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Legislative Update

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FINALIZED BUDGET ADDS SLOTS, BAGS TUITION FREEZE, AXES STATE PARK DRILLING AND IMPOSES BROAD SWATH OF FUNDING CUTS

The legislature on Monday approved a two-year spending plan that authorizes slot machines to provide new revenue for a revamped school-funding system while imposing reductions to virtually every facet of state government as a result of Ohio's crippled economy.

The conference report on the budget bill (HB 1) cleared committee earlier in the day on a 5-1 vote, with Rep. Ron Amstutz (R-Wooster) in opposition and questioning the transparency of the process.

The House endorsed the report 54-44 along mostly party lines and the Senate later signed off with a vote of 17-15, ending one of the more contentious budget deliberations in recent memory.

Underscoring the difficulties faced by policymakers, the final general revenue fund appropriations in the bill for fiscal years 2010-2011 - about \$50.5 billion - are more than \$2 billion less than GRF spending over the FY 2008-2009 biennium.

As initially proposed by Gov. Ted Strickland last winter, the plan called for about \$54.4 billion in GRF spending. However the historically bad economic conditions prompted a retrenchment of revenue projections, and a reluctance by leaders of both parties to raise taxes led policymakers to significantly curtail allocations to the chagrin of numerous special interest groups. (*See separate story*)

Along with some \$2.5 billion in cuts compared to the Senate-passed version, the new bill includes language paving the way for Ohio Lottery-run slots at Ohio's seven horse racetracks, which are being counted on for \$933 million in K-12 funding over the biennium. (*See separate story*)

Among hundreds of other changes, the conference report eliminates the proposed authority of the Ohio DNR to lease state lands for oil and gas drilling and deletes a proposed fee on coal mining extraction.

In adopting the report, the committee made numerous policy and spending changes in the omnibus amendment.

The new bill:

- Institutes all-day kindergarten (House, 342 in Senate-passed version of comparison document).
- Omits language regarding public notice requirements and the creation of a state-sanctioned website to host those notices (House, 11).
- Deletes provisions allowing for loaned executives to state agencies and creating state nonprofit corporations (Senate, 13 & 14).
- Removes a proposed consolidation of Central Service Agency entities (Senate, 29 & 39).
- Includes a provision that allows certain Sunday liquor sales at 11 a.m. (House, 212).
- Increases state solid waste disposal fees (House, 524).
- Makes permanent earlier law regarding continuation of health benefits (House, 605).
- Establishes a Joint Legislative Ethics Committee Investigative Fund (Senate, 755).
- Drops reinstatement of the Legislative Office of Education Oversight (Senate, 757).

The panel also adopted several provisions that weren't matters of difference between the chambers, including:

- Making various changes to personnel benefits.
- Eliminating the Partnership for Continued Learning.
- Increasing Public Employee Retirement System incentive trigger levels for state agencies.
- Allowing OBM to make tobacco fund transfers to cover cervical cancer services, protective services and Children's Medicaid Health Services.
- Allowing furloughs at public colleges and universities.
- Adjusting the self-assessor calculation of the kilowatt-hour tax paid by utilities.

State aid to schools will drop by about a quarter percent overall compared to fiscal year 2009 levels. Reductions by school district would be limited to 1% the first year and 2% the second year. (*See separate story*)

Higher education was cut a total of \$170 million over the biennium compared to the "framework" levels Gov. Strickland initially proposed to close a \$3.2 billion revenue gap, Sen. John Carey (R-Wellston) said. As such, the tuition freeze was lifted and replaced with an increase cap of 3.5% per year.

Ohio State University and other schools, however, are considering a continuation of the freeze on their own, Speaker Armond Budish (D-Beachwood) said.

Funding for mental health services was increased \$65 million in the conference report compared to framework levels as a result of additional non-GRF money, officials said. A large cut to the Library Fund proposed by the governor was reduced to \$84 million over the next two fiscal years. Foodbanks saw the legislature reject a \$7 million cut proposed by the administration.

As a result of additional policy changes that impact federal draw-down of Medicaid funding, nursing homes were able to improve their fiscal standing relative to framework levels but would still receive, according to the House and industry, \$184 million less over the biennium compared to FY 2009 levels.

As expected, the panel did not adopt the governor's proposal to lower state payments into the Public Employees Retirement System.

Conference Panel: In a departure from the usual process, the panel dispatched en masse the voluminous policy differences between House and Senate versions of the measure versus the usually tedious method of dealing with the comparison document in line-by-line fashion.

As such, there were only three votes taken during what was likely one of the shortest budget conference committee meetings of all time. The truncated process would draw criticism throughout the day and especially during House session, when GOP lawmakers complained that insufficient time had been provided to review hundreds of significant language and funding changes.

In committee, Mr. Amstutz was alone in voting against the omnibus amendment, the spreadsheet funding changes and the conference report itself.

"I think there's a lack of transparency here in the time we've had to review" more than 1,000 pages of amendments, Rep. Amstutz said. He would later heft the document in session to further illustrate his contention.

Based on their comments, none of the conferees appeared completely satisfied with the final result. Sen. Carey said afterward that one of the best things in the plan was a hold-harmless provision that keeps local government entities along with schools from losing money over time as a result of the elimination of the tangible personal property tax.

Under the bill, the entities will now see those losses offset in perpetuity with a share of the commercial activity tax collections.

Sen. Carey acknowledged the atmosphere surrounding the budget talks this year were in stark contrast to 2007, when the GOP-controlled General Assembly and Democratic Gov. Strickland worked together on a nearly unanimous measure that culminated with a joint news conference and now-infamous hug between the governor and former Speaker Jon Husted (R-Kettering).

"I told my caucus, this is more like a shotgun wedding where we have responsibilities to meet and we have to come together," Sen. Carey told reporters.

Sen. Mark Wagoner (R-Toledo) bemoaned the inclusion of slot machines in the bill and its reliance "on the goodwill of the governor to implement those in a responsible way."

Sen. Dale Miller (D-Columbus) questioned language regarding nursing home ancillary services that he said would lead to diminished services to seniors. "There is a lot in this budget that I have very serious concerns about, but we have to have a budget," he said.

Similarly, Chairman Rep. Vernon Sykes (D-Akron) said, "There are a lot of things in this budget that I am not in favor of."

However, as a result of the compromises throughout the measure, which does not include a tax increase, he said the plan "does not burden or strain Ohio's families or businesses," and serves to "position Ohio for recovery and help move us forward...."

House Debate: On the floor, Rep. Sykes said he was proud of the efforts that staff and policymakers put into the measure, but unhappy because it was "the worst we've seen in 80 years."

Rep. Amstutz said in summing up his opposition, "The next budget won't be the worst in 80 years because it will be worse than this budget."

House Republicans for the most part opposed the package because of its heavy reliance on one-time funds including federal stimulus money. The minority party has also raised concerns with the expanded gambling and over House Democrats' reluctance to include what the GOP describes as cost-saving proposals to realign and streamline state government's structure.

For their part, majority Democrats spoke to the "leadership" necessary during difficult times, lauded the school-funding changes and defended the use of non-recurring revenue and slots proceeds in the plan as preferable to tax hikes.

While Rep. Amstutz and others ripped the "video lottery terminal" proposal, Rep. Linda Bolon (D-Columbiana) said the option was pursued only after billions in cuts were imposed on the plan and the option was to increase taxes. She said House Finance Committee hearings on the potential for \$1 billion in additional reductions underscored that such a tack was unacceptable.

Among other objections to the school funding components in the measure, Rep. Randy Gardner (R-Bowling Green), said he was "stunned" to see that millions in "unfunded mandates" on schools remained in the bill as part of Mr. Strickland's rewrite of the K-12 funding system.

Rep. Todd Book (D-Portsmouth) said the VLT plan, among other benefits, would boost jobs, help the racing industry and keep gambled money in the state. "We're going to balance a tough budget without raising taxes in a very tough economy," he said. "We're going to be creating thousands of jobs when we need them the most."

Rep. David Burke (R-Marysville) questioned numerous components of the bill, including the franchise fee on hospitals, which he referred to as a multi-million dollar "hole" that would result one of the state's largest industries shedding jobs. "I am at a loss as to how that is going to help Ohio," he said.

Rep. Steve Dyer (D-Green) said that with passage of the bill, the legislature "will have implemented the most comprehensive education overhaul since the 1930s." He said the main difference between the conference report and House-passed version is the overall reduction to K-12 funding "so charter schools could be made whole."

Rep. Jeff Wagner (R-Sycamore) blasted the slots language in the bill as leaving too much authority with the governor. While questioning the revenue estimates for slots and other aspects of the language, he cited studies of gambling that noted significant links "between gambling and anti-social behaviors." He added, "It's important to note behind every statistic is a broken family."

Rep. Michael Skindell (D-Lakewood) said the state budget should "reflect a commitment to the common good" and show the government's responsibility to care for the most vulnerable residents of the state. He said the "regressive" tax policies pursued by Republicans running the state over the last decade, not the decisions made through the current budget, have resulted in "an unstable budget into the future."

Rep. Clyde Evans (R-Rio Grande) questioned cuts to proprietary schools from the higher education budget, saying it would result in \$100 million less for students who may have made mistakes early in life and are trying to turn things around. "We have to make education as accessible as possible," he said.

Rep. Jay Goyal (D-Mansfield) said that the House, Senate and administration were able to develop a plan that maintains the focus on education as a key economic driver even while facing the worst economic conditions since the Great Depression. "Despite this challenging environment, we...were able to come together to craft a bipartisan, balanced budget," he said, noting the inclusion of several tax incentives and other provisions aimed boosting economic development.

Rep. Robert Mecklenborg (R-Cincinnati) objected to a 15% cut to the auxiliary services line item in the education budget, which mainly impacts parochial schools. He said the budget "destroys" a longstanding policy that such funding grows or shrinks in line with public school funding. The funds, he added, "Are necessary for these schools to continue their operations."

Minority Leader Bill Batchelder (R-Medina) harkened to past criticisms of the "equal yield" school funding system in questioning the move to impose the new "evidence-based" system while acknowledging that full funding will not occur for 10 years. "We have created an unfunded promise \$2.5 billion shy of what is needed to move that program forward," he said.

Rep. Jennifer Garrison (D-Marietta) said many Republicans have voted in the past on budgets that included "one-time revenues." A billion a year in the 2002-2003 budget and \$2 billion a year in the 2004-2005 budget were examples, she said. "Think of where we would be without those revenues."

Rep. Scott Oelslager (R-Canton) was the only Republican to vote for the conference report along with all Democrats. Rep. Terrence Blair (R-Washington Twp.) was recused.

Prior to the adoption of the budget conference report, the House unanimously accepted Senate changes to a military families recognition measure (HB 150) that included a third one-week budget extension to keep state operations on track until the governor signs the budget later this week. (*See separate story*)

In other business, the House suspended rules and brought up for immediate action a proposed ballot issue on livestock care (SJR 6) that has been expedited over worries that animal rights groups were preparing to seek their own popular vote on related issues.

The measure was amended and sent back to the Senate. (*See separate story*) The House amendments eliminated "Section E" from the measure as well as the words "exclusive" from line 44 and "only" from line 46.

Senate Debate: During a much more abbreviated debate in the upper chamber, Sen. Carey urged support for the budget plan, saying it was produced during a process that produced "sharp words" that tested officials' relationships.

In the end, however, he said the bill represents an agreement on hundreds of policy issues while minimizing cuts to education, library and PASSPORT services.

Sen. Carey said he was disappointed by funding levels for certain programs, including disability medical assistance and soil and water conservation, noting that he and Sen. Dale Miller have offered legislation (SB 155) to address some of those concerns.

Sen. Miller said the budget was considered during the most difficult times he has experienced as a legislator. He said the plan establishes a "blueprint" for an enhanced education system that funds schools on items that have been shown to be effective.

He said lawmakers will have to work in the future to improve and protect the Ohio revenue base and also raised concerns about the bundling of nursing home auxiliary services.

Sen. Tom Niehaus (R-New Richmond) said lawmakers have committed to monitoring the situation closely, and said it could be ripe for changes in a correction bill if the program doesn't work as intended.

The bill passed the Senate with the support of the chamber's 12 Democrats and the following Republicans: Sen. President Bill Harris of Ashland and Sens. Carey, Wagoner and Keith Faber of Celina and Tom Niehaus of New Richmond.

While Senate Republicans didn't speak against the bill on the floor, Sen. Harris said many of his members had concerns with the VLT proposals.

Sen. Tim Grendell (R-Chesterland) released a laundry list of issues that caused him to oppose the bill, including reductions in funding to many of his school districts, elimination of the higher education tuition freeze, extension of the E-Check vehicle emission testing and the use of more than \$5 billion in one-time money.

GOVERNOR, LEGISLATURE BET ON HORSE TRACK SLOTS WITH EXECUTIVE DIRECTIVE, BUDGET AMENDMENT

And now Ohio's off to the races - to play the slots. Or so Gov. Ted Strickland and the General Assembly hope.

State leaders are betting the addition of video lottery terminals at seven horse race tracks will result in a \$933 million purse for the biennial state budget.

Mr. Strickland on Monday issued a directive instructing the Ohio Lottery to immediately begin taking action intended to result in the installation of up to 17,500 video slot machines at the state's seven horse race tracks.

Separately, language inserted into the biennial budget specifies the Ohio Lottery Commission has authority to adopt rules providing for the operation of video lottery terminal games.

The amendment also seeks to blunt a potential legal argument of gambling opponents by saying that any reference in the lottery law to "tickets" should "not be construed to in any way limit the authority of the commission to operate video lottery terminal games."

Gov. Strickland's directive offered few specifics about the slots-tracks plan. Rather, it provides for the lottery to propose administrative rules "in the coming weeks and months."

The rules are to spell out details of the initiative dealing with:

- Application, licensing and contracting requirements for video lottery terminal agents and their employees, including licenses to be granted for a 10-year period, and a \$100,000 non-refundable application fee.
- Limits on the number and location of facilities at which VLTs will operate, including machines only at licensed horse racing facilities, with a maximum of 2,500 VLTs at each of the seven tracks.
- A \$65 million licensing fee for each of the seven VLT agents. The fee is due in five equal installments, four of which are in current fiscal year 2010. The first payment of \$13 million is due Sept. 15.
- A requirement that 50% of all net revenue from VLTs be retained by the state. "Certain" net revenue is to be used to cover VLT lease costs, programs for problem gamblers, and other related lottery expenses. The rest goes to the lottery fund for education programs.
- A requirement that licensed VLT agents spend at least \$80 million within the first five years of operation on facility improvements. At least \$20 million is to be spent within the first year of operation.

A section of the budget bill provides the rules also may include "any other subjects the commission determines are necessary for the operation of video lottery terminal games, including the establishment of any fees, fines, or payment schedules."

Two other key sections of the amendment deal with the promise of lawsuits from opponents of expanded gambling.

One grants the Ohio Supreme Court exclusive original jurisdiction to hear any lawsuits challenging the gambling expansion.

Another section provides that if any part of the lottery measure were found unenforceable or invalid, the remaining portions would remain "in full force and effect."

SENATE LEADER HAPPY TAX HIKES AVERTED

Senate President Bill Harris (R-Ashland) said the agreement was reached as state officials became increasingly concerned about the uncertainties involved with funding government programs and as the start of academic years inched closer.

He also said officials looked to act as "huge amounts of rumors" about the contents of the conference report swirled around the Statehouse.

Overall, he said members of the Senate Republican leadership team were "more than willing" to vote for the bill to keep government running, despite opposition from other members of the majority caucus.

"Our leadership team said, 'We'll accept the responsibility,'" he said.

Sen. Harris said the Senate stood firm on its desire to pass a budget that doesn't increase taxes. "In the grand scheme of things, it is important to remember that government spending and government programs are not what will lead our state to economic prosperity - it's the ingenuity and work ethic of Ohioans. On that front, we have no deficit, and that gives me great hope for the future of our great state."

Gov. Ted Strickland said the budget was made possible by lawmakers who were willing to make "hard choices."

"Our people and our businesses are struggling to stay afloat in the midst of the worst economic crisis since the Great Depression," the governor said. "This budget protects them from tax increases they simply cannot afford. And while so many states are giving up on education to get through this recession, we can take heart that in Ohio we are strengthening our commitment to schools. In doing so, we are sharpening Ohio's competitive edge and positioning the state for economic recovery and job growth."

Mr. Strickland said the plan will rebuild the state's education funding system. "For the first time since Ohio's education system was declared unconstitutional, the legislature has voted to establish a constitutional funding system that utilizes research to identify what students need to be successful," he said. "The comprehensive classroom reforms included in our plan will improve the quality of our teachers, tests, and curriculum."

Senate Minority Leader Capri Cafaro (D-Hubbard) noted her caucus passed a balanced two-year budget that expands health coverage and invests in Ohio's future with fundamental education reforms without placing new burdens on taxpayers.

"Given the daunting challenges we faced with a \$3.2 billion shortfall, we were able to reach a consensus to move this state forward," she said. "And just as importantly, the General Assembly and the Governor laid the foundation for long term economic growth by building a stronger education system."

LAWMAKERS ENDORSE FINAL TEMPORARY BUDGET, LIVESTOCK BALLOT AMENDMENT; SENATE APPROVES NURSE EDUCATION, PRESCRIPTIVE AUTHORITY TRANSFER BILL

While the General Assembly put finishing touches on a two-year budget plan Monday, lawmakers also enacted a "precautionary" third interim budget that funds state operations for another week.

The short-term spending plan was included in separate legislation (HB 150) that designates August as Ohio Military Family Month.

It was approved on a 32-0 vote in the Senate and a 99-0 vote in the House.

Sen. Teresa Fedor (D-Toledo) said the emergency measure recognizes the sacrifices that military families make, including enduring long-term separations, frequent moves and high levels of concern.

"In my opinion, it is long overdue," she said.

The measure cleared the Senate after Sen. John Carey (R-Wellston) amended the bill to implement the temporary spending plan, which he said is needed to give legislative officials time to prepare the final budget conference report.

Sen. Carey noted that the third one-week extension was similar to the earlier interim budget plans, telling colleagues that his explanation of the amendment was similar to past extensions. "Hopefully you won't hear it again for a long, long time," he said.

The interim budget continues state operations until Gov. Ted Strickland signs the long-term act, which takes precedence over the interim plan.

Lawmakers also sent to the fall ballot a proposed constitutional amendment (SJR 6) that establishes a panel to develop standards for the care of livestock.

Monday evening, the House adopted the resolution on an 83-16 vote after Rep. Allan Sayre (D-Dover) amended the plan to delete a section of the plan that specifies that no other section of the Constitution limits the provisions of the proposal.

The House also deleted the words "only" and "exclusive," in reference to the authority of the proposed standards board.

Later, the Senate accepted those amendments on a 31-1 vote, with Sen. Fedor in opposition.

Sen. Bob Gibbs (R-Lakeview) urged support for the changes, which he said were included in a compromise with the House. While saying the adjustments arguably weaken the plan, he said the amendment still has a good chance of serving its purpose by protecting agriculture and the food industry in Ohio.

CONFERENCE REPORT ADOPTED

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.

54-44 (Blair excused)

17-15

ADOPTED

SJR 6 LIVESTOCK STANDARDS (Gibbs) Proposing to enact Section 1 of Article XIV of the Constitution of the State of Ohio to create the Ohio Livestock Care Standards Board.

83-16 (Amended)

31-1 (Fedor)

REFERRED TO SENATE COMMITTEE

Energy & Public Utilities:

SB 152 UNDERGROUND PROTECTION (Buehrer) To modify the call before you dig notification system and to create the Underground Protection Commission of Ohio and the State Underground Protection Advisory Committee.

State & Local Government & Veterans Affairs:

SB 151 PARK DISTRICTS (Grendell) To authorize a park district's board of park commissioners to create a building department for building code enforcement purposes.

TUESDAY, JULY 14 2009

GAMBLING OPPONENTS TO OUTLINE WAYS OF BLOCKING SLOTS; KEY VLT BACKERS FIND FLAWS WITH ENABLING LEGISLATION

Opponents of "predatory gambling" mounted up for a new campaign against Gov. Ted Strickland's horse track slots plan Tuesday, while two lawmakers who support the expanded gambling found flaws in the enabling legislation.

The Ohio Council of Churches and the United Methodist Church called a news conference for Wednesday to unveil "the next steps being taken to continue to ensure that slot machines and casinos do not open to prey upon the citizens of Ohio."

One of the actions is to ask the Ohio Supreme Court to declare the slot machine proposal, partially contained in the biennial state budget, unconstitutional on several grounds.

The Rev. John Edgar of Columbus said the church organizations would not file a lawsuit independently, but would instead work cooperatively with the Ohio Roundtable.

"We'll work in tandem. We are convinced that this is going to get ruled unconstitutional probably on two grounds," he said.

One argument is that the Ohio Constitution requires lottery proceeds be used exclusively for education. The governor's plan provides 50% of revenues would stay with owners of the seven tracks.

"We think they will also lose on the basic issue that bringing in slot machines is not within the range of what was approved when the lottery was established," Rev. Edgar said.

Rob Walgate, vice president of the Roundtable, said the group would stand by its previous pledge to challenge Gov. Strickland's plan to install up to 17,500 video lottery terminals at the state's seven horse race tracks. Mr. Walgate said there were "eight or nine" grounds on which to attack constitutionality of the move. He did not indicate a timetable for filing suit.

An amendment included in the two-year budget (HB 1) that is awaiting Gov. Strickland's signature provides that all such challenges be heard in the Ohio Supreme Court. A previously introduced measure (HB 250) would have given opponents 90 days in which to file lawsuits in an attempt to stop the slot machines from being installed. However, no filing limit was included in the budget provision that was a companion to Gov. Strickland's directive instructing the Ohio Lottery to implement the VLT proposal.

Two legislators at the forefront of installing slots at tracks - in part to help preserve the state's financially unstable horse industry - wound up voting against the measure that contained the proposal, although for different reasons. Sen. Bill Seitz (R-Cincinnati) said the principle reason for his opposition to the budget bill was "a staggering reduction of \$59 million" in state aid to parochial and other non-charter schools.

"That is my main reason," he said. Sen. Seitz said state policy dating to the administration of Gov. Richard Celeste provided that auxiliary services aid for Catholic schools would increase or decrease based on the same percentage change for public schools. "We have now totally abrogated that parity principle," he said in an interview.

Sen. Seitz endorsed the gubernatorial/legislative compromise that allowed the track slots proposal to advance. However, he said the "statutory guardrails" inserted in the budget bill did not go far enough.

"I like VLTs and I'm all for them," he said. "Conspicuously absent from language in the bill is anything about race tracks." They instead are referenced in the governor's directive.

Also missing from the budget: the 90-day statute of limitations proposed in the House.

"That is not in the bill. Given that it will take eight or nine months to ramp this up, some wily person might well wait until one day before the expiration of nine months and then file their lawsuit," Sen. Seitz said. He said the 90-day limit was necessary if the goal was to have expedited consideration in the Supreme Court. "There's nothing in there about racing, period. I guess the split and all of that is going to be determined by the governor," Sen. Seitz said.

Rep. Lou Blessing (R-Cincinnati) said that while he "really wanted to vote for the VLT part," his opposition to the overall budget was based on a foregone opportunity (HB 25) to reorganize executive branch agencies.

"I'm extremely happy that tracks finally can do this to compete with their next door neighbors," the assistant minority leader said about the slots plan. "It will save the racing industry."

He acknowledged, however, the legislation at issue is "pretty convoluted." Rep. Blessing said it lacks any provision for competitive bidding for lease or purchase of machines, essentially handing the business to Intralot USA, the lottery's new operations vendor. "This is a one-company special interest deal," he said.

Although earlier versions earmarked 4% of revenue for improvements in the horse industry, including larger purses, neither the legislation nor the governor's directive set aside a specific amount.

"As it stands right now ... the horsemen get zero," Rep. Blessing said.

Amanda Wurst, the governor's press secretary, said horsemen, track owners, and the Ohio State Racing Commission would have to resolve the matter. "We're hopeful they will come together and reach an agreement that is beneficial to all those involved as they have done in the past," Ms. Wurst said.

Rep. Blessing said a "reasonable argument" could be made that the racing commission could include payment for improved purses a condition of granting a license. "There's a question whether they have the authority to do that. They probably do," he said.

Ms. Wurst said it was undetermined if an emergency executive order would be necessary in order to initially implement lottery VLT rules.

Mr. Strickland's directive anticipates adoption of rules, "in the coming weeks and months," through the regular process of the Joint Committee on Agency Rule Review.

Sam Zonak, executive director of the Ohio State Racing Commission, endorsed the compromise and its promise of help for the industry.

"I'm ecstatic, really, over the whole thing. Without it we would have lost all our race tracks except for one or two. I think the governor stepped up and did the right thing when he came out for it," Mr. Zonak said.

The 22-year veteran of the commission is heading into retirement.

"Now I can leave with the feeling of knowing that all these people aren't going to be out of work," Mr. Zonak said. "I just am so happy for them."

GOVERNOR SIGNS THIRD INTERIM SPENDING BILL; TEPID BIENNIUM BUDGET REACTIONS CONTINUE

Gov. Ted Strickland Tuesday signed the state's third interim budget bill, a measure that continues state operations for another week while legislative and executive branch officials put the final touches on the two-year spending plan that cleared the General Assembly on Monday.

The interim budget, which funds government from July 15 through July 21, was added to legislation (HB 150) that designates August as Ohio Military Family Month.

The interim budget will be suspended when the governor signs the long-term budget act (HB 1) that officials and advocates continued to scrutinize on Tuesday.

Cathy Levine and Col Owens, co-chairs of Ohio Consumers for Health Coverage, said lawmakers made some positive changes in health care laws, including extending the Medicaid renewal period for parents to 12 months.

They said, however, the puts insurance for Ohio's most vulnerable citizens in "critical condition."

"While we recognize and are thankful that some funds were restored to community health centers, we remain concerned that the steep cuts to health care programs across the board are a step backwards for health care reform," the advocates said in a statement. "The devastating cuts to health care- including community mental health, alcohol and drug treatment, prenatal care, services to allow elderly Ohioans and Ohioans with disabilities to remain in their homes, and much more-further undermine an already overburdened health care safety net."

Phil Cole, executive director of the Ohio Association of Community Action Agencies, said his group didn't find much to celebrate in the budget document.

"Our elected officials and the voters, too, should ask themselves, 'What did this budget achieve?' he said. "It leaves the poor unserved. It strips services from our seniors and the developmentally disabled, leaves county departments of job and family services devastated, and the funding 'fix' is doubtful under the Ohio Constitution. How is this good for the State and how it will rebuild our economy?"

Diane Bennett, CEO of Action for Children and commenting on behalf of the Alliance of Early Learning Advocates, said the \$30 million in funding for the Early Learning Initiative would maintain services for 1,500 children from low-income families.

The ELI participation, however, will drop from more than 14,000 children currently enrolled, she said.

While lauding the preservation of a portion of ELI, Ms. Bennett said thousands of children would no longer receive state-subsidized child care as a result of budget bill changes.

"Parents cannot work without child care," she said. "Today, the parents of these 30,000 children are at work throughout Ohio because they have child care. What will they do the day after this budget is finalized?"

Columbus City Schools Superintendent Gene Harris said her district is pleased that officials preserved basic funding for schools.

"We are thankful to the governor and state lawmakers who, in these challenging economic times, came to a budget agreement which preserves education funding for Ohio's school children," she said.

"Throughout the state budget process, we maintained extremely conservative fiscal estimates to appropriately support academic achievement. With the state budget, and our fiscally conservative planning, we will move forward quickly with our plan for ensuring that each student has the opportunity to be successful."

ADMINISTRATION TO KICK OFF NEW HEALTH CARE QUALITY AND ACCESS PANEL

The latest manifestation of the administration's effort to revamp Ohio's health care system - the Health Care Coverage & Quality Council - will hold its inaugural meeting Wednesday.

Gov. Ted Strickland created the panel by executive order in March to build on last year's State Coverage Initiative report and to advance the subsequent recommendations in the Ohio Health Quality Improvement Plan, according to the Department of Insurance.

The council will develop strategies to improve health care programs and insurance policies, study health financing alternatives, recommend minimum coverage standards, support the implementation of health information technology, and help employers adopt "cafeteria plans," ODI said.

"A staggering number of approximately 1.3 million Ohioans do not have health insurance. This is an unacceptable figure that we must work to reduce," ODI Director Mary Jo Hudson said in a statement.

"The council will focus on the implementation of strategies for improving access to health insurance by addressing the cost and quality of the state's health insurance and health care systems," she said.

Director Hudson will chair the panel and other administration members include: Medicaid Director John Corlett; Department of Health Director Alvin Jackson; Cristal Thomas, executive director of the Executive Medicaid Management Administration; Greg Pawlack, of the Department of Administrative Services; and HCCQC Executive Director Cynthia Burnell.

The panel's membership also includes numerous health care stakeholders, including representatives from AARP, the Ohio Business Roundtable, Sidney Shelby County Health Department, Ohio State University Medical Center, CareSource, the Cleveland Clinic, Anthem Blue Cross and Blue Shield Ohio, UHCAN Ohio, Ohio Association of Public School Employees, Ohio State Medical Association, Service Employees International Union District 1199, Ohio Association of Advanced Practice Nurses, and the Ohio Council of Behavioral Health and Family Service Providers.

The legislative members are Sen. Sue Morano (D-Loraine), Rep. David Burke (R-Marysville), and an additional member from each chamber yet to be announced.

WEDNESDAY, JULY 15 2009

ADMINISTRATION: HEALTH INSURANCE CHANGES IN BUDGET WOULD EXPAND COVERAGE TO NEARLY 100,000 OHIOANS

Lawmakers tweaked several budget proposals designed to expand access to private health care coverage, but the administration said Wednesday it believes the surviving insurance provisions would still benefit about 97,500 Ohioans.

The administration estimated its original plan would provide affordable health insurance to about 110,000 individuals. But the Senate excised most of Gov. Ted Strickland's budget (HB 1) provisions, such as expanding open enrollment, increasing the age of dependent children, extending COBRA coverage, and requiring employers offer uninsured workers "cafeteria" plans.

Senate Republicans argued the measures were too expensive for businesses and would drive up costs for people who already have insurance. However, the conference committee resuscitated most of the governor's proposals, albeit in a slightly leaner form.

"The governor applauds the conference committee on HB1 for recognizing that even in these challenging times these reasonable first steps can be taken to enable more people to get health insurance," the administration said in a draft analysis of the bill.

Business groups opposed implementing the mandates in the biennial budget, saying they could prove counterproductive in the long run.

Carrie Haughawout, director of the Ohio Chamber of Commerce's Small Business Council, said the provisions were originally included in a set of recommendations from the State Coverage Initiative that was intended to be implemented as a whole. However, economic considerations forced the administration to settle on specific ideas that would cost the least for the state, but could have a greater impact for employers.

"These proposals taken individually aren't probably death knells for small business, but cumulatively they really could have a devastating impact," she said in an interview.

"For every dollar or every percent you start increasing health care costs to build in coverage for more people, you start pricing small businesses out of the market and the more you do that, the more you're undermining the ultimate goal of getting more people covered," she said.

Proposed revisions to the open enrollment program, which requires insurers to offer individuals health insurance during a certain time period regardless of their health status, would have the greatest impact, extending coverage to an estimated 52,000 people, according to a draft analysis prepared by the Department of Insurance and the Governor's Office.

Health care advocates have been keen to revise the open enrollment program, which offers premium rates far beyond the reach of most average Ohioans with pre-existing conditions.

The provision would reduce the rates that insurers can charge people with pre-existing conditions from the current level that's twice the standard rate charged to other individuals with similar coverage to one-and-a-half times the base rate by 2012, according to a Legislative Service Commission analysis of the amendment.

By the time the proposal is fully phased-in, the change would increase the cost of coverage in the individual market by an average of \$17 a month and would cut open enrollment premiums by 50-70%, according to the administration.

The conference committee also restored another proposal to require employers to offer uninsured employees the opportunity to purchase coverage with pre-tax income through so-called Section 125 cafeteria plans, the administration said. The provision would enable families to reduce the cost of coverage by 40% to cover an additional estimated 37,000 Ohioans.

The cafeteria plan provision would cost the state about \$5.7 million a year in forgone revenue after fiscal year 2011.

Another proposal to raise the dependent child age for families in group coverage was reduced slightly from 29 years to 28, which would shrink access by about 1,000 to an estimated 20,000 young people. However, the conference committee added language requiring "continuous coverage" further slashing availability to about 8,500.

The extension of the state tax deduction for employer-sponsored plans to all family and dependent coverage would cost the state about \$6 million in lost revenue, according to the administration. However, the impact of the new "continuous coverage" requirement has not been calculated.

The legislature also agreed to spend \$10.1 million on improving health information technology. The money would come from the Medical Liability Fund, which does not include general revenue.

The conference report also agreed to make permanent the extension of state continuation coverage under Ohio's "mini-COBRA" program from six to 12 months, which was set to expire in December.

Another provision would increase state monitoring of Ohio's insurance markets by requiring insurers to file loss ratio data for the individual, small and large group markets with ODI.

CONFERENCE CHANGES SHOW GIVE-AND-TAKE IN BUDGET NEGOTIATIONS; MORE DATA POSTED ONLINE

Democrats scored a budget bill victory with a provision that codifies Gov. Ted Strickland's executive order on collective bargaining for home care workers. Republicans got their way on other labor-related differences of opinion regarding employees of courts, community corrections facilities and the Statehouse.

So went the compromises contained in the report of the conference committee on HB 1, which reconciled hundreds of differences between Democratic House and Republican Senate versions of the measure while also adopting a 1,000-plus page "stackable" amendment that included dozens of other sometimes related changes.

Because of processing issues, as of Wednesday the best option for a searchable version of the omnibus amendment was through the House Journal for July 13. More complete online documentation is expected later this week after the bill, which stood at 3,500-plus pages prior to conference committee, is engrossed and sent onto the governor for his vetoes and signature.

Under this year's new process for expediting the conference report, a departure from the tedious line-by-line process of the past which nevertheless rankled minority House Republicans and others, the public was initially provided a 23-page "reference guide" that summarized the final decisions as they related to the Legislative Service Commission's Comparison Document for the Senate-passed version. The guide also listed amendments by number, which could be referenced back to the omnibus amendment.

LSC more recently posted the comparison document for the measure as reported by the conference committee.

A review of the available documents finds that the panel split the difference in regard to many of the more contentious items in the bill, including several provisions dealing with collective bargaining rights. However, some of the GOP victories may be short-lived, as Gov. Strickland has yet to wield his line-item veto authority.

The House won out on statutory language granting home health workers the right to join unions, which Gov. Strickland had ordered early in his term to the chagrin of the GOP.

Senate Republicans, on the other hand, forced the elimination of provisions that provided collective bargaining for employees of courts and community-based corrections facilities. The caucus also successfully added a bargaining exemption for employees of the Capitol Square Review and Advisory Board, which maintains the Statehouse.

The GOP also protected language that provides for legislative oversight over certain executive branch spending authority, including the issuance of "certificates of participation," an alternative financing mechanism that has been used in the past to pay for projects such as the Ohio Administrative Knowledge System (OAKS).

The bill also retained provisions requiring more oversight of "unencumbered balances" and federal stimulus funds.

The House fought successfully for its versions, albeit amended, of changes to mortgage broker laws in the bill. And among the bigger victories for Democrats was the inclusion of several health care policy revisions sought by the Strickland administration.

The conference items of difference ranged from the weighty to the obscure, although it's granted that the importance of each is in the eye of the stakeholder.

One Senate-added provision that survived, for example, is language providing guidelines for the awarding of \$10 gasoline vouchers for winners of electronic "skill games."

CHURCH GROUPS ACCUSE PRO-GAMBLING GOVERNOR, LEGISLATORS OF 'POLITICAL COWARDICE'

The head of a United Methodist Church panel accused Gov. Ted Strickland and legislators of "political cowardice" Wednesday for voting to install 17,500 slot machines at seven horse race tracks.

Rev. John Edgar, chairman of the UMC anti-gambling task force, joined with the Ohio Council of Churches in vowing to take part, with the American Policy Roundtable, in a lawsuit to block expanded gambling.

"We are appalled by the circumstances that had led our one governor, along with a mere 54 members of the Ohio House of Representatives and 17 state senators, to pass legislation that will bring thousands of slot machines into our state," Rev. Edgar said.

He said it was "morally wrong and politically untenable" for the 72 elected officials to reject the will of millions of Ohioans who have voted against casinos and slots since 1990.

"Blinded by their own political cowardice, our legislators and our governor were so afraid that raising taxes would harm their chances for reelection that they never discussed, in a meaningful way, let alone adopted, appropriate tax increases," Mr. Edgar said.

Gov. Strickland, through a directive, and legislators, through enabling language in the new state budget, authorized slots at horse tracks under auspices of the Ohio Lottery. They projected the video lottery terminals would generate \$933 million in revenue during the FY 2010-2011 biennium.

Tom Smith, public policy director for the council, said the revenue projections were likely too optimistic.

"Under the present slots proposal, the tracks would not begin to operate slot machines until May 2010, leaving only two months in the first year of the biennium," Mr. Smith said.

"Honest observers surely remember when the administration predicted that the keno game would bring in at least \$73 million this year. As of eleven months, keno had only created \$30 million in profits," he said.

Opponents identified several potential grounds on which to challenge constitutionality of the slots proposal. They said:

- A constitutional amendment approved in 1987 requires all lottery fund profits be used for education, but that the governor and legislators have made clear that slots would be used to fill part of a shortfall in the state budget.
- VLTs programmed to function as slot machines are a form of "Class Three" gambling that is unconstitutional in Ohio.
- 50% of slots proceeds would go to racetracks under the plan. Opponents called that a "misdirection" of gambling proceeds that is unconstitutional.

Rev. Edgar characterized slot machines as "the ultimate regressive tax that preys" on the most vulnerable and that carries "enormous social costs" through gambling addiction.

"In this leadership vacuum, our General Assembly has cowered behind the false promise of millions of dollars of income that are projected to come from the gambling losses of our neighbors," he said.

PUCO APPROVES ORMET/AEP POWER DEAL; DISCOUNTS TIED TO EMPLOYMENT LEVELS

The electric rates for a major Monroe County aluminum company will be linked to the price of the product on the London Metal Exchange, with some limitations, under terms of an agreement that drew support from Ohio utility regulators Wednesday.

The arrangement sets rates that American Electric Power-Ohio will charge Ormet Primary Aluminum Corporation for services from 2010 through 2018.

The rates include a maximum discount for the company, and the issuance of a credit against provider of last resort charges that will minimize the impact of the agreement on customer bills.

"This arrangement will ensure that jobs are retained in Ohio and that the region continues to receive economic benefits from Ormet's operation," PUCO Chairman Alan Schriber said. "By approving this arrangement, we are fulfilling the economic development policies set forth in Senate Bill 221 through job retention, as Ormet is a key employer to the Hannibal region."

Ryan Lippe, spokesman for Consumers' Counsel Janine Migden-Ostrander, said the office had a "mixed reaction" to the order. He said the commission didn't include all the consumer protections that were needed, but welcomed the inclusion of language that begins to phase out the subsidy in 2012.

Overall, he said Ohio needs "a sound statewide approach to dealing with these multi-million dollar arrangements. Sixty million dollars is a lot for consumers to come up with in a recession."

In its order, the commission specified that the discounts are contingent on the company maintaining employment levels. The discount is based on the company maintaining 650 full-time employees, and will decline by \$10 million per month for every 50 employees below 650 that the company employs.

THURSDAY, JULY 16 2009

GOVERNOR AWAITS BUDGET BILL; VETO REQUESTS SUBMITTED; HOUSE GOP WANTS CONFERENCE REVAMP

The state budget is moving closer to ending its convoluted, six-month journey through the legislature and into Ohio's statutory framework, as Gov. Ted Strickland is expected to officially receive the document and sign it as soon as Friday.

With the completion of the enrolling process that followed the conference committee report's adoption by the House and Senate on Monday, the voluminous measure, which was officially posted online in its completed form for the first time on Thursday, was signed first by Senate President Bill Harris (R-Ashland).

Then the bill (HB 1) took a detour through the Cleveland area.

The signature of Speaker Armond Budish (D-Beachwood) proved a little more to come by, however, and required a road trip of the kind that's not unheard of in inner Statehouse administrative circles.

Because of a previous scheduling commitment, a staff member from the House clerk's office had to truck the bill to the Cleveland area Thursday so the official could sign off on the 3,120-page document before presenting it to the governor.

Gov. Strickland is expected to sign the measure, after wielding his line-item veto authority, as early as Friday.

Strickland spokeswoman Amanda Wurst said the governor has received several letters asking him to veto various items in the budget.

Among them is are letters from the Ohio Chamber of Commerce and the Ohio Newspaper Association blasting a provision that would allow Hamilton County to solicit commercial advertising on government-operated websites.

Daniel Navin, the Chamber's assistant vice president of tax & economic policy, said the proposed pilot project would impede the creation of private sector jobs.

"Ohio businesses assume their tax dollars will be used to provide certain administrative and compliance services that assist them in meeting their legal duties and obligations," he said.

"They don't, however, expect those tax dollars to be used to underwrite government websites that may end up, because of the tax subsidy, being able to charge a lower price for advertising space than a private sector Ohio company," he said. "That is a completely improper and unfair use of taxpayer dollars that should be stopped dead in its tracks."

Ohio Newspaper Association Executive Director Frank Deaner offered similar criticism, noting "advertising-based companies of all types are struggling to survive, are laying off employees, or are actually going out of business."

He condemned the process, saying the Senate Finance Committee inserted the amendment "in the eleventh hour" and it received no discussion or debate in any public hearing.

Conference Complaints: Separately, House Republicans further objected Thursday regarding the endgame procedures involved in the bill's enactment and reiterated calls for revamping the conference committee process.

Rep. Randy Gardner (R-Bowling Green), who previously objected to the new truncated, one-amendment system adopted by budget conference leaders this year said he would soon be offering legislation designed to add transparency to the process.

The bill, to be backed by House Minority Leader Bill Batchelder (R-Medina) and the entire House GOP Caucus, would re-establish a two-day layover period from the time a conference report emerges from committee until it could be considered by the full House.

Minority Republicans objected profusely to the process that ensued on Monday, when a 1,000-plus page amendment with dozens of changes was adopted with scant discussion and passed through both chambers later in the day.

"Almost no legislator on either side of the aisle was able to read the budget conference report before voting," the caucus said in a news release.

"Essentially, this rule respects the rights of House members and the public to know what is in budget bills," Rep. Gardner said. "Majority legislators were complaining as well that the final outcome of the budget bill and conference report was kept from them until Monday afternoon."

Mr. Gardner said his bill would reinstate a House rule that he helped write and was adopted in the 121st General Assembly.

"The budget is the most important piece of legislation to move through state government and the lack of transparency that accompanied it is truly disheartening," Mr. Batchelder said. "This measure would ensure that the integrity of the legislative process is maintained for the people of Ohio."

MIKE DEWINE TO ANNOUNCE FOR ATTORNEY GENERAL NEXT WEEK; DAVE YOST TOUTS BACKING FROM PROSECUTORS

Former U.S. Sen. Mike DeWine will announce his candidacy for Ohio attorney general next Wednesday, according to GOP party sources familiar with his plans.

The announcement will make Mr. DeWine, 62, the likely favorite to fill the final slot in the Republican statewide slate for 2010, although Delaware County Prosecutor Dave Yost said Thursday that he has strong backing from fellow prosecutors around the state.

Mr. DeWine, also a former state senator, lieutenant governor and congressman, served in the U.S. Senate for 12 years until being toppled in 2006 by U.S. Sen. Sherrod Brown (D-Cleveland).

Since his defeat, which came amidst a Democratic surge in Ohio politics, he has been associated with the Cincinnati law firm of Keating, Muething & Klekamp.

Mr. DeWine could not be reached for comment prior to deadline. He is expected to announce his candidacy next Wednesday at events in his home base of Xenia as well as in Cleveland and Columbus.

Mr. Yost, meanwhile, announced Thursday that he has received endorsements from 70% of Ohio's Republican county prosecutors.

"The whole reason I'm in the race is justice -- to bring the Attorney General's office back to the basics of law and order," Mr. Yost said in a news release. "It's a true honor to receive the support of so many of my colleagues in the fight for justice."

Whoever gets the GOP nomination will face a tough battle against Attorney General Richard Cordray, the former state treasurer who has emerged in recent years as a popular officeholder and fund-raising force for the Democratic ticket. Mr. Cordray easily won a special election to the office last year following the resignation of former AG Marc Dann.

REPORTS BLAME RISING HEALTH CARE COSTS FOR GROWING NUMBER OF UNINSURED CITIZENS

Skyrocketing health care costs are stripping coverage from about 1,180 Ohioans each week, according to one recent report. A different study issued Thursday found minorities in Ohio much more likely to be uninsured than whites.

Meanwhile, another report found prescription drug abuse in Ohio on the rise, while cocaine and methamphetamine use has waned slightly.

A Families USA study says the rising cost of health care premiums is the single most important factor driving the increasing rate of uninsured Ohioans, which will total nearly 185,000 between January 2008 and December 2010. Nationally, an estimated 6.9 million Americans will join the ranks of the uninsured in that time period.

From 1999 to 2008, health insurance premiums rose 119%, while the Consumer Price Index, which tracks general inflation, rose by only 29.2% during that period, the group said.

"The report puts a number to the faces we see everyday - faces of Ohioans choosing between the cost of health insurance and basic living expenses," Col Owens, co-chair of Ohio Consumers for Health Coverage, said in a statement.

"With the cuts to basic health care programs in the state budget, these Ohioans will have no place to turn for health care," he said, citing reductions to community-based wellness, mental health, prenatal, and drug and alcohol addiction, and other health services programs in the biennial spending plan (HB 1).

Between 2000 and 2008, 6% of companies dropped health coverage for their employees, the group said. Rising costs are forcing employers to pass on the rising costs to their employees by imposing higher premiums or co-payments or by offering plans that cover fewer benefits.

FRIDAY, JULY 17 2009

STRICKLAND STRIKES 61 ITEMS FROM BUDGET BEFORE APPLYING SIGNATURE

Nearly three weeks late and \$4 billion short of his original spending goals, Gov. Ted Strickland signed off Friday on the two-year, \$50.5 billion budget measure after exercising his line-item veto authority to delete 61 provisions.

Along with the usual array of legislative attempts to dampen executive authority, the governor's veto targets included a provision holding local governments harmless in perpetuity against revenue losses resulting from the 2005 tax law rewrite, a prohibition against the use of prison labor at the governor's residence, and changes involving public notice statutes.

Mr. Strickland's signature on the document (HB 1) marked the end of a contentious, extended, partisan-tinged debate over the plan, which was significantly reduced during legislative deliberations over the past few weeks due to faltering state tax revenues.

"This budget makes education our first priority. It includes an historic commitment to Ohio students, enacting transformational education reforms and establishing a constitutional funding system," Gov. Strickland said in his budget-signing announcement.

"The budget also prioritizes extremely limited resources toward critical health and safety services to provide for the greatest possible number of vulnerable Ohioans during this difficult time. To meet our constitutional requirement to balance the budget, though, it is necessary to make very painful cuts to services that Ohioans have needed and received in the past but that the state cannot provide at this time."

Gov. Strickland vetoed language that would have dedicated revenue from the Commercial Activity Tax to school districts and local governments into perpetuity.

Schools and local governments sought the measure as a way to ensure ongoing revenue since state reimbursements from the elimination of the tangible personal property tax, which was included in a 2005 tax overhaul (HB66, 126th General Assembly), were set to expire in coming years.

Gov. Strickland said permanently earmarking CAT revenue would undermine the original intent of the sweeping tax changes and interfere with revisions to the school funding system included in this budget.

"This language permanently dedicates \$5.2 billion of GRF and CAT revenue to an out-dated distribution formula, which otherwise would have been available to fund the phase-in of the evidence-based model," the governor said in his veto message. "It would require the GRF to subsidize this inequitable distribution at a cost of millions of dollars over and above what would have been provided under existing law."

Gov. Strickland said the veto would not affect provisions that continue to hold harmless school districts through fiscal year 2013 and would provide them some certainty in coming years as policymakers assess the impact of changes to the tax structure and the new school funding model.

As for local governments, they would continue to be held harmless through FY 2011, he said.

"The pervasive and sweeping changes of this provision deserve broad discussion among a wide range of stakeholders, especially in view of the fact that Ohio is phasing in a new, constitutional school funding system," the governor said. "In order to prepare for future years, I remain committed to continuing a robust dialogue to address the fiscal challenges confronting the state and our partners in local government and school districts."

Mr. Strickland also vetoed public notice language opposed by the Ohio Newspaper Association and the Ohio Chamber of Commerce, which had expressed concerns about its impacts to the private sector and government transparency. Gov. Strickland said the issues needed more review as part of separate legislation (HB 220).

The biennium blueprint relies on \$933 million in new revenue from so-called "video lottery terminals" at horse racetracks to help fund K-12 education programs. The divisive provision largely resulted in the budget being delayed well past the June 30 deadline and prompting the passage of three one-week interim plans.

"This budget process has been long and difficult. However, we have come to an agreement on those things that matter most to Ohio families and businesses who are struggling through the worst economic crisis since the Great Depression," the governor stated.

"We have invested in education for job creation, establishing the most sweeping education reform in generations. We have limited college tuition growth. We have maintained our commitment to providing health care coverage to every Ohio child and expanded access to more than 109,000 uninsured adult Ohioans. We have made hard choices to reduce spending and resize state government. And in doing so, we have balanced the budget without increasing taxes."

With Republicans and most Democrats in the General Assembly in tune with Gov. Strickland's opposition to tax increases, policymakers were still forced to slash planned spending over fiscal years 2010-2011 by more than \$3 billion during the last month. The result was a budget that, while relying on heavily on one-time federal stimulus money, entails more than \$2 billion less in general revenue fund appropriations than what was spent in GRF during the prior biennium.

Including non-GRF sources such as fees and federal money, the "all-funds" total of the budget compared to FY 2008-2009 spending underscores this budget's reliance on other cash sources, including increased matching Medicaid money from the federal government. The latest budget proposes spending about \$112.3 billion in all-funds over two years compared to \$104 billion in total state government expenditures in the last biennium.

ENVIRONMENTAL GROUPS SEE WINS, LOSSES IN BUDGET: TRASH AND TIRE BURNING OUT; COAL METHANE LANGUAGE IN

Environmentalists are celebrating the removal of budget language that would have defined burning trash and tires as renewable energy sources, but uncertainty over coal methane could fuel future wrangling over the state's new energy requirements.

Environmental advocates lobbied to remove the addition of polluting technologies to the state's renewable energy standard, which requires utilities obtain 12.5% of their power from green sources by 2025, would upset the delicate balance hashed out in last session's electricity regulation overhaul (SB221, 127th General Assembly).

Mark Shanahan, the governor's energy advisor, said budget conference report (HB 1) would classify methane gas emitting from an operating or abandoned coalmine as a renewable energy source that could qualify for renewable energy credits to satisfy the requirements of Ohio's alternative energy standard.

"Our concern is whether or not this is a valuable addition to the definition of renewables. We were really clear that the solid waste addition we thought was a bad one," he said in an interview. "This one is more up in the air."

Mr. Shanahan said there was an argument that adding coalmine methane to the renewable energy portfolio is not a substantive change because it already includes biologically produced methane from landfills, he said. "I think there is a strong argument that can be made that methane from coalmines is biologically produced."

On the other hand, there may be some validity to the argument that coalmine methane would introduce uncertainty into the REC market, potentially making them less valuable for wind and solar developers.

"Given what the standard is by 2025, I think we really do need to reach out for every possible source of renewable power that we can get," he said.

Amy Gomberg, program director for Environment Ohio, lauded the conference committee for rejecting other proposed amendments to the energy portfolio.

"We are glad that the General Assembly cleaned up the renewable energy standard by removing some polluting energy resources, such as burning trash, burning tires," she said.

She further applauded the removal of another amendment that would have made any energy source eligible for RECs if it qualifies as renewable in any other state in the region. "That was really a huge problem because who knows what the 28 other states that are part of our regional transmission organization are going to decide?"

To convince lawmakers to scrap the amendments, environmental advocates were willing to compromise by including abandoned coalmine methane in the renewable energy standard, Ms. Gomberg said. However, the group remained adamantly opposed to coal bed methane.

The distinction is important, she said. While coalmine methane is captured as it naturally seeps out of mines, coal bed methane is trapped between coal seams and requires extraction. "It's basically a fancy way of saying natural gas."

While the budget language refers to coalmine methane, it doesn't rule out gas from coal beds, she said. Debate over the specifics will likely resurface before the Public Utility Commission of Ohio, which is charged with approving what resources satisfy the state's renewable energy standard.

Ohio Coal Association President Mike Carey said it makes sense to include any source of methane in the state's renewable energy standard.

"If you believe in global warming, any attempt to utilize methane is a positive thing," he said.

OHIO JOBLESS RATE TOPS 11%, LEVEL LAST REACHED WHEN CELESTE WAS GOVERNOR

The government said Friday that Ohio's unemployment rate rose past the 11% mark in June, reaching a range not seen in almost 26 years.

The Ohio Department of Job and Family Services pegged the state's June jobless rate at 11.1%, an increase of three-tenths of a percentage point from May's 10.8% level.

One year ago - in June 2008 - the state's unemployment rate was 6.4 percent.

The department said the last time Ohio's unemployment rate was at or above 11.1% was in August 1983, when it was 11.2 percent.

That was the year in which Democrat Richard Celeste was inaugurated as governor. He won enactment of a 90% personal income tax increase - which later survived a repeal attempt in a statewide election - to deal with a chronic budget shortfall.

ODJFS said the number of workers unemployed in Ohio in June was 662,000, compared with 647,000 in May.

Director Douglas Lumpkin said the labor market continued to weaken last month.

"Significant job losses in both the goods-producing and service-providing industries led to an increase in the unemployment rate," he said.

The number of unemployed has increased by 279,000 in the past 12 months.

The national unemployment rate for June was 9.5%.

ODJFS said its latest business establishment survey showed the state's non-farm payroll employment of 5,100,200 in June was down 33,000 from May.

Jobs in goods-producing industries fell 17,900 to 803,500. The workforce in construction dropped 2,500, while mining and logging was little changed.

Employment in service-providing industries dropped 15,100 to 4,296,700. Most of the decrease occurred in government, with a loss of 6,000, and professional and business services, where the loss was 5,600.

Smaller job losses occurred in the leisure and hospitality; other services; trade, transportation, and utilities; and educational and health services areas.

Financial activities rose 1,100, while the information sector added 500 jobs.

Over the past 12 months, the state has lost 134,000 manufacturing jobs. All other sectors also experienced reductions during the same period.

Exceptions were educational and health services, which saw a 13,800 jobs gain over the past 12 months, and leisure and hospitality, up 1,600.

Ohio Republican Party Chairman Kevin DeWine cited the latest unemployment figures in arguing that the governor hasn't lived up to his own billing.

"Ted Strickland used to call himself the jobs candidate. We just didn't realize he meant losing them," Mr. DeWine said in a statement. "Ohio has now lost more than 330,000 jobs on his watch, and he's no closer to turning around our economy than he was on the day he took office."

Confidence: Separately, a private job placement firm said its latest employee confidence survey reflected continued fears about the strength of the economy, and pessimism about job availability.

The monthly Harris Interactive survey conducted for Spherion Corporation showed 44% of respondents believe the economy is growing weaker, an increase of 14 percentage points from May.

Spherion said 82% of workers believe fewer jobs are available, a nine point increase from the previous month.

At the same time, 41% are confident in their ability to find a new job, an increase of five percentage points from May.

"While it is certainly encouraging to see an uptick in personal confidence, it is still necessary to note that the job market in Ohio remains a bit shaken by several consecutive months of state and national job loss," Robert Schulte, Spherion franchise owner in Ohio, said in a news release.

Harris Interactive conducted the online survey with a U.S. sample of 2,771 employed adults, of whom 130 were employed in Ohio. Respondents were selected from among those who have agreed to participate in Harris Interactive surveys.

LANDOWNERS SUE ODNR IN SUPREME COURT OVER FLOODING FROM GRAND LAKE ST. MARYS

A group of landowners in Mercer County filed a complaint in the Ohio Supreme Court on Friday seeking payment for damages from chronic flooding due to a state agency's allegedly improper management of Grand Lake St. Marys.

The farmers, homeowners and business owners asked justices to order the Ohio Department of Natural Resources to initiate appropriation proceedings to compensate them.

They contend their way of life has been "turned upside down by the inundation of their land with floodwaters from the redesigned western spillway" of the lake.

Property in question is adjacent to or near Beaver Creek and the Wabash River near its confluence with the creek, downstream from the western spillway of Grand Lake.

"As a direct result of ODNR's improper management of water levels in Grand Lake and ODNR's replacement of Grand Lake's western spillway, these lands are now subject to continuing, persistent, frequent, and inevitable increased severe flooding," the complaint said.

The memorandum argues the agency's action amounts to a taking of their property without compensation.

"Simply put, (we) have suffered a taking for which the United States and Ohio Constitutions demand just compensation," the landowners told the court.

Grand Lake, which covers about 13,500 acres, was built in the mid 1800's as a water source for the Miami-Erie Canal. ODNR now operates Grand Lake St. Marys State Park.

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