be unveiled Friday.

While nearly all agencies, boards and commissions will see cuts or flat funding compared to the House version of the package (HB 1), Senate Republicans said they still managed to boost funding in one key area: K-12 education.

As expected, the Senate GOP has shored up state financing for charter schools, which was reduced in Gov. Ted Strickland's initial \$54 billion proposal and cut further by the Democrat-controlled House.

Among the major program cuts was a fledgling \$100 million co-op and internship initiative in the Board of Regents budget, however Senate President Bill Harris (R-Ashland) said last week that the chamber still planned to hold the line on tuition freezes in the bill. Such a tack would require maintaining fund levels for the main Regents line item, the State Share of Instruction, which is passed through to Ohio's colleges and universities.

Overall, the Senate cut well over \$600 million in GRF from the bill and around \$1 billion when including non-state tax-generated money including federal funds.

More cuts, however, are expected at the conference committee stage next month because of a continuing economic slump that will require major adjustments to the state budgets for the current and upcoming biennium. Updated tax revenue estimates for the fiscal year 2010-2011 biennium are expected to be lowered considerably before the final deliberations on the bill, and leaders of both chambers and Gov. Strickland have been steadfastly opposed to any tax increases this cycle.

In preparing its substitute version, the GOP has exercised its policy aims by scrapping much of Gov. Strickland's school-funding rewrite and removing collective bargaining and proposed executive authority expansions from the measure along with an autism insurance mandate, a plan to allow state agencies to form non-profit arms and numerous funding earmarks.

Mr. Strickland said Thursday that changes to the current education-funding system are essential.

"The status quo is not acceptable," he said in an interview. "Throwing more money at a problem without solving the problem is not acceptable. Discounting what the evidence tells us is the most effective way to provide a quality education for our children does not make sense to me."

Mr. Strickland said his proposal is based on the conclusions of extensive research.

"We should not just throw money at a system that is broken," he added. "We need to change the system. I think that most parents, most businesspeople, most educators, and most informed citizens would agree with that."

Later Thursday, Mr. Strickland called on backers of a per-pupil approach to address a critique of that type of system.

"We can do better than using an arbitrary figure as the basis of school funding," Mr. Strickland said. "The per-pupil approach is not rooted in research, evidence or best-practices. In other words, it is not rooted in what works. Our students deserve a system that recognizes and directs resources based on individual student needs, not contrived figures."

The governor said his model makes sure that the needs of every child are met.

Sen. John Carey (R-Wellston), chairman of the Senate Finance & Financial Institutions Committee, declined to discuss specifics of the new package pending Friday's rollout.

The Senate fielded more than 1,500 amendment requests for the bill and adopted a few hundred of those changes.

## **REPUBLICAN MANDEL DECLARES FOR STATE TREASURER, PLEDGING 'HIGH ENERGY, TECH-SAVVY' CAMPAIGN**

After winning two terms in the House and serving two tours of duty as a Marine Intelligence Specialist in Iraq, Rep. Josh Mandel (R-Lyndhurst) on Thursday jumped into his first race for statewide office: State Treasurer in 2010.

The 31-year-old's declaration of candidacy came first through a video on his campaign website.

Rep. Mandel followed it up later with a Statehouse briefing, pledging to run a "high energy, grassroots, tech-savvy campaign."

He's already been traveling around the state, and thus far is the only candidate for the Republican Party nomination in the May 4, 2010 primary.

Rep. Mandel said he would combine the discipline he learned in the Marine Corps with his local and state government experience to protect and invest public funds.

"Given the situation we've encountered in Washington, on Wall Street, and throughout our country, I believe we need fiscal officers at all levels of government - local, state and federal - who are watchdogs and who take a conservative approach to safeguarding the people's dollars," Mr. Mandel told reporters.

He intends to bring "new energy and fresh ideas" to the office.

"Dating back to when I was a city councilman in the City of Lyndhurst, I've been deeply involved in public finance, long-term financial forecasting, and also debt issues," Rep. Mandel said.

"As a city councilman, I was proud to introduce a property tax reduction in our community. The property tax reduction ended up passing," he said.

If successful in the GOP primary, Rep. Mandel will face incumbent Democratic State Treasurer Kevin Boyce.

Gov. Ted Strickland appointed Mr. Boyce as treasurer last December to serve out the remaining term of Richard Cordray, who was elected attorney general.

Mr. Mandel said he did not know Mr. Boyce too well.

"My focus has really been on what I'm going to do as state treasurer, and listen to what people would want me to do as a statewide leader. I think there'll be a time and place down the road to compare and contrast our two leadership styles," he said.

Separately, Gov. Strickland said Thursday he would be "hugely involved" in Mr. Boyce's campaign. The governor said the treasurer has acted admirably in his appointed role.

"I will do everything that I can personally to assist him in his campaign," Mr. Strickland said, noting he will help raise money and make stops on the campaign trail.

Rep. Mandel said he did not know how much the campaign would cost, but said it likely would exceed \$1 million.

"One thing I can tell you is we are going to be aggressive on the Internet, utilizing social media and other means of communication to make the dollars go farther," he said.

"Right now with what's happening in our economy, charitable giving, political giving are both down, and times are tougher," Mr. Mandel said.

"So I think both with charities and also political campaigns it's becoming more and more important to leverage technology and use it in an intelligent way in order to make dollars go farther and get our messages out," he said.

Rep. Mandel holds an undergraduate degree from The Ohio State University, and a law degree from Case Western Reserve University School of Law.

He enlisted in the U.S. Marine Corps Reserves, serving eight years as an Intelligence Specialist. The staff sergeant saw two tours in Iraq, operating through the Al Anbar Province.

His political career began in 2003 with his election to Lyndhurst City Council. He won election to the Ohio House in 2006 from a district with a two-to-one ratio of Democrats to Republicans. He was elected in 2008 to his second term.

Rep. Mandel and his wife, Ilana live in Lyndhurst.

FRIDAY, MAY 29 2009

### **SENATE ELIMINATES BUDGET EARMARKS, SAYS CUTS AND OTHER PROVISIONS MAKE PLAN MORE SUSTAINABLE**

Hundreds of policy and funding changes, including the removal of 139 earmarks for pet programs, were made to the biennium state spending plan Friday by Majority Senate Republicans, who said cuts to the package make it more sustainable moving forward.

The changes came through a substitute version of the two-year, \$54 billion spending bill (HB 1) unveiled Friday afternoon in the Senate Finance & Financial Institutions Committee. Among the highlights:

- Gov. Ted Strickland's K-12 education plan, tweaked considerably by the House but to the governor's satisfaction, was significantly altered by the Republican majority, which provided for modest increases for all districts over the fiscal year 2010-2011 biennium. (*See separate story*)
- Nursing homes receive more funding through a 70-cent increase in the per-bed, per-day Medicaid franchise fee that will allow the facilities to draw down millions more in federal matching funds.
- Hospital Medicaid funding was unchanged compared to the House plan despite worries that there may be a problem with the plan that will cost them more money compared to current funding levels. Senate GOP leaders said the issue would be further considered moving forward into conference committee deliberations next month.
- The Senate preserved funding for several welfare initiatives that have been the focuses of intense lobbying efforts in recent months: child and adult protective services, foodbanks and Help Me Grow.
- Republicans incorporated regulatory changes (SB 3) championed by Sen. Keith Faber (R-Celina), and Medicaid cost-saving proposals from GOP State Auditor Mary Taylor while separating criminal sentencing reforms for more work and declining to adopt government contracting reforms as proposed by the administration.
- Several health insurance coverage initiatives, touted most recently in a news release issued Thursday by Department of Insurance Director Mary Jo Hudson, were pulled out of the bill to be considered in separate legislation.
- Thirty-four fee hikes were removed from the plan, including increases for construction and demolition debris disposal and energy resource extraction.

Senate President Bill Harris (R-Ashland) called his caucus' version of the bill a fiscally responsible package that focuses on children and the elderly while protecting taxpayers. "We didn't want to do anything that would cause taxes to have to be increased," he said.

Gov. Strickland's spokeswoman said the governor was disappointed by numerous aspects of the Senate's plan, including the removal of the health insurance initiatives such as increasing dependent child coverage to age 29.

"It is disappointing that Senate Republicans have fallen short on offering a real blueprint to strengthen Ohio's economy at a time when so many Ohioans are struggling," Amanda Wurst said.

Regarding the deletion of Department of Insurance initiatives, she added, "The governor does not believe it makes sense to deny over 100,000 people access to affordable health care to save a fairly small amount of money."

Sen. John Carey (R-Wellston), the Senate Finance chairman, said the program reductions in the bill include earmarks for programs he and other lawmakers have supported in the past and some that he had a hand in creating.

"However, there are limits to what taxpayers can afford and with fewer resources to work with, we had a responsibility to make difficult decisions and direct state resources to our core responsibilities," he said.

Responding to the administration's announcement of a huge revenue shortfall for the current budget, which closes June 30, the Senate shaved \$650 million in general revenue spending from the plan by:

- Imposing "targeted cuts" of \$417 million from state agencies, all of which would receive flat or reduced funding compared to House-passed levels except for K-12 education. Among the largest single reductions was the elimination of a \$100 million co-op and internship program within the Board of Regents budget.
- Mandating Medicaid "cost containment" strategies to shave \$42 million in GRF spending over the biennium.
- Codifying Gov. Strickland's executive order cuts in contracted services spending, which are estimated to save \$200 million through FY 2011. This change does not show up in LSC's spreadsheet numbers but is noted separately in the agency's document.

Among the largest state agency GRF cuts were: \$150 million from the Department of Job and Family Services; \$135 million from the Board of Regents; \$70 million from the Department of Development; and \$54 million from the Department of Health.

The hole in the spending package was created partially by the revelation that the FY 2009 budget would be short by more than \$900 million due mainly to the historic slump in personal income tax revenue. Along with about \$150 million in moves the administration has already made to balance in FY 2009, the Senate's bill assumes the remainder of the current shortfall will be addressed through a transfer from the state's unobligated "rainy day" Budget Stabilization Fund balance of \$948 million.

In balancing the pending budget proposal - for the time being, as revenue estimates are expected to drop considerably in conference committee (*see separate story*) - the Senate also: transferred \$50 million in "on-hand money" from the Ohio School

Facilities Commission; eliminate \$5 million in transfers from the GRF; increase by \$185 million the "amount transferred into the school-funding formula for the state education aid offset due to changes in the Tangible Personal Property Tax valuation" as a result of HB66 tax changes.

Sen. Harris said the Senate nonetheless agreed with the House in extending a "hold-harmless" period through the next biennium for schools and other local government entities impacted by the loss of TPP tax revenue.

The Senate president remarked that after the House's significant changes, the governor announced that the bill was improved. "I'm looking forward to him saying our plan is better," he said.

Senate Republicans said their changes, including the elimination of the 10-year plan for school funding and the overall spending reductions, would make the budget proposals more sustainable moving forward.

"I believe we have put forth a budget blueprint that lives within our means and puts the state on the right course for the next two years," Sen. Harris said.

Senate Democrats raised concerns about the gutting of the governor's education proposal as well as the removal of the health insurance proposals.

House Speaker Armond Budish (D-Beachwood) said he was looking forward to working with the Senate in conference committee but expressed his disappointment with some of the changes.

"Clearly, the economic climate we are facing makes progress difficult, but Ohio cannot remain stuck in the past on how we educate and prepare our children for the challenges of a 21<sup>st</sup> century economy," he said in a statement.

"The Senate changes may also adversely impact Ohio's eligibility for federal economic recovery dollars. We will need to review these changes very carefully to ensure that we are in compliance with the federal requirements, or we risk losing valuable resources at a time when Ohioans are hurting the most."

House Minority Leader Bill Batchelder (R-Medina), on the other hand, welcomed the new document, saying in a statement that the Senate "made the tough decisions that House Democrats refused to confront."

"The changes made by the Senate today are a good beginning toward crafting a sustainable, realistic budget to protect Ohio's taxpayers," he said. "The budget created by the governor and the House Democrats was fiscally irresponsible. It increased government spending in a time when Ohio's families are personally having to cut back, and it set Ohioans up for a major tax increase in two years."

### **STATE TAX COMMISSIONER SAYS GRF REVENUE ESTIMATES FOR FY 10-11 BUDGET WILL BE LOWERED**

Ohio Tax Commissioner Richard Levin said Friday estimates of state general revenue fund tax receipts contained in the pending budget for Fiscal Years 2010 and 2011 are too high and soon will be revised - downward.

Administration budget planners had forecast state GRF tax collections of \$17.1 billion in FY 2010, which starts July 1, and \$17 billion the following fiscal year.

"Fiscal 10 and 11, those are the estimates that were current as of the budget pending right now in the legislature. And the administration and (Legislative Service Commission) will be doing new revenue forecasts for the conference committee after the Senate passes HB 1 in the next week or so," he said. (*See separate story*).

Mr. Levin delivered a tax system overview at a meeting of the Ohio Commission on Local Government Reform and Collaboration.

"It's not any big secret to say that because Fiscal 09 now is coming in a lot lower than we expected because of the national recession that those Fiscal 10 and 11 estimates now look too high," he said.

"And when we do the new forecasts we'll have to reduce them," he said. The size of the reduction has not been determined.

"(We're) sort of in intense work right now to figure that out with the goal of having new numbers for the conference committee. The economy is in serious recession and we're dealing with it," the tax commissioner said.

State GRF tax receipts have declined over the last four fiscal years and no upturn is forecast during the next two years.

"In Fiscal 06, our state's general revenue fund revenues - income tax, sales tax, cigarette, all the taxes combined for the general fund which supports all the various general fund services, schools, and Medicaid, and property tax relief, and prisons and all the rest - in Fiscal 06 the revenues were \$19.6 billion," Mr. Levin said.

GRF revenues declined to \$19.5 billion in FY 2007.

"The economy was growing, but we were phasing in tax reform. So we were cutting rates, we were having some economic growth, (and) we had a little decline in revenues. That's still pretty unusual. It's very unusual for revenues to decline from one year to the next," he said.

In Fiscal 08, they declined to \$19.4 billion.

The sharpest drop came in FY 2009, the current budget year that ends June 30. Initial estimates pegged GRF revenue at \$18.1 billion. Earlier this month, the projection was lowered to about \$17.2 billion.

"You basically see us falling off a cliff from (FY) 08 to 09," Mr. Levin said.

"We're living in really, almost, unprecedented times," he said.

The recession coincided with the General Assembly's overhaul of the taxation system, including a 21% cut in personal income tax rates, repeal of the tangible property tax on business inventory and machinery, repeal of the corporate franchise tax, and enactment of the Commercial Activity Tax.

Although the broad-base, low rate CAT generated \$961 million in FY 2008, the money went to schools and local governments on a 70/30 split. No revenue went to the state.

Commission Co-Chair Daniel Troy, a Lake County Commissioner, acknowledged "the philosophy of tax reform" that, when fully implemented, the state would be more economically healthy.

"How many years of pain and suffering will we have to go through to get there?" Mr. Troy asked.

Mr. Levin said modernization and streamlining of the tax system was a positive.

"Now, if you think by revising our tax system and lowering our business taxes, every business in the world is going to all of a sudden locate here, no, that isn't going to happen. It doesn't leapfrog us ahead of all the other states," he said.

"Businesses invest for all kinds of reasons having to do with labor costs, and where their markets are, and environmental issues and all kinds of things. Taxes are only one part of that; they can be significant," Mr. Levin said.

"I guess from my own standpoint, Dan, I never thought we were going to have an explosion of business activity because we reformed our tax system. I thought we would have a better tax system and we would attract more business," he said.

"Now, doing this during a recession makes it a little more dicey because businesses aren't investing anywhere to the extent they were before the recession," Mr. Levin said.

### **COMMITTEE SCHEDULE FOR WEEK OF JUNE 1**

#### **TUESDAY, JUNE 2**

**Senate Finance & Financial Institutions**, (Chr. Carey, 466-8156), Finance Hearing Rm., 2:30 p.m.

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. (21st Hearing-Possible amendments & vote - No testimony)

**Senate Insurance, Commerce & Labor**, (Chr. Buehrer, 466-8150), South Hearing Rm., 4 p.m.

HB 15 BWC BUDGET (Sykes) To create the Deputy Inspector General for the Bureau of Workers' Compensation and Industrial Commission Fund; to make other changes to the Workers' Compensation Law; to make appropriations for the Bureau of Workers' Compensation for the biennium beginning July 1, 2009, and ending June 30, 2011; and to provide authorization and conditions for the operation of the Bureau's programs. (4th Hearing-All testimony)

#### **WEDNESDAY, JUNE 3**

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

--If needed

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. (22nd Hearing-Possible amendments & vote - No testimony)

**House Judiciary**, (Chr. Harwood, 466-3488), Rm. 115, 10 a.m.

--Update on Supreme Court rules by Jo Ellen Cline

HB 184 EMPLOYMENT VERIFICATION (Combs) To require employers to register and participate in a status verification system to verify the work eligibility status of all new employees and to affirm their participation on their state income tax returns, to specify that an employer's failure to affirm their participation in the status verification system on their state income tax returns constitutes falsification or dereliction of duty, to require public agencies to cancel contracts with private employers who do not participate in a status verification system, to require jail officials to make a reasonable effort to verify the citizenship of confined persons, to collect electronic fingerprints of illegal aliens, and to notify the United States Department of Homeland Security in certain circumstances, to prohibit political subdivisions from restricting communication and cooperation with federal officials regarding a person's citizenship status, to require judges and magistrates to consider immigration status and other factors in determining a defendant's bail, and to declare an emergency. (1st Hearing-Sponsor)

#### **THURSDAY, JUNE 4**

**House Financial Institutions, Real Estate & Securities**, (Chr. Koziura, 466-5141), Rm. 121, 10 a.m.

HB 30 RETIREMENT INCENTIVES (Combs) To require an analysis of each proposed retirement incentive plan for Public Employees Retirement System members and to prohibit a member who participates in such a retirement incentive plan from being re-employed by the same employer. (1st Hearing-Sponsor)

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