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Legislative Update

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UNCERTAINTY OVER PREVAILING WAGE REQUIREMENTS THWARTS PRIVATE INVESTMENT, GROUP SAYS

Revisions to Ohio's interpretation of prevailing wage law is discouraging private investment in the state and could impact projects receiving federal stimulus funding, according to a representative of local economic development officials.

While the Department of Commerce works to convert its guidelines on prevailing wage into administrative rules, confusion remains over how union-scale pay requirements apply to construction projects receiving public funding, said J.C. Wallace, executive director of the Ohio Economic Development Association.

"With the uncertainty of just having guidelines, and not having regular written rules or legislation, everybody really just has to assume that anything that gets any public support is going to be a prevailing wage project," he said in a recent interview.

He said local economic development officials see the policy impacting four primary areas: brownfield restoration efforts through the Clean Ohio program; tax increment financing; initiatives receiving state loans and grants; and local development programs, such as small-scale downtown rehabilitation projects.

Since Ohio law prescribes stiff penalties for violating prevailing wage requirements - including reimbursement of 100% pay discrepancies as well as legal fees - many companies are deciding its not worth the risk, he said.

"There's just so much risk involved if you get challenged. People just say: we just have to assume that (its subject to prevailing wage). But that makes the economics of the project not work," he said. "It's engendering a lot of legal activity."

Alleged prevailing wage violations have increased somewhat since the new interpretation went into place. DOC has received 873 complaints in the current biennium, compared to 747 for the last session, according to spokeswoman Cara Keithley.

The issue first blew up last year when DOC announced new guidelines designed to clarify that any project receiving public funding was generally subject to prevailing wage requirements. After business groups and Republicans argued the measure represented a major policy change, the Strickland administration agreed to follow the rulemaking process. Meanwhile, the guidelines remain in effect.

Mr. Wallace said the process of drafting rules was proceeding very slowly. "We have a long way to go from our standpoint."

Sen. John Carey (R-Wellston), who introduced legislation aimed at reigning in the policy late last session (SB376, 127th General Assembly), said the issue has been on the back burner since lawmakers have had to confront more pressing budgetary problems.

"We haven't given up on it. It's still something we're working on," he said.

Sen. Carey said he and other lawmakers have participated in a working group with Commerce Director Kimberly Zurz and stakeholders to find ways to address their concerns.

Although he would like to see more rapid progress, "We want to take some time to see if we can to get a consensus on the resolution of it," he added.

Ms. Keithley said the agency had completed its own internal review of the guidelines and would soon begin holding stakeholder meetings as part of the rulemaking process. No related documents are available.

Mr. Wallace said the clarification of the prevailing wage guidelines was more urgent now that federal stimulus funding was beginning to flow into Ohio for a variety of construction projects.

Although the state merely passes along much of the money, businesses are confused about whether the administration's policy applies, he said. "They're talking about anything that gets public support."

Ms. Keithley said all projects funded by the American Recovery and Reinvestment Act must follow federal "Davis-Bacon" prevailing wage regulations.

Mr. Wallace said uncertainty surrounding the issue was discouraging private investment in Ohio, but quantifying how much is difficult, he added. "In this economy its really hard to say that was the one issue. There's a lot of economic issues affecting every project."

A group representing non-union contractors issued a statement Monday emphatically blaming the policy for driving NCR out of Ohio to Georgia.

Associated Builders and Contractors of Ohio said the administration's incentive package noted that if NCR accepted Ohio's offer, the company would be subject the state's prevailing wage requirements on all construction activities.

"The one thing Georgia officials didn't mandate on NCR was the high-cost of prevailing wage," ABC's Braden Black stated.

BRUNNER PUNTS HUSTED VOTER RESIDENCY CASE BACK TO MONTGOMERY COUNTY

Secretary of State Jennifer Brunner asked the Montgomery County Board of Elections on Monday to try again - based on new information - to determine the legal voting residence of Sen. Jon Husted (R-Kettering).

The board had sent the matter to Ms. Brunner after it reached a tie vote in February on a motion to find that Sen. Husted is a Montgomery County resident.

She initially concluded there was not enough evidence to properly determine residency. She ultimately issued six subpoenas for documents related to utility consumption, occupancy, and ownership of property in Kettering, as well as his ownership of property in Franklin County.

Ms. Brunner said in a five-page letter to the elections board it is undisputed that since 2001, the former Speaker of the Ohio House has spent "considerable" time living outside Montgomery County on a regular basis.

"It is also undisputed that Husted's family presently resides outside Montgomery County. Thus, it appears that Husted has homes in both Montgomery County and Franklin County," she said.

"Although an individual may have more than one home, under Ohio law only one of these homes may be his 'residence' for purposes of voter registration. Determining Husted's eligibility to be a Montgomery County voter requires determining which of his homes constitutes his 'voting residence,'" Secretary Brunner said.

She said it was appropriate for the board to reconsider the question since additional information has been developed that it did not have during its initial deliberations.

"Therefore, I am returning this matter to the Montgomery County Board of Elections for further review and reconsideration," the secretary said.

Mr. Husted is seeking the Republican nomination for Secretary of State in the 2010 election. Ms. Brunner is seeking the Democratic nomination for the U.S. Senate.

STAGE SET FOR OPENING OF \$3.5 MILLION OHIO STATEHOUSE MUSEUM

Tour guides were offering Statehouse visitors a kind of sneak preview Monday of the building's new, \$3.5 million ground floor museum, introducing them to a touch screen wall monitor honoring recipients of the Great Ohioan award.

Opening of the museum, the second in a three-stage renovation of the Crypt area, is scheduled at 10 a.m. Wednesday.

Appropriately for major events in the Civil War-era Statehouse, the event will begin and end with the firing of cannons by the 1st Ohio Light Artillery, Battery A.

Inside, Gov. Ted Strickland, Chief Justice Thomas Moyer, Senate President Bill Harris (R-Ashland), and House Speaker Armond Budish (D-Beachwood) were scheduled to take part in the ribbon cutting.

Once the black screening from the entrance is removed, visitors will notice four major themes in the center of what used to be a gift shop: a display related to the Ohio Constitution, surrounded by material dealing with the legislative, executive, and judicial branches of government.

First phase of the construction was relocation of the Statehouse Museum Shop to the Map Room.

Phase Two creates almost 5,000 square feet of exhibits. One of them focuses on balancing the budget, and permits visitors to register their own fiscal priorities.

Phase Three construction is expected to add another 5,000 square feet of additional exhibits and a multi-media show in the area outside the education center. The Capitol Square Review and Advisory Board set early 2010 as the expected date for completing construction.

The Great Ohioans Exhibit, located just off the Map Room, uses video, photos, and text on a touch screen monitor to display information about the 16 persons recognized with the award since its creation in 2003.

Photos highlight the career of former astronaut and U.S. Senator John Glenn, including pictures with President John F. Kennedy and with Attorney General Robert F. Kennedy.

Video clips show Mr. Glenn during his 1984 presidential bid, and at a NASA 50th Anniversary event.

The Capitol Square Foundation, the private fund-raising arm of the CSRAB, raised \$2.25 million for the museum. State capital improvement funds brought the total to \$3.5 million.

Fund-raising activity continues through the foundation to finance the third phase of the project.

Names of major donors are listed on an obelisk that is to be unveiled Wednesday in the Map Room. Lead gift contributors range from the AT&T Foundation to The Wolfe Foundation.

Construction of the museum, designed by Hilferty and Associates, Athens, began in March 2008. Media production company Mills James provided audiovisual services; 1220 Exhibits of Tennessee manufactured exhibits and display panels.

TUESDAY, JUNE 9 2009

BUDGET DEFICIT EXPECTATIONS GROW; LEADERS HAVE 'PRODUCTIVE' MEETING

The House and Senate leaders met Tuesday on budget matters and the meeting was described as "cordial and productive" despite growing concerns over the fast-approaching June 30 deadline and the size of the deficit policymakers face in conference talks.

Senate President Bill Harris (R-Ashland), who met privately with House Speaker Armond Budish (D-Beachwood) and top staff, remains committed to meeting the deadline and avoiding the necessity for continuing budget resolutions to keep state government in business, spokeswoman Maggie Ostrowski said.

However, his GOP colleague in the House, Minority Leader Bill Batchelder (R-Ashland) wasn't as optimistic when asked about the likelihood of bridging so many differences in the legislation (HB 1) while also resolving a huge deficit by the end of the month and fiscal year.

"I don't know how unless they throw darts at a board," said Mr. Batchelder, who has seen stopgap measures before during his four decades in the House.

"It's not a bad thing to take your time and do things in a proper way," he said. "My own sense is, you're better off doing something like that" rather than returning later to fix the plan on an emergency basis. "That's something I think we have to look at," he added.

Nevertheless, other key players remain optimistic on the schedule issue even though internal number-crunching suggests the budget hole that policymakers will face come Thursday, when the administration and Legislative Service Commission are expected to unveil new revenue estimates for the FY 2010-2011 biennium, could easily approach \$3 billion due to slumping tax intake and other factors.

Mr. Batchelder, in fact, said he wouldn't be surprised if the hole is estimated anew at up to \$4 billion. "The biggest thing is, I don't think their numbers are realistic at all," he said of the current estimates from LSC and the Office of Budget and Management, which were generated before the budget was introduced.

Ms. Ostrowski said she didn't personally attend the leaders' meeting on Tuesday. "But I am told it was cordial and productive," she said.

One factor that might be driving the optimism regarding the schedule is that policymakers do not want to delay action with, say, a three-month continuing resolution because the economic conditions could actually worsen by then.

And given the dire funding circumstances, the two chambers and Gov. Ted Strickland may opt to study, delay or scrap altogether some of the more divergent policy approaches in the document.

Both chambers meet in full session Wednesday, when conferees are to be officially named. The first conference committee meeting, with LSC and the OBM, is to ensue the next day. As of deadline Tuesday, an official conference schedule was still pending.

PROTECTIONS FOR CONTRACTORS AMONG SEVERAL CHANGES SENATE CONSIDERING FOR BWC BUDGET

While a conference committee on the main operating budget is a certainty, the two chambers may also have to reconcile potential differences over the Bureau of Workers' Compensation spending plan.

The House made very minimal changes to the administration's original proposal, which is essentially a continuation budget (HB 15). But Sen. Stephen Buehrer (R-Delta), chairman of the Senate Insurance, Commerce & Labor Committee, said the chamber is considering a number of amendments.

His primary concern is finding a way to prevent recent changes in bureau operations from negatively impacting construction contractors, he said, citing witnesses who said their resulting experience modification (EM) rating precludes them from bidding on certain projects.

Chairman Buehrer said he would have preferred the BWC address the situation administratively.

"But unfortunately, nothing has been done and we're now at the point where members on both sides of the aisle are seeing the real problem this causes in terms of lost jobs in Ohio and are wanting to do something about it," he said in an interview. "If the bureau doesn't come up with some sort of solution that is realistic, you're going to see members attempting to solve it legislatively."

BWC Administrator Marsha Ryan told committee members that a bureau investigation into the issue found the witnesses that testified had legitimately been rated according to the risk they present to the system based on past experience.

"From the perspective of the system, that's the actuarial soundness that we have been looking for," she said.

Moreover, the issue was limited to a small number of contractors that had been benefiting from a lower EM until they were removed from a group-rating program, she said. "There are other contractors in this state who find themselves in exactly the opposite situation."

Ms. Ryan said later in an interview that the bureau was digging through individual companies' records to determine the extent of the problem, she said, adding one of the witnesses who testified last week had an EM well below what he claimed. The agency is considering a proposal to bundle affected companies into a separate group with a lower rating.

"Maybe that would work, but it would disadvantage those who actually, based on their risk, have legitimately the low (EM)," she said. "Things end up causing unforeseen consequences."

Meanwhile, senators are considering an amendment from the Associated General Contractors of Ohio that would prohibit companies that deal with the BWC from barring bids from contractors based solely on their EM rating during the upcoming term.

Andrea Ashley, the group's director of public affairs, called the measure a "worst-case scenario" and asked the committee to consider another amendment that would prevent the BWC from increasing contractors' EM unless they experience an increase in claims.

Several other amendments were also under consideration, including several GOP proposals that were rejected in the Democrat-controlled House, such as limiting the bureau's ability to change the Drug-Free Workplace program, he said. "I personally have found it disappointing to see that the discount that was available for that program has been lost."

As for requiring BWC to provide employers notice of rate changes a year in advance, he said, "The bureau has some concerns about it. We're trying to talk about it. I can see both sides."

Another proposal to prevent rate changes due to accidents caused by a third party is still in the mix, he said. "I'm not ruling it out yet for this bill, but that one has some much broader - not only concerns, but implications if we were to do it."

SENATE'S MOVE TO RESTORE LOST TAXES TO GOVERNMENT ENTITIES WOULD BE NEARLY \$500 MILLION ANNUAL BOON BUT LOSS TO STATE

It's gotten little ink since the Senate included the change last week among hundreds of other amendments, but a new budget provision could equate to a \$492 million yearly reprieve in the future for local governments and other taxing districts in the state.

Senate Republicans were able to engineer the popular policy change in part because it has no impact to the state's bottom line in the upcoming two-year spending period covered by the budget measure (HB 1).

The Democrat-controlled House had already acted to extend a related "hold harmless" period for entities impacted by the elimination of the tangible personal property tax on business equipment, inventory, furniture and fixtures. Otherwise, property-taxing districts aside from schools would have started to see the impact of the lost revenues to the tune of some \$11 million toward the end of the fiscal year 2010-2011 biennium.

Schools, which get about 70% of all property tax revenue, were granted a permanent reprieve against TPP tax losses in the last budget bill (HB119, 123rd General Assembly). But a 10-year phase-out of replacement revenue from the Commercial Activity Tax was set to go into effect for other government entities in 2011.

Without another law change in the interim, counties, municipalities, townships and special taxing districts face a total loss about \$492 million a year in 2020, the year after the end of the CAT replacement phase-out.

The Senate's amendment to the pending budget extends in perpetuity the CAT reimbursements to all government entities based on how much TPP tax each received in the baseline year of 2004 - the year before the business property tax started to phase out and the CAT was created as part of the 2005 system overhaul (HB66, 126th General Assembly).

Prepared for a long lobbying haul, those entities had created the Coalition of Local Governments & Services to inform policymakers regarding "the unfinished business of tax reform" - namely the large, looming financial hit.

The coalition's membership is broad and includes government and school associations along with representatives of the interests of libraries, mental health, MR/DD and children services, among others that depend on local property tax levies for funding.

Robert Bates, assistant chief of the Madison Township Fire Department in Groveport, testified on the subject in budget hearings for the group and as a representative of the Ohio Fire Chiefs Association.

"This revenue loss will impact almost every unit of local government and levy funded agency in the state of Ohio," he said. While the impacts will vary depending on how much formerly taxed TPP property existed in each district, he added, "Speaking in general terms, TPP represents between 3.5% and 25.8% of the total property tax duplicate on a countywide basis."

Suzanne Dulaney, deputy CEO of the Ohio Association of County Behavioral Health Authorities, told lawmakers this spring that without a permanent revenue replacement mechanism "the impact will be devastating to many communities."

"For our alcohol, drug addiction and mental health boards, it will represent a loss of over \$25 million per year statewide," she said in budget testimony.

On Monday, Ms. Dulaney said that the coalition "is extremely grateful for the bipartisan support we have received to address the unfinished business of tax reform in the budget."

"It reflects an appreciation for the importance these local government services play in Ohio's economic recovery," she said. "We sincerely hope that the permanent replacement mechanism to local governments remains as a component of the budget bill,

According to the coalition, the annual TPP tax revenue loss after 2019 for the entities would otherwise be: \$273 million for counties; \$92 million for municipal governments; \$71 million for townships; and \$56 million for special districts.

As with any revenue shift there is a loser, and in this instance it would be the state. If the law remains unchanged, the future CAT receipts not already dedicated permanently to schools as TPP replacement would instead be returned to Ohio's general revenue fund.

Under the Senate's proposal, the CAT, estimated to bring in \$1.6 billion in total annual collections, would for the most part not exist as a state revenue stream in the future.

Gov. Ted Strickland's spokeswoman Amanda Wurst said Monday that the administration was still reviewing the amendment and expected it to be a topic for conference committee.

GOVERNOR SAYS COST OF RESTORING RAIL PASSENGER SERVICE ACROSS OHIO COULD INCREASE

Gov. Ted Strickland indicated Tuesday that the cost of running passenger trains across Ohio could be higher than previously believed, but his office said later that earlier, lower projections remain the best available.

The governor was in Washington, D.C. to meet with Secretary of Transportation Ray LaHood and leaders of Amtrak.

The national rail passenger system is conducting a study of Mr. Strickland's priority proposal for restoring conventional speed rail passenger service. The trains would run along a route from Cleveland to Columbus, Dayton, and Cincinnati.

Initial estimates had pegged the capital cost of the initiative at about \$250 million, with an annual operating cost of \$10 million.

Ohio hopes to cover construction costs such as track improvements and depots with federal economic stimulus grants.

Amanda Wurst, the governor's press secretary, confirmed in Columbus that Gov. Strickland told reporters in Washington the cost of restoring service could reach \$400 million.

However, she noted that the state has made no formal request yet for stimulus money, and that the amount sought has not been determined.

"The best estimate available remains \$250 million," Ms. Wurst said. She said results of the ongoing Amtrak study would provide a revised figure.

"Obviously, the more federal resources we have we can invest in infrastructure improvements that would improve speed and frequency, develop enhanced rail stations along the track ... and protect Ohio taxpayers from cost overruns that may arise throughout the project," she said in an interview. Submission of the state's application for federal funds is expected in late summer or early fall.

AMP-OHIO, SOLAR MANUFACTURER RECEIVE STATE STIMULUS LOANS

The organization building a southern Ohio coal-fired electric plant and a northern Ohio solar panel manufacturer have been identified as the first recipients of a state-financed job stimulus program targeted toward alternative energy projects.

Gov. Ted Strickland announced the loan awards to American Municipal Power-Ohio and Willard & Kelsey Solar Group.

AMP, which is building a clean coal plant in Meigs County, received a \$30 million loan, while Willard & Kelsey, which produces solar panels in Perrysburg, will receive a \$10 million, the governor's office said.

"The first two recipients of these funds are great examples of how investing in advanced energy technologies is stimulating Ohio's economy," Mr. Strickland said. "The impacts of President Obama's recovery act and our bipartisan state stimulus package are becoming evident - we are creating the jobs of the future in Ohio today."

The announcement follows complaints from majority Senate Republicans that the administration has been slow in awarding funds that were appropriated last summer.

Funding for the projects was approved by the Ohio Air Quality Development Authority, whose director, Mark Shanahan, said the projects show the program is meeting its goal.

"These investments can attract additional investment and will put Ohioans to work in the jobs of the future," he said.

The solar firm current runs a single manufacturing line, but could establish as many as 16 lines, which would create jobs for more than 3,500 people who would have average annual compensation packages of \$61,000.

The AMP-Ohio bridge loan is intended to help with construction of the Letart Falls facility that is scheduled to begin this year. The \$3.2 billion project is expected to create 1,500 construction jobs and 150 full-time operating positions.

The administration said the advanced energy program includes \$84 million for non-coal projects and \$66 million for clean coal projects. The state has received more than 215 applications for funding.

COALITION OF ENVIRONMENTAL AND INDUSTRY GROUPS SEEKS ELIMINATION OF BUILDING CODE ADVISORY PANEL

A coalition of environmental and business groups has a suggestion for lawmakers looking to pare the budget: scrap the advisory committee that oversees changes to the residential building code.

Several environmental, consumer, and trade groups recently sent a letter to lawmakers and Gov. Ted Strickland charging the Residential Construction Advisory Committee usurps the Board of Building Standards' authority and repeatedly stymies the adoption of more stringent energy efficiency standards.

"The RCAC is a dysfunctional, unnecessary, and duplicative bureaucratic body that Ohio does not need under any reasonable legal or public policy analysis," says the letter signed by representatives of the Ohio Environmental Council, Sierra Club Ohio Chapter, Ohio Chemistry Technology Council, Environment Ohio, Ohio Consumers' Council, Extruded Polystyrene Foam Association, and others.

"The RCAC exercises independent legal power, which has allowed this purely 'advisory' committee, dominated by home builders, to seize the decision-making process for residential code content away from the duly appointed Ohio Board of Building Standards," the letter says.

While the RCAC was designed to provide input on residential code changes, the panel exercises "veto power" over BBS and can delay the process indefinitely, the groups say. "As the legislature looks at ways to streamline government and reduce costs and duplications, the continuation of RCAC cannot be sustained."

RCAC Chairman Gerry Stoker, building commissioner for Norwood, said the panel's membership of building officials, homebuilders, an architect, a mayor, and a fire official represents "a pretty good balance."

"We don't do it willy-nilly," citing four requirements for the committee to assess when reviewing a building code's impact on: the public's health and safety; economic reasonableness; technical feasibility; and the financial impact on housing costs.

"We may think it's a good idea, but if it's way out of whack where its going to add \$20,000 to the cost of a typical home, we take that into account too," he said about a proposed code revision.

He said the panel wasn't duplicative of the BBS because it's necessary to have input from independent professionals who are affected by the building code on a daily basis. "You have more hands-on individuals on the advisory committee."

Mr. Stoker said the panel keeps its focus on its statutory mandate, despite pressure from groups that may have an interest in pushing for code changes that favor a certain product.

"You've always got a certain amount of individuals out there that have an agenda and they're either pushing an issue or an item, like vendors do," he said. "I understand you may be making that product or selling that product, but its not necessarily good for you and I and the rest of the homeowners in Ohio."

INTRODUCED IN THE HOUSE

HB 210 STATE OFFICIAL SALARIES (Morgan, Boose) To decrease by 5% the salaries of General Assembly members and of the statewide elected executive officers until certain increases occur in the Gross Domestic Product of Ohio. Am. 101.273, 103.30, and 141.012

HB 212 AMATEUR RADIO ZONING (Stebelton, Okey) To codify federal restrictions on local zoning of amateur station antenna structures thereby preserving amateur radio service communications as a Homeland Security resource and to place the burden of proof for compliance on the zoning authority. Am. 303.214, 519.214, 713.082, and 5502.031

REFERRED TO HOUSE COMMITTEE

Public Safety & Homeland Security:

HB 202 INFRASTRUCTURE PROTECTION (Mallory) To create the Infrastructure Protection Center within the Division of Homeland Security of the Department of Public Safety.

SENATE COMMITTEE HEARING

Insurance, Commerce & Labor

SB 94 POLICE & FIRE CONDITIONS (Patton) To provide that a firefighter, police officer, or public emergency medical services worker who is disabled as a result of specified types of cancer or certain contagious or infectious diseases is presumed for purposes of the laws governing workers' compensation and the Ohio Police and Fire Pension Fund to have incurred the disease while performing official duties as a firefighter, police officer, or public emergency medical services worker. (1st Hearing-Sponsor)

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Sen. Patton said in sponsor testimony that the measure would acknowledge that firefighters and other emergency workers face higher rates of cancer and would make them eligible for benefits from the workers' compensation fund and Ohio Police & Fire Pension Fund.

Ohio's law currently doesn't recognize firefighters' routine exposure to hazardous chemicals, carcinogens, and infectious diseases as presumptive conditions as part of their regular duty, he said. "As a result, many active and retired firefighters are prohibited from receiving certain benefits and compensation for performing official duties."

The bill would change the law to presume that certain illnesses and cancers a firefighter develops are related to occupational hazards, he said, noting more than 40 states have similar legislation.

Sen. Buehrer asked what impact the measure would have on claims. Sen. Patton said he was still researching the issue but said it would likely have a minimal effect.

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. (5th Hearing-All testimony)

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WEDNESDAY, JUNE 10 2009

HOUSE REJECTS SENATE BUDGET AMENDMENTS, SETS STAGE FOR CONFERENCE COMMITTEE

The House showed near unanimity Wednesday in rejecting Senate amendments to the contentious two-year budget plan that lawmakers expect to get even further complicated by the imminent and steep downward revision of revenue estimates for the upcoming biennium.

With a vote of 1-97, the chamber refused to concur in the Senate changes. A few minutes later the upper chamber insisted on its amendments in officially sending the document (HB 1) to conference committee.

The conference panel is slated to meet for the first time at 10:30 a.m. Thursday in Statehouse Room 313 to hear new tax revenue and Medicaid caseload estimates from the Office of Budget and Management and the Legislative Service Commission.

The new budget "hole" is expected to be in the neighborhood of \$2.5 billion to \$3 billion, widened in part over the recent weeks by stagnating state tax intake that will force a large Budget Stabilization Fund transfer just to balance the current fiscal year's books, which close along with the biennium on June 30.

The conferees are: Chairman Rep. Vern Sykes (D-Akron), Rep. Jay Goyal (D-Mansfield), Rep. Ron Amstutz (R-Wooster), Sen. John Carey (R-Wellston), Sen. Mark Wagoner (R-Toledo) and Sen. Dale Miller (D-Cleveland).

Rep. Sykes sounded a conciliatory note in urging rejection of the amendments during a floor speech in which he understated, "Suffice it to say there are many issues that are unresolved and require additional work."

There are 579 matters of difference between the House and Senate versions of the bill, according to an LSC comparison document.

In some ways, however, those language issues will be secondary to the massive cuts that loom as a result of opposition to tax hikes and gambling expansions from leaders of both parties. Given the overall challenge of balancing the two-year package and

forging a compromise on the K-12 funding system rewrite by the end of the month, many of the partisan-tinged policy proposals are expected to quickly fall by the wayside.

"Although there are many differences between the House and the Senate, I do not believe that in times like these it is beneficial to criticize the Senate's work," Rep. Sykes said.

"We anticipate that new revenue estimates will require us to cut hundreds of millions, even billions of dollars from the Senate-level appropriations. Declining revenues and rising demand for essential services have created a very difficult budget climate."

Rep. Amstutz also argued in favor of rejecting the Senate plan even though he said it was more fiscally responsible than the House bill. Given the looming deficit and major differences on K-12 and other areas, more changes to the package are necessary, he said. "There's a lot of work yet to do."

Rep. Matthew Dolan (R-Nowelty) cast the only vote in favor of the Senate amendments. He said after session that it "is a better budget, more responsible," and that it was more reflective of the direction the legislature needs to take moving forward.

Speaker Armond Budish (D-Beachwood) said, "The budget has been difficult, but we know these difficulties pale in comparison to the very serious challenges Ohio families are facing all across the state."

"The final stages of this budget will be tough, but I'm optimistic that we can work together with the Senate to resolve our differences and pass a budget that transforms our education system, maintains the safety net, and invests in job creation."

House Minority Leader Bill Batchelder (R-Medina) said, "Today our caucus has shown that we are ready to confront the serious issues remaining in this budget by recognizing that more can and should be done to protect Ohio's taxpayers from a tax increase and bring jobs to Ohio."

"The Strickland administration has continually failed to provide accurate numbers on which to craft a budget, making the Senate's task that much more difficult. Still, the Senate has put us on the right path toward reducing the cost of government and making jobs a priority in this budget."

Gloomy Revenues: Senate President Bill Harris (R-Ashland) said the governor did not share specifics regarding revenues during a private meeting on Wednesday, but it was evident the news will be very bad indeed.

"He didn't go into any detail but it didn't look like he was ready to do any shouting of joy," he said. "It was obvious the governor was concerned just like I'm concerned."

"Even the lowest rumored (figures) scare me because I know how hard we've worked to have a balanced budget" in light of the FY 2009 shortfall, Sen. Harris said.

"You look at the stimulus money that's in the budget and the maintenance of effort that's required and so forth. And I think the figures will probably convince people that aren't yet convinced that this is really a serious economic situation in our state and we all need to work together in passing a balanced budget and we need to get that done sooner rather than later."

Asked about the likelihood of across-the-board versus targeted reductions, Sen. Harris said that because of the amount of cuts already inflicted on the plan, "Opposed to a percentage we would want to look at each one of the agencies where that could be done."

The Senate president said of K-12 and higher education budgets, "I would hope that we could hold them as harmless as possible but having said that I know how much we've cut already, so everything I think has got to be on the table."

SPLIT SUPREME COURT SAYS STATE LAW OVERRIDES LOCAL RESIDENCY RESTRICTIONS FOR EMPLOYEES

The Ohio Supreme Court held in a split decision Wednesday that municipalities across the state no longer could require their police, fire and other employees to live within city limits.

Justices ruled in a 5-2 opinion that a new state law prohibiting residency requirements as a condition of employment overrides local ordinances.

The decision struck down residency requirements in the cities of Lima and Akron.

Justices said the General Assembly enacted the statute (SB82, 126th General Assembly) under a section of the Ohio Constitution (Section 34, Article II) that lets legislators pass measures dealing with the health, safety, and general welfare of employees.

The same section, adopted in 1912, states that "no other provision of the constitution shall impair or limit this power."

Justice Paul Pfeifer, writing for the majority, said the court has upheld the constitutionality of statutes enacted under Section 34 on at least three previous occasions.

The court affirmed laws that mandated binding arbitration between cities and safety forces in collective bargaining; required local police pension funds to surrender their assets to a new state-controlled fund; and increased teaching-hour requirements for faculty at state universities.

The state law at issue in Wednesday's case forbids any political subdivision from requiring any of its employees to reside in any specific area of the state as a condition of employment.

Justice Pfeifer said that in allowing city employees more freedom of choice of residency, the state law is providing for their comfort and general welfare.

"We conclude that (the law) is constitutional and, therefore, that municipalities may not require their employees to reside in a particular municipality ...," Justice Pfeifer said.

He said that because the court found the General Assembly acted under Section 34, separate constitutional home-rule provisions would not apply.

Concurring were Justices Evelyn Stratton, Maureen O'Connor, Terrence O'Donnell, and Robert Cupp.

Chief Justice Thomas Moyer and Justice Judith Lanzinger dissented.

Justice O'Donnell said in a separate concurring opinion that "lest any reader be confused by the analysis offered in the dissenting opinions filed here, this is not a home-rule analysis case."

Rather, he said, "the simple holding of this case involves an interpretation" that the phrase general welfare of employees in Section 34 includes restrictions on where employees may live as a condition of employment.

"For more than two decades, this court has held this section of the Ohio Constitution to be a broad grant of legislative authority," Justice O'Donnell said. "Thus, despite claims to the contrary, constitutional home-rule authority retains its vitality in Ohio."

Chief Justice Moyer said in dissent that the majority had set a course that would result in the resolution of very few important policy decisions by local government elected officials where the General Assembly decided to intervene.

"The balance struck in the Ohio Constitution between the officials of local government determining those issues that have no statewide application and the General Assembly determining issues of general public interest is now tipped dramatically against the authority of local elected officials under the new conception of home rule," he said.

"I suggest that if such a dramatic change in the application of constitutional principles is to be created, it should be through an amendment to the Ohio Constitution and not through the decisions of this court," Justice Moyer said.

Justice Lanzinger said the majority was interpreting the reach of Section 34 too broadly.

"By expanding this language to include the authority to ban residency requirements by political subdivisions, the majority has opened the door for the General Assembly to use this section - which trumps all other constitutional provisions - in a conceivably limitless variety of situations to eviscerate municipal home rule," she said.

PANEL SETS DEADLINE FOR COST INFORMATION ON POSSIBLE RETIREMENT BENEFIT CHANGES

A retirement system oversight panel has set a September deadline for the state's five public pension systems to report on the impact that a number of potentially controversial changes could have on their bottom lines.

At that point, Rep. Todd Book (D-Portsmouth) said lawmakers will begin drafting legislation that focuses on having all systems fall within the statutory 30-year funding guideline.

Mr. Book, who chairs the Ohio Retirement Study Council, said nobody wants retirement systems that aren't properly funded. "Clearly, the 30-year time frame is something we all need to work towards," he said. "It's clear we're not going to be able to invest our way out of this. It's not going to be an easy process."

"We want a system that's safe, that works, for all retirees," he said.

At the council's request, the systems have asked their actuaries to provide information about the impact that a number of changes - including raising contribution rates and retirement ages - would have.

The council has also asked for reports on the impact of changing how final average salaries are determined, eliminating a lump sum death benefit and eliminating, delaying or reducing cost of living adjustments.

The council's Glenn Kacic said the concepts are under review in several other states that are also looking to shore up pension system balances.

"I don't know a state that is not undergoing some kind of redesign," he said. "It is not something unique to Ohio."

Of all the options on the table, Mr. Kacic said it is unlikely that a single change will be sufficient to bring all systems back to 30-year funding levels.

Chris DeRose, director of the Ohio Public Employees Retirement System, said his system's retirement benefits are safe, noting that the board acted earlier to redirect some health care funds to cover pension benefits.

State Teachers Retirement System Director Mike Nehf said his board is considering all options to reach the 30-year period.

"We are looking at a combination of scenarios," including how pensions are calculated, changes in COLAs and increases in contributions rates, he said.

Sen. Keith Faber (R-Celina) cautioned the system against counting on increased contributions from employees and employers, saying he didn't see much support for the change from teachers or school districts.

"I think it's real tough to convince people that you need more," he said.

Investment Incentive Programs: Separately, system directors briefed the panel on investment incentive programs that they may have in place.

Mr. Nehf said his board suspended its program for fiscal year 2009 in February, and reduced potential payouts by 20%. For future years, he said no bonuses will be paid if the portfolio produces negative returns.

The director said he is uncertain whether the changes will result in the resignations of any investment staff, adding that the system does need a strong compensation program to draw high-quality talent.

Ms. Johnson and Mr. DeRose both said their systems maintain incentive programs, noting that they are subject to periodic review. Mr. DeRose said the PERS program is comparable with other Midwestern systems, while Laurel Johnson said the School Employees Retirement System program is based on external benchmarks.

HOUSE REFUSES TO CONCUR IN SENATE AMENDMENTS

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.

1-97 (Dolan) Conferees: Sykes, Goyal & Amstutz

INTRODUCED IN THE HOUSE

HB 218 UTILITY TAXES (Winburn) To modify the tax valuation of public utility tangible personal property used to generate electricity from renewable resources. Am. 5727.01, 5727.11, and 5727.111

REFERRED TO COMMITTEE

Public Safety & Homeland Security:

HB 212 AMATEUR RADIO ZONING (Stebelton, Okey) To codify federal restrictions on local zoning of amateur station antenna structures thereby preserving amateur radio service communications as a Homeland Security resource and to place the burden of proof for compliance on the zoning authority.

SENATE INSISTS ON ITS AMENDMENTS

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.
Conferees: Sens. Carey, Wagoner & D. Miller

COMMITTEE HEARING

Ways & Means & Economic Development

SB 90 VACANT HOMES (Kearney, Seitz) To authorize local governments to exempt homes that have been vacant for at least twelve months from non-school district property taxation for up to three years when purchased by an owner-occupant. (2nd Hearing-Proponent)

CONTINUED

Mr. Krebs cited a recent study done for Greater Ohio that made 26 recommendations for vacant and abandoned property relief, including an income tax credit as an incentive for purchase and rehabilitation of homes for owner occupancy in target areas, which he said would be beneficial as is the federal \$8,000 tax credit for new owners.

Sen. Strahorn questioned granting a new tax credit without finding an existing one to replace it, a tack with which Mr. Krebs somewhat agreed, but he added that counties gain income from real estate taxes after improvements. It was pointed out that the state gets a 2-1 payback from tax credits and that SB 90 should do the same for local governments.

Michael H. Cochran, executive director of the Ohio Township Association submitted supporting testimony, noting the bill is permissive.

SB 109 PROPERTY TAXES (Gibbs) To exempt from real property taxation the value of single-family residential property owned by a developer or builder until the developer or builder transfers possession or title. (2nd Hearing-Proponent)
CONTINUED

Carmine Torio, executive vice president of the Home Builders Association of Portage and Summit Counties, led off proponent testimony calling for a "more equitable and timely manner in which to assess the full value on developed land and structures built on it."

He maintained that merchants pay no taxes on merchandise until it's sold and the building industry "would like equal treatment."

After a discussion about evaluation methods in state law, which includes a "development method," Toria said, "There seems to be confusion among county auditors about how much leeway they have" in determining what homes are worth.

Jeffrey D. Ury, a Stark County builder, said the law would encourage non profit remodelers, developers and builders who buy and upgrade older homes "to continue investing in our neighborhoods." He cited Project Rebuild in Canton that uses at-risk youths to build and remodel homes on which builders must pay taxes. "In the current economy and housing market, these builders may carry homes for sale for months or years," which costs them money for taxes that could be used for educating youths.

Steve W. Doyle, a homebuilder from Lima, testimony about the financial bind his company faces paying taxes, interest and utility bills on a development and eight spec homes he built after the market collapsed in an effort to keep all his employees and subcontractors working. Taxes and interest on unoccupied homes would be no problem "in good times, but these are not good times," Doyle said. When homes are empty in a development for which he paid all expenses, the county bears no expense but still collects taxes, he said. Also testifying in support was Dan Bollin, a Toledo homebuilder.

Vice Chairman Widener, citing his own experiences building a condominium, endorsed their the testimony and faulted auditors' formula-driven, automated evaluations of new homes for tax purposes. Builders can seek relief from boards of revision but won't get it because auditors are chairs, he said.

THURSDAY, JUNE 11 2009

WORKING FROM SENATE VERSION, BUDGET CONFEREES STILL FACE \$2.5 BILLION PROBLEM IN BIENNIUM PLAN

Gov. Ted Strickland's administration and legislative analysts on Thursday told lawmakers in charge of rewriting the budget that the state's bleak economic conditions will require more than \$2 billion in adjustments to the pending two-year spending plan before it's finalized this month.

As expected, new tax revenue estimates from the Office of Budget and Management and Legislative Service Commission came in considerably lower than the original figures developed prior to the introduction of the budget bill (HB 1) early in the year.

The bad news came during the first hearing of the budget conference committee. OBM Director Pari Sabety said her office had lowered projections for tax revenue intake in the FY 2010-2011 biennium by about \$2.3 billion compared to the original budget planning figures.

LSC Director Mark Flanders said his agency backed off estimated tax collections by more than \$2.4 billion and also anticipates \$132 million less in revenues from investments, licenses and fees. "So the total downward revision in GRF revenue for the next biennium is about \$2.6 billion," he said.

Ms. Sabety said the total gap facing policymakers, including the previously announced shortfall of more than \$900 million for FY 2009, is about \$3.2 billion.

However the Senate version of the measure, which the conference panel adopted as a starting point, included cuts and other adjustments in anticipation of the nearly \$1 billion Budget Stabilization Fund being used to patch the current fiscal year versus the next two-year period like the administration originally envisioned.

That leaves a hole of about \$2.3 billion to \$2.6 billion for the panel to solve by June 30, depending on which agency's estimates are ultimately adopted.

Chairman Rep. Vern Sykes (D-Akron) said he believed the panel could make those adjustments with cuts alone and not need revenue from increased taxes or expanded gambling, which leaders of both parties oppose.

"Just like each household, when we're faced with a downturn in revenues, we've first got to look at how we can live within our means," he said. "That's one of the major challenges for this committee."

"Our first objective is not to look at increasing taxes or revenues at all," he added.

Nevertheless, neither the House Finance chairman or his Senate Republican counterpart, Sen. John Carey (R-Wellston), were ready to talk specifically about from where the cuts would come from in the plan, currently priced at \$53.6 billion in state general revenue fund spending.

Sen. Carey joined other panelists in urging the administration to take a leadership role in the process of reducing the package.

"Obviously we're looking forward to working with the governor and the House to come up with the best plan that we can," he said.

Speaker Armond Budish (D-Beachwood) expressed optimism in the process that lay ahead.

"Like many Ohio families, the State of Ohio will be forced to continue tightening its belt and making very difficult choices about the services it provides," he said in a statement. "Despite this sobering economic news, I'm optimistic that the House and the Senate will set politics aside and work together to address the very difficult challenges ahead."

Senate Minority Leader Capri Cafaro (D-Hubbard) said, "It will take bipartisan cooperation to navigate through this troubled economy to craft a biennial budget that is fiscally responsible while also investing in the future and providing support for the needs of Ohioans. Senate Democrats are prepared to work constructively with all members of the General Assembly to resolve the difficulties currently before us."

Senate President Bill Harris (R-Ashland) called the circumstances "mind-boggling."

"But after we get all the information we're going to sit down and look at it and study it and we're going to do what's right to balance the budget and meet the criteria of the constitution," Sen. Harris said.

In reiterating his opposition to tax hikes of any kind, Sen. Harris questioned what, if any, benefit there would be to such a tack.

"Although the state is certainly in a very difficult financial position, to raise taxes on people that are struggling just to make ends meet, to buy food, to buy medicine, this is not the time to do any of those types of tax increases," he said in an interview.

"What impact does it have on the unemployed? I'm really worried about them," Sen. Harris added. "Maybe it gets us a few more dollars into the state, but based on revenue estimates it's not generating much."

Sen. Harris said that if anything is to be learned by the recent revenue crunch it's that the legislature might want to leave itself some cushion in case the economic conditions do not correct or worsen.

Committee Kickoff: Thursday's testimony proved sobering indeed for the six panelists and roomful of advocates and other stakeholders. After hearing the predictably bad news and posing some questions to the budget analysts, the panel adjourned and will reconvene at a date to be determined, the chairman said.

Although conferees face a daunting task to accomplish in a relatively short time frame, key players remain optimistic that a compromise between the Democratic House and Republican Senate will be reached in time to enact the bill as required by July 1.

Director Sabety said OBM was pegging its latest revenue estimates on one of three scenarios it developed with input from national economic forecasting firms, including Moody's Economy.com.

While basing the projected tax collections on the most optimistic of the three, which ponders a "deeper recession, weaker economy," she said OBM accounted for Ohio's historic lag in emerging from recessions compared to other states by not adopting the firm's own optimistic "baseline" forecast.

Under "Scenario A" on which OBM's revenue update is based, Ms. Sabety said the following assumptions apply: contractions in the housing and labor markets are somewhat deeper and longer-lasting, leading to a deeper decline and slower recovery; the national unemployment rate peaks at 10.2% in mid-2010; fixed business investment declines eight straight quarters with a 26.3% peak-to-trough decline; housing starts bottom at 489,300 units in the current quarter; and the Fed begins tightening in the last quarter of CY 2010.

OHIO BONDS DOWNGRADED ON EVE OF BUDGET CONFERENCE

Already facing a bleak tax revenue picture for the final stages of budget deliberations, Ohio policymakers got another dose of bad news late Wednesday with a downgrade of general obligation bond ratings from Fitch.

One of the three major ratings firms, Fitch lowered its score for \$7 billion in outstanding Ohio general obligation bonds from AA+ to AA.

"The downgrade reflects the long-term deterioration in the state's economy; in particular, the structural decline of the state's large manufacturing sector and the resulting negative impact on state financial operations," Fitch stated in a news release.

In general, the higher the bond rating, the cheaper it is for the state to issue debt. While ratings outlooks have fluctuated over the years, it is believed to be the first time since at least the early 1990s since Ohio GO debt was significantly downgraded.

Fitch Ratings updated its broader view of the state's standing while also assigning AA ratings, the third-highest grade, to \$40 million in Ohio coal development GO bonds slated for sale next week.

Additionally, the company downgraded from AA to AA- its ratings on Ohio's appropriation-backed bonds. Fitch's ratings outlook for the state, meanwhile, was revised from "negative" to "stable."

"Ohio's recovery from the recession earlier this decade was weaker than that of the nation as a whole, with employment never reaching its previous level," Fitch stated. "Following the last recession, employment increased a total of just 0.3% from 2004 to 2007, compared to U.S. growth of 4.7% over the same period. Declines in manufacturing have been joined by slowing service sector employment and a continued deep housing market downturn."

While noting Ohio policymakers are poised to drain the state's nearly \$1 billion Budget Stabilization Fund to finish in the black for the fiscal year ending June 30, Fitch reported, "The state's financial management is sound and the rating incorporates the expectation that even with revenue declines the state will balance the budget."

Office of Budget and Management Director Pari Sabety told lawmakers reviewing the budget bill (HB 1) Thursday that the downgrade should not through planned debt service spending significantly out of kilter during the upcoming biennium given the relatively low borrowing costs in the current market.

HOUSE LAUNCHES STUDY COMMITTEE TO SEEK WAYS TO REVERSE URBAN DECAY

Suburban sprawl, tax abatements, and urban decay were subjects of discussion during the inaugural meeting of the Compact with Ohio Cities Task Force on Thursday.

The panel is part of Speaker Armond Budish's (D-Beachwood) goal of aligning economic development efforts between the state, cities and local governments to pursue a more collaborative approach.

Created by a resolution the House adopted earlier this session (HR 20), the task force is charged with identifying ways to improve the impact of tax incentives, bond issuances, infrastructure, and services on urban economic development efforts.

Rep. Mike Foley (D-Cleveland), chairman of the task force, said he envisioned it as "a way to do some brainstorming to come up with ideas that we, as the state legislature, can really help our cities out."

The bipartisan committee includes several House members, mayors, administration officials, and representatives of local governments, businesses, unions, and think tanks.

The panel heard a presentation about the current land use policy in Ohio from Lavea Brachman, co-director of Greater Ohio, a non-profit organization that promotes principals of "smart growth."

With population growth stagnating in Ohio as development spreads further and further from urban cores, the current land use pattern is "unsustainable," she said, pointing to "massive vacancies" in the cities. Not only is population decreasing in every city in the state, with the exception of Columbus, but counties surrounding the cities are also experiencing a decline, she added.

"State action and inaction has contributed to sprawl and poor land use rather than focusing on renewal of existing cores," she said.

State efforts should focus on building infrastructure that is targeted to promoting economic development in cities, Ms. Brachman said. "It's not building roads just to build more roads anymore."

In addition, she recommended policies that would: bolster innovation and local economic strengths; enhance workforce skills and training; and stabilize deteriorating neighborhoods.

Committee members spent some time discussing the efficacy of tax abatements in fostering urban economic growth.

Amy Hanauer, of Policy Matters Ohio, said tax abatements were difficult to keep targeted toward a specific purpose and cautioned the panel against focusing its efforts on recommending more such incentives.

Rep. Bob Hagan (D-Youngstown) said the current system where cities and suburbs compete in offering companies tax incentives to relocate was ineffectual in reviving the state's economy and contributed to the detrimental land use pattern. "Sprawl may be helping your individual suburbs, but its not helping the state."

Chester Jourdan, of the Mid-Ohio Regional Planning Commission, suggested the panel take a regional approach that recognizes the needs of suburbs and rural areas as well as cities. "I would hate for this to move down the path of a us-versus-them situation."

Richard Stoff, of the Ohio Business Roundtable, said the panel should first work to define exactly what problem it was attempting to solve.

FRIDAY, JUNE 12 2009

START OF BUDGET CONFERENCE BRINGS CONFUSION OVER NUMBERS, QUESTIONS ON GOVERNOR'S ENGAGEMENT

Is the hole in the pending biennium budget plan about \$2.5 billion or more than \$3 billion?

Legislative and executive budget staffers now agree it's closer to the latter despite indications to the contrary made Thursday in the first meeting of the Conference Committee on HB 1.

Office of Budget and Management Director Pari Sabety said at the hearing that based on downward revisions to revenue forecasts for the upcoming biennium and other factors, the gap facing conferees was about \$3.2 billion.

"However, the exact size of this gap is dependent on substantial differences between the House and Senate versions of HB1 in education and Medicaid that this committee will be reconciling in the days ahead," she said.

Since the panel opted to start negotiations by using the pared-down Senate version of the bill, conferees and others in the packed hearing room were left with the impression that the "hole" in the plan was less.

Conferee Sen. Dale Miller (D-Cleveland) asked Ms. Sabety as much during her testimony and, based on her answer that his on-the-fly math was "in the neighborhood," came away believing the problem was in the range of \$2.6 billion.

He wasn't alone, Rep. Ron Amstutz (R-Wooster), another conferee, said Friday. "Everybody thought it was \$2.6 billion."

However, once top staff members from the administration and four legislative caucuses sat down after the hearing to look at hard numbers, it became clear that depending on whether OBM or Legislative Service Commission revenue estimates are employed, the actual figure for the gap is \$3 billion to \$3.2 billion.

That's because of a variety of factors beyond shrinking tax revenues, including: a \$135 million shortage of Commercial Activity Tax receipts for local entities that under law must be made up with GRF; lower fee assumptions; different investment earnings figures; adjustments related to the Senate's codification of the governor's executive order cuts; a lower-than expected carryover of "rainy day" Budget Stabilization Fund money and others.

"This additional accounting is helpful," Rep. Amstutz said. "It was unfortunate it wasn't done before they came into the room."

The monetary mix-up was evident in a follow-up news release from majority House Democrats, who cited a "budget shortfall of approximately \$2.5 billion," and in media reports Friday that detailed the gap variously as \$2.5 billion, \$2.6 billion and \$3.2 billion.

Sen. Miller said Friday he doesn't blame the administration for the confusion.

"The budget director has a very tough job right now and there's a lot of moving parts. To my mind, that it's taking an extra day to determine exactly what the numbers are - I'm not real concerned about that," he said.

"I'm more concerned about how we're going to find \$3 billion in the next 19 days to get this thing in balance."

Meanwhile, Republicans continued calls for Gov. Ted Strickland to get more closely engaged in budget negotiations.

The fact that Mr. Strickland on Friday continued with a series of statewide lobbying efforts for his education plan with appearances in Akron and Warren at the same time conferees are just getting down to business on compromising didn't sit well with some in the GOP.

In conference committee on Thursday, Chairman Rep. Vern Sykes (D-Akron) joined Republicans in calling for the governor to take a leadership role in helping to balance the plan despite the fact that the conference is a legislatively run process.

Rep. Amstutz echoed that request to Director Sabety. "We are going to need some serious leadership from the executive branch," he said.

On Friday, the Republican lawmaker alluded to the estimated full implementation costs of the governor's K-12 proposals in saying of Mr. Strickland's ongoing public relations campaign: "What he's pushing for would take it to a \$6 billion problem. If he's going to keep pushing on that it's going to make this thing gigantic."

"I don't think anybody is suggesting we shouldn't have a process to work through his proposal. I don't think anybody is saying it should be dead on arrival. It's just not ready to come out of the oven. It's not even close," Rep. Amstutz added.

"It doesn't mean it doesn't have a lot of good ideas in it or things that are legitimate.... But that's the kind of conversation that needs to happen in the governor's office, not somewhere else in the state."

Strickland spokeswoman Amanda Wurst responded Friday by stating, "The governor is going to be engaged as possible with the legislative leaders as conversations move forward through the legislative conference committee process."

"Obviously it's just the beginning of that process, but the governor is looking forward to working in a very collaborative, bipartisan way with leaders in the House and Senate to address the difficult situation that our state faces."

Regarding his continuing education-related events around the state, Ms. Wurst said, "One of the most important issues in the budget is education and the governor believes it's important to continue to engage Ohioans in the discussions about education and the future of education in the state."

"While that's important, it's also equally important to work in a bipartisan, collaborative way through the conference committee to address the challenging economic issues our state faces," she added.

The governor isn't alone in practicing some behind-the-scenes advocacy outside of direct conference committee negotiations.

While Mr. Strickland plans to continue taking his case to the public, according to his office, Sen. Tim Grendell (R-Chesterland) has countered with his own letter to school superintendents that compares the administration and Senate GOP plans.

"I understand the Governor's office has been contacting you in regards to soliciting your support for the Governor's Education Plan and as passed by the Ohio House," the lawmaker said in a memorandum to "all superintendents" that was shared with the media on Friday. "I would ask that you consider supporting the Senate version as passed by the Ohio Senate."

ENVIRONMENTALISTS, ADMINISTRATION HAMMER AWAY ON HOMEBUILDERS' BUDGET AMENDMENT

The ongoing row over raising energy efficiency requirements for homebuilders is now focused on a budget amendment that would limit the administration's authority to appoint members of the Residential Construction Advisory Council.

The Strickland administration and a coalition of environmental, consumer, and business groups are asking members of the conference committee to remove the Senate's amendment to the biennial budget (HB 1).

Department of Commerce spokeswoman Cara Keithley said, "We support the way things currently are."

Under current law, DOC Director Kimberly Zurz appoints all nine members of the RCAC, which recommends changes to the state's residential building code under consideration by the Board of Building Standards. The budget amendment would grant appointment power for the board's four contractors to the speaker and Senate president.

Vince Squillace, executive vice president of the Ohio Home Builders Association, said the measure wouldn't alter the balance of power on the board.

"It just formalizes the process between the RCAC and Board of Building Standards," he said in an interview.

The amendment essentially addresses a "turf issue" over how the state revises the residential building code, he said. "I think the problem stems from the fact that the staff of the Board of Building Standards resents the RCAC because they would like to have that authority."

The appointments would still have to be made from a list submitted by professional and trade associations, he said. "The only difference is we wouldn't get to nominate the builders. For some reason Director Zurz has a fear of builders, so the builders on there would be nominated by the House and the Senate."

Jennifer Miller, conservation program coordinator for the Sierra Club, said the proposal would give homebuilders even more power to block updates to the building code.

"It solidifies the RCAC's role in determining code in having, in all practical sense, an absolute veto power over what the Board of Building Standards does," she said. "This process is ruled by the RCAC, which continues to have an unfair representation by homebuilders."

The biennial budget is not the appropriate venue to handle the controversial issue, she said. "There are drastically large differences of opinion in terms of how the residential code should be adopted and we don't think this should be dealt with at all in conference committee. The amendment should just come out."

The Sierra Club is part of a coalition that recently asked legislators to abolish the RCAC, arguing the panel wields too much authority over a process.

Ms. Miller said the RCAC effectively blocked adoption of the 2009 International Energy Conservation Code, which calls for new energy conservation standards for new houses.

That jeopardizes Ohio's ability to collect 60% of \$96.1 million still available to the state in the federal stimulus bill for efforts to improve energy efficiency, she said.

"Homebuilders really don't want to be held accountable by anyone other than themselves. They don't want to be required to be more efficient. They only look at the upfront cost for themselves and disregard what is best for the consumer," she said.

Mr. Squillace dismissed concerns that Ohio could lose out on millions of federal stimulus funding, adding it was the coalition and the BBS that were trying to avoid accountability.

"That's just a phony argument," he said. "Builders understand code and they speak up if they think something's inappropriate. For some reason they don't want that level of review out there."

Homebuilders don't oppose the adoption of the new energy efficiency code, he said. "All we're saying is if it is adopted, it should go through the correct process and it should be thoroughly reviewed and analyzed according to Ohio law to make sure it's fitting, proper, and in the best interests of Ohio consumers."

Some of the groups pushing for the new building code would gain financially if it were required, Mr. Squillace said. "Insulation companies just want to force us to buy more insulation. This is just a shameful effort on their part to try to profit off the construction of homes."

CASH-STRAPPED STATE HIRES FIRM TO TRACK UNPAID TAXES; \$11 MILLION CONTRACT CONTINGENT ON COLLECTIONS

Ohio tax shirkers beware. The state is ratcheting up its high tech efforts to root out and collect unpaid taxes with the hiring of Miamisburg-based Teradata Corporation.

The company's two-year, \$11.1 million contract, awarded in April after a competitive bid process that attracted three potential contractors, is contingent on the state actually collecting taxes it owed, said Vaughn Lombardo, administrator of the Department of Taxation's Tax Discovery Division.

"We get the benefit of not having to pay them until they do what they said they would do in their RFP response," he said.

Formed four years ago, the division was ready to take its efforts to the next level by hiring Teradata and employing its enterprise data warehousing technologies to uncover more unpaid taxes, Mr. Lombardo said. "Basically, we've said we've done what we can do internally."

Since its formation, the division has racked up a total of more than \$100 million in "billed or assessed" dollars, and actual collections are typically run about half of what are identified at any point in time, according to ODT.

ODT's efforts to bolster its collections efforts have sometimes in the past run into concerns from lawmakers and libertarians who have raised the specter of state agents sifting under grandmother's pillows and couch cushions looking for loose change.

Agency spokesman Mike McKinney said 90% of the pursuits Teradata will be dealing with, however, are of a different variety: those who are avoiding Ohio tax debts by not filing returns.

"It's not going after delinquencies. It's not another audit," he said. "It's new sources of revenue if you will."

Teradata points to successes that the state of Missouri has had since implementing its enterprise data warehousing system. The state formerly had 25 tax databases that were not conducive to effective collections, according to the company.

"The nation's economic crisis is taking state budgets down with it and states are looking for ways to compensate for their revenue wells drying up," Steve Taylor, Teradata's director of Business Development for Revenue and Compliance, said in a news release.

"We are excited that the state of Ohio has selected Teradata, with world headquarters in the Dayton, Ohio area, to provide a system like those used by hundreds of our customers across the world to drive economic success by leveraging the power of the detailed intelligence assets they already own."

Teradata will be paid based on quarterly baselines of nearly \$3 million for leads and cash collections, Mr. Lombardo said. The payments are determined under a formula that apportions the amount of the excess above the quarterly baseline, and they are capped at \$11.1 million over the life of the contract.

The pact was not subject to Controlling Board approval because it was competitively bid per legislative requirement (HB562, 127th General Assembly).

POLITICS NOTEBOOK: LIVESTOCK ISSUE DEBATED

Livestock Ballot Issue: With signs that the Humane Society of the United States is considering Ohio for its next Factory Farming Campaign ballot issue, the Ohio Farmers Union called for parties to negotiate a legislative alternative to rein in industrial farming practices.

Voters in other states have approved similar proposals to ban certain livestock confinement practices, Farmers Union President Roger Wise said in a statement. A statewide ballot issue in Ohio would be extremely expensive and divisive, he added.

"As a general farm organization, we understand and appreciate both the sense of resentment felt by the livestock community and the sense of consumer outrage associated with these animal confinement practices," he said.

"We believe it is in the best interest of all parties to openly discuss the practicalities of these animal management systems and agree on a plan that the livestock industry, consumers, and interest groups can accept," Mr. Wise said. "This negotiation could then be used as the basis of legislation, rather than a costly and acrimonious ballot initiative."

REPORT FINDS JOB GROWTH IN OHIO'S CLEAN ENERGY INDUSTRY DESPITE RISING UNEMPLOYMENT

As the number of overall jobs in Ohio shrunk by 2.2% between 1998 and 2007, employment in the state's green energy industry grew by 7.3%, according to a study released Friday.

Ohio was one of seven states where the total number of jobs decreased as employment in the clean energy industry grew, the Pew Charitable Trusts report said.

Ohio's clean energy expansion lagged the national growth rate slightly, which increased 9.1%, while overall employment grew by only 3.7% over the same period, the study said. Nonetheless, Ohio ranked fourth in the total number of jobs in the sector.

U.S. Sen. Sherrod Brown (D-Cleveland) said the findings point to great potential for Ohio to resurrect its economy.

"In past people would say we can either have good environmental policy or a good economy," he told reporters during a conference call. "We know now the synergism and the growth and the good news that can come out of both good economic policy and good energy policy."

Tom Bullock, Ohio representative for the Pew Environment Group, said the state attracted more than \$74 million in clean technology venture capital in just the past three years.

"Those investments, along with its aggressive renewable energy policy, should help Ohio's clean energy economy continue to grow," he said.

COMMITTEE SCHEDULE FOR WEEK OF JUNE 15

TUESDAY, JUNE 16

Senate Insurance, Commerce & Labor, (Chr. Buehrer, 466-8150), South Hearing Rm., 9:30 a.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. (6th Hearing-All testimony-Possible amendments, substitute & vote)

Senate State & Local Government & Veterans Affairs, (Chr. Hughes, 466-5981), South Hearing Rm., 10:30 am

SB 128 PUBLIC DANCES (Strahorn) To permit townships to issue permits for public dances. (1st Hearing-Sponsor)

WEDNESDAY, JUNE 17

Senate Insurance, Commerce & Labor, (Chr. Buehrer, 466-8150), Finance Hearing Rm., 9 a.m.

-Meeting scheduled on a tentative basis

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. (7th Hearing-All testimony-Possible amendments, substitute & vote)

House Environment & Brownfield Development, (Chr. Mallory, 466-1645), Rm. 114, 10 a.m.

HB 54 DITCH MAINTENANCE (Morgan) 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. (2nd Hearing-All testimony)

HB 141 HOUSEHOLD SEWAGE (Dodd) To revise the Household Sewage and Small Flow On-Site Sewage Treatment Systems Law, and to declare an emergency. (2nd Hearing-All testimony-Possible vote)

Senate Ways & Means & Economic Development, (Chr. Gibbs, 466-7505), North Hearing Rm., 10:15 a.m.

SB 90 VACANT HOMES (Kearney, Seitz) To authorize local governments to exempt homes that have been vacant for at least twelve months from non-school district property taxation for up to three years when purchased by an owner-occupant. (3rd Hearing-All testimony)

SB 109 PROPERTY TAXES (Gibbs) To exempt from real property taxation the value of single-family residential property owned by a developer or builder until the developer or builder transfers possession or title. (3rd Hearing-All testimony)

House Transportation & Infrastructure, (Chr. Hagan, 466-9435), Rm. 017, 10:30 a.m.

HB 166 TRANSPORTATION AUTHORITIES (Carney, McGregor) To authorize the creation of transportation innovation authorities by specified governmental entities and to establish the powers and duties of such authorities. (2nd Hearing-All testimony-Possible amendment)

House Housing & Urban Revitalization, (Chr. Foley, 466-3350), Rm. 116, 11 a.m.

HB 167 TENANT DISCRIMINATION (Murray) To prohibit an employer or a landlord from discriminating against a victim of domestic violence, to allow a victim of domestic violence to take unpaid leave for court proceedings relating to the incident of domestic violence, to allow a tenant who is a victim of domestic violence to change or have changed the locks to the tenant's dwelling unit, and to allow such a tenant to terminate a lease. (3rd Hearing-All testimony-Possible substitute)

House Ways & Means, (Chr. Letson, 466-5358), Rm. 114, 3 p.m.

HB 218 UTILITY TAXES (Winburn) To modify the tax valuation of public utility tangible personal property used to generate electricity from renewable resources. (1st Hearing-Sponsor and all testimony (pending referral))

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