# Executive Budget for Fiscal Years 2008 & 2009

# How It Affects Counties

*overview prepared by the*

**County Commissioners Association of Ohio**

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# TABLE OF CONTENTS

## PRIORITY ISSUES



## OTHER ITEMS AFFECTING COUNTIES BY SUBJECT AREA



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## PRIORITY ISSUES FOR COUNTIES

## IN EXECUTIVE BUDGET

County government partners with the state in delivering various state programs, administering justice, conducting elections, and as a result, counties have a keen interest in the state budget.

This year's Executive Budget proposal includes positive developments for the Local Government Funds, and CCAO appreciates this first step forward in recent years. The budget also provides improvements in the social service area and begins to address a concern certain border counties have had relative to the lack of sales & use tax being applied to nonresident motor vehicle sales. On the other hand, CCAO is very concerned about the proposed decrease in indigent defense reimbursement funding to counties. These are just a few of the many provisions contained in the Executive Budget proposal.

Following are highlights of particular interest to county commissioners and state legislators; however, the list is not exhaustive. Please do not hesitate to contact CCAO if you would like further insight about particular line items not listed below or would like additional information.



### LOCAL GOVERNMENT FUNDS/ LOCAL COMMUNITIES FUND:

The Administration's proposal positively restructures the revenue sources that go into the Local Government Funds, provides slight growth in the Local Government Funds, and breaks with tradition by combining two of the three funds that allocate dollars to local governments and park districts, thereby subsequently changing the allocation formula of monies to the county level.

#### FUNDING SOURCE

First, the Administration has proposed placing the Local Government Funds on a percentage of "General Revenue Fund tax receipts" basis, where local governments would share in the growth in state tax revenues over time. This is consistent with recommendations made by the Local Government and Library Revenue Distribution Task Force last fall, and CCAO is pleased that the Administration has proposed implementing the work of the Task Force.

This change is needed because tax reforms enacted in House Bill 66 last session will in time erode the funding foundation of the Local Governments Funds, which had been based on percentages of particular tax receipts, including corporate franchise tax and personal income tax which were eliminated and reduced, respectively.

It is important to note, though, that because the Local Government Funds are proposed to being based on tax receipts going into the state General Fund, that local governments in the future will take a more active interest in state tax policies and budget approaches. As the Task Force Report notes, "(w)hile this new approach will provide true revenue-sharing and incentivize state and local entities to partner in their efforts to generate additional economic growth for the betterment of Ohioans, it is important to note that external developments could threaten this formula. If non-legislative entities were to successfully amend the Ohio Constitution or to create an initiated statute that would earmark GRF tax receipts, the viability of this formula would be jeopardized."

**6 MONTH FREEZE**

The Administration's proposal would institute this change in revenue base beginning in January 2008, to coincide with the local governments' fiscal year which is on a calendar year basis. In Calendar Year 2007, the current freeze would continue so that each county and each municipal corporation that receives a direct distribution would receive the same amount in 2007 as they received in 2006.

CCAO urges that the freeze from July 1, 2007 through December 31, 2007 be removed, and that the Local Government Funds be allowed to grow sooner. Continuation of the freeze in this manner was not contemplated by the Task Force report, and appears to simply save the state general revenue fund dollars. While it has been said that the continuation of the freeze for 6 months will enable the new revenue base to be put into place in 2008, this can be achieved in other ways. CCAO would be happy to explore these alternatives with the Legislature and Administration.

**SLIGHT FUNDING INCREASE**

According to projections of the Office of Budget and Management, local government distributions, excluding library funding, are expected to increase as follows under the Administration's proposal:

| | | |
|---|---|---|
| CY 2006 | $756.8 million | |
| CY 2007 | 756.8 | |
| CY 2008 Projected | 766.6 | -- $ 9.8 million increase |
| CY 2009 Projected | 771.2 | -- 4.6 million increase |

The proposed funding equates to a 1.29% increase in county fiscal year 2008 and 0.6% in county fiscal year 2009. Including libraries, the proposed increases would be 1.1% and 0.6% in county fiscal years 2008 and 2009, respectively. These slight increases are a positive development in light of the recent years of funding freezes.

CCAO would like the General Assembly to work towards fully implementing the Task Force report that recommended "a 3% increase be incorporated into the first year of a new formula."

## COMBINING OF LGF & LGRAF

The Governor also has proposed restructuring the funds by combining the Local Government Fund and the Local Government Revenue Assistance Fund into one fund called the ***Local Communities Fund***. Under the Governor's proposal, beginning in January 2008, each month the Local Communities Fund would receive **3.65%** of the total prior month's General Revenue Fund tax receipts.

The Library and Local Government Support Fund would be renamed the Local Libraries Fund and would receive 2.2% of the prior month's General Revenue Fund tax receipts. General Revenue Fund tax receipts are defined as the total revenues of the various tax sources that are deposited in the General Revenue Fund, but excluding investment income, state fees, liquor profits and similar non-general revenue fund sources.

It is important to note that the 1.29% and 0.6% increase in funding is tied to the Governor's projected general revenue funds and the selection of the 3.65% for the Local Communities Fund. If revenue estimates are adjusted or if the General Assembly bases its budget proposal on different assumptions, the recommended percentage of 3.65% of tax receipts of the General Fund should be adjusted to reflect a different base number in order to derive the outcome of 1.29% in growth.

## HOLD HARMLESS

Finally, the Governor has proposed changes in how the local government funds are distributed to counties. Due to changes in property valuation and population changes over the past six years since the state first imposed a freeze in local government funds, there would be distributional swings among counties in 2008 when compared to the 2007 distributions if the state returned to the existing Local Government Fund and Local Government Revenue Assistance Fund formulas. Under the Governor's proposal, the new Local Communities Fund formula would provide that distributions to counties in CY 2008 would at least equal the calendar year 2007 distributions provided state tax revenues do not actually decline by one percent or more below current projections. All additional Local Communities Fund revenues exceeding the calendar year 2007 base amounts would be distributed on a per capita basis based on each county's share of the total state population. Municipal corporations that currently levy a municipal income tax would continue to receive an off the top 10% distribution, however, this distribution would be frozen at the 2007 amount and all revenue growth in 2008 and succeeding years from the Local Communities Fund would be distributed to county local government funds on a per capita basis.

The restructuring of the local government funds as proposed by the Governor was not included in the Legislature's Task Force report. CCAO's Tax & Finance Committee reviewed the proposal on April 2 and supports it at this time. CCAO will continue to share the proposal with its Legislative Committee and Board of Trustees in April and will communicate any new developments.

*****How does the Governor's proposal compare with the Local Government and Library Revenue Distribution Task Force recommended in December 2006?***

As you may recall, the Legislature created a study committee in the last budget bill (House Bill 66) to come up with recommendations on how to reposition the local government funds following tax reforms instituted by HB 66, which would erode the revenue streams going into the local government funds. Moreover, the Task Force was charged with how to reposition the funds to assure predictability and stability as well as growth in funding levels.

CCAO appreciates the work of the Task Force and believes it laid the groundwork to positively move the local government fund's funding source and funding level forward. CCAO also appreciates that the Governor's proposal includes portions from the Task Force report and implements aspects of his Turn Around Ohio plan in moving the local government funds off 6 years of funding freezes. This is a good first step forward, and CCAO would like to work with the Administration and the Legislature to more fully implement the recommendations of the Task Force.

Below is a comparison between the Administration's proposal and the Legislative Task Force's recommendations.

| **Provision** | **Administration's Proposal** | **Task Force Recommendation** |
|---|---|---|
| <u>Funding Source</u>: Replacement of the percentage-of-tax source methodology with a percentage-of-tax-receipts formula for revenue source. | Includes | Includes |
| <u>Funding Increase</u>: 3% increase in funding incorporated into new formula | No – provides<br>1.29% increase CY 08 excluding libraries (including libraries - 1.1%)<br><br>0.6% increase CY 09 (estimated) | Yes – provides<br>3% increase SFY 08<br><br>% increase would be based on growth of GRF revenues in SFY 09 |
| Recommended percentage of state GRF tax receipts | Recommends 3.65% of GRF for new Local Communities Fund using SFY 08 revenues | Since the report calls for a 3% funding increase during the first year off the freeze & using SFY 06 revenues (which was the latest complete fiscal year numbers available at the time the report was issued), the percentages backed out would equal:<br><br>LGF: 3.28% of GRF<br>LGRAF: 0.47% of GRF |
| Hold harmless provision so that funding to certain counties does not decrease when the LGF's come off 6 years of freezes and moneys are redistributed because of changes in population and municipal property valuation during that time period | Provides funding passed down to the county level in CY 08 is at least the same as in CY 07 (provided state GRF Tax Revenues are at least as strong during that time period), and any growth in revenues above | Report recommends that no entity receiving funds shall receive less in FY 08 through FY 12 than what they received in FY 07. |

| | | |
|---|---|---|
| | the CY 07 level is to be distributed based on a per capita basis; as a result, no county would receive less funding in CY 08 than they got in CY 07, if state revenues are at least higher in 08 | |
| Changes funding from a state fiscal year picture to a calendar year basis | Yes – provides increased funding starts January 1, 2008 | No – provides increased funding starts July 1, 2007 |
| Restructures LGF and modifies formula to distribute funds from state level to county level | Yes – creates the Local Communities Fund and changes formula | No – does not speak to this issue |

## INDIGENT DEFENSE REIMBURSEMENT -- Public Defender Commission:

The appropriation for indigent defense reimbursement falls below the FY 06/07 level. The rate for reimbursement continues to plummet. At 29.5% in FY 06 and 27% estimated for FY 07 it is headed for 25.3% in FY 08 and 23.8% in FY 09.

The GRF 019-501 line item appropriation for reimbursement was flat funded at $30 million for both years of the FY 06/07 biennium and represented a cut of $1.2 million or 4.1% from the FY 05 appropriation level of $31.2 million. HB 119, as introduced, further cuts the appropriation for reimbursement to $29.8 million in FY 08 and $29.5 million in FY 09.

Over the past 12 years [FY 96-FY 07] the state's "underfunding" of its 50% share has required counties to spend almost $114 million beyond what would have been their 50% share with $56 million of that total occurring in the last 2 years [FY 06/07]. The projected "shortfall" for this biennium under HB 119 is $181 million.

## TAX AND FINANCE:

**TANGIBLE PERSONAL PROPERTY REIMBURSEMENT:** The Unfinished Business of Tax Reform

Two years ago the General Assembly, as a part of a comprehensive tax reform plan, phased out the tangible personal property tax (TPP) and enacted the Commercial Activity Tax (CAT). As a part of this tax reform initiative, the law provides that the CAT tax will initially be allocated for reimbursements to local governments for revenue losses resulting from the elimination of the TPP. During the first five years, the state will fully reimburse local governments for lost revenue from the repeal of the TPP. Beginning in 2011 these reimbursements for general TPP revenue loss will be phased out so that in 2018 there will be no reimbursements to local governments. The budget appropriates $ 262.5 Million in FY 08 and $ 366.8 Million in FY 09 to make the required reimbursements to local governments. The state is appropriating 158.2 Million for TPP reimbursement in FY 07.

The budget, however, does not address the issue of reimbursement of lost revenue beginning in 2011 through 2017. CCAO has joined with various other governmental groups to form the ***Coalition of Local Governments and Services*** to work for the full and permanent replacement of lost revenue resulting from the repeal of the TPP which will initially impact schools and local governments in 2011. In sum, counties face the eventual permanent loss of approximately $267 Million annually to the county general fund and special revenue funds.

**SALES TAX APPLIED TO NONRESIDENT MOTOR VEHICLE SALES**

The Administration is proposing to apply the Ohio sales tax to nonresidents who purchase a motor vehicle in Ohio provided the purchaser resides in a state that provides a sales tax credit to its residents. Residents from all Ohio's neighboring states except West Virginia currently provide a credit to their residents and thus would be charged the Ohio tax upon purchasing a motor vehicle in Ohio. The proposed tax rate, effective August 1, 2007, will be the lesser of 6.0 % or the lowest combined state and local permissive tax rate in this state. The state rate of 5.5% would be remitted to the state and the .5% rate would be remitted back to counties and transit authorities (1/12 of the total). Local permissive tax revenue generated by non resident sales on motor vehicles would be distributed to counties on the basis of motor vehicle registrations. In State Fiscal Year 2006, the state collected $7,368.2 million in sales and use taxes. In calendar year 2006, the state collected and remitted to counties and transit authorities $1,650.5 million in sales and use tax revenue.

The Administration projects increased sales tax revenues of $64 million in SFY 08 and $66 million in SFY 09 resulting from the collection of sales taxes on nonresident motor vehicle sales. In addition to direct sales tax remittances to counties, the increased state sales tax collections should benefit all local governments that receive local government funds once the freeze in local government funds is lifted as proposed in the state budget.

CCAO supports the general concept of the proposal as it begins to address inequities. CCAO would prefer that the county revenues be distributed to the counties more impacted as opposed to being distributed uniformly. In addition, CCAO is exploring with the Department of Taxation why the proportionate share of state and county revenues so heavily favors the state.

### SALES TAX VENDOR DISCOUNT MODIFICATIONS

The Administration is proposing to increase the sales tax vendor discount from .75% of all collections to 1.00% on the first $3000 of tax collections for the reporting period whether monthly or semiannual. The vendor discount would be eliminated on sales above this threshold. This change which is proposed to take effect August 1, 2007 is projected to generate $35 million in SFY 08 and $39 million in SFY 09. Counties will benefit from this revenue change.

### CIGARETTE AND TOBACCO PRODUCT IMPORTATION EXEMPTIONS

The Administration is proposing to eliminate a $300 per month cigarette/tobacco importation exemption. Elimination of this exemption is supposed to net the state an additional $25 million in SFY 08 and SFY 09.

### EXPANSION OF HOMESTEAD EXEMPTION

The Administration proposes an expansion of the homestead exemption by eliminating the existing income limitations, thus making the exemption available to all senior citizens and persons who are permanently and totally disabled. The governor's proposal also eliminates the three tiered levels of exemption and replaces them with a single market value exemption of $25,000 annually. The proposal requires the exemption amount to be multiplied by the actual or effective tax rate on residential real property rather than the gross tax rate. The proposal generally insures that homeowners who already qualify for the exemption under existing law would continue to qualify under the new, expanded program.

As is the case under existing law, local governments and schools would continue to be reimbursed for the full cost of the homestead exemption program. The administration projects that the number of homestead exemption recipients would increase from 220,000 to 775,000 and the amount of tax relief would increase from $70 million to $330 million annually.

The administration proposes to fund the additional $260 million per year cost of reimbursing local governments for lost tax revenues by selling the rights to all of the tobacco settlement receipts over the next 40 years. The budget will establish the Ohio Tobacco Settlement Financing Authority to purchase the rights to the master settlement agreement payments and monetize the value of those payments through the issuance of bonds. The lump sum amount from the sale of tobacco settlement receipts is expected to generate approximately $5 billion. This money will be applied to Ohio's school facilities rebuilding program and higher education facilities programs. The debt service savings to the state of using the tobacco bond proceeds for this purpose will free up enough revenue to fund the expansion of the homestead exemption for the next 20 years.

### FEE PAYMENTS TO COUNTY AUDITORS

To compensate the county auditor's office for the additional work associated with processing additional homestead exemptions under the expanded homestead program, the county auditor's office will be paid a fee of 1% of the additional property tax reductions resulting from the change in the law. Payments will be made from the state general revenue fund to the county.

While the bill is silent regarding how the fees would be calculated or what fund the fees would be paid into, it is CCAO's understanding that the payments will be made to the Real Estate Administration (REA) Fund. Existing law provides that a fee equal to 2% of the homestead tax exemption be credited to the county general fund for payments to the county auditor and county treasurer.

## HEALTH & HUMAN SERVICES:

In a time when the Governor has committed to no new taxes or fees, but new General Revenue Fund dollars total only $400 million for FY 08 and FY 09, the Governor has cut over $700 million from state agencies. The Governor's budget expands Medicaid eligibility, creates new PASSPORT waiver slots, and plans to spend an additional $700 million in TANF dollars over current spending. However, the budget provides no funding for Adult Protective Services, and funding for Income Maintenance (IM) control, the Ohio Department of Mental Health, and the Ohio Department of Alcohol and Drug Addiction Services either is cut or flat funded.

### FUNDING

#### *TANF*

- Balance for FY 08 is $586.2 million, which differs from a previous estimate of $834 million.
- Balance for FY 09 is $110.1 million.
- Spending per year for FY 08 and FY 09:

| Budget Item | FY 08 | FY 09 |
|---|---|---|
| OWF cash grants | $312 million | $314 million* |
| Child care | $492 million | $559 million |
| Child welfare | $17.5 million | $17.5 million |
| County allocation | $405 million** | $415 million** |
| Earmarks | $32.1 million | $32.1 million |
| Interagency | $76 million | $46 million*** |
| State | $36.4 million | $35.6 million |
| Title XX Transfer | $72.8 million | $72.8 million |
| Total | $1,445,500,000 | $1,494,600,000 |
| Total received | $1,200,000,000 | $1,200,000,000 |

* This increase is a cost of living increase estimated to be worth $10 per family.

** While the amount allocated appears to be an increase from FY 07, the actual amount appropriated for the counties will not increase. The increased amount reflects earmarks added on to the county allocation.

*** In FY 09, HEAP is reduced by $45 million.

#### *Title XX*

- No major changes in funding for both fiscal years.
- $5.5 million each fiscal year to Second Harvest Food Banks.

### *General Revenue Fund*

- $17.4 million additionally each fiscal year for CSEAs to replace the $20 million lost in the federal Deficit Reduction Act.
- $20 million loss each fiscal year in IM control, which is based on FY 06 actual spending.
- No Adult Protective Services funding.

## FISCAL AGREEMENTS

The Governor's budget replaces the authorization for boards of county commissioners to enter into fiscal agreements with the Director of ODJFS with a requirement to enter into grant agreements with the Director. A board of county commissioners, along with a children services board or elected official responsible for child support programs, is termed a "county grantee."

A private or public entity, including a CDJFS, which receives grant funds from a county grantee must enter into a sub grant agreement with that county grantee. Vendors are exempted from this sub grant agreement requirement.

However, multiple grants may be governed by a single grant agreement. Additionally, in certain circumstances, the Director may take action against only a board of county commissioners. The Director may take action against a PCSA only if the county children services board serves as the PCSA or against a CSEA only if a county elected official performs the services of the CSEA. However, the Director may no longer take action against a CDJFS but instead must take action against the board of county commissioners.

## MEDICAID

The Governor's budget authorizes expansion of SCHIP to children with family incomes up to 300% of the Federal Poverty Guideline (FPG).

The budget requires that the Director seek an amendment to the state Medicaid plan to increase both of the following thresholds to remain eligible for Medicaid: (1) to 100% (from 90%) of the FPG for parents and (2) to 200% (from 150%) of the FPG for pregnant women.

The budget permits the Director to seek an amendment to the state Medicaid plan to establish a Medicaid Buy-In program that would cover (1) uninsured children whose family incomes exceed 300% of the FPG and (2) working individuals with disabilities.

The budget also creates the Nonfederal Medical Assistance Program, which each board of county commissioners must fund in an amount equal to 25% of the expenditures for the Program. This program likely is going to be used to implement the Medicaid Buy-In program. Currently, the budget language for the assistance program includes the program costs of implementing the Medicaid Buy-In; however, according to OBM, the language should include only the administrative costs of the Buy-In.

The Governor's budget also makes the following changes:

- Allows an individual who was admitted to a nursing facility while on a waiting list for PASSPORT to be placed in PASSPORT if PASSPORT is appropriate and if the individual would prefer PASSPORT over the nursing facility.
- Makes several changes to agreements with Medicaid providers, such as when a provider agreement may be denied or terminated.
- Requires Medicaid to cover adult dental, psychological, and chiropractic services.
- Increases providers' rates by 3%.
- Requires providers to give a CDJFS one free copy of medical records.
- Eliminates Medicaid co-pays and allows ODJFS to establish enrollment fees, deductibles, or other cost sharing by adopting rules.

### OHIO WORKS FIRST

The Governor's budget eliminates OWF's work participation requirements. The budget requires that a CDJFS meets the federal minimum work participation rates rather than exceed, on a statewide average basis, the rates by not less than five percentage points.

The budget permits a CDJFS to conduct assessments of a non-recipient parent considered to be a work-eligible individual to determine whether the parent is in need of other assistance or services.

Additionally, the budget modifies the duration of sanctions for not complying with a self-sufficiency contract. Existing law permits sanctions to remain for one, three, or six months, or "until the failure or refusal ceases, whichever is longer." The budget removes the "until the failure or refusal ceases" language, resulting in sanctions ending after the appropriate one, three, or six month period.

The Governor's budget prohibits a CDJFS from delaying an eligibility determination for OWF on the basis that a self-sufficiency contract has not been completed.

The budget requires the Director of ODJFS to establish standards for the determination of good cause for a violation of a self-sufficiency contract rather than having each CDJFS establish the standards.

### CHILD SUPPORT

The Governor's budget alters how a court or CSEA makes health care determinations with respect to child support orders.

The Director of ODJFS must adopt rules to implement a program to collect child support arrearages from insurance claims, settlements, awards, and payments.

ODJFS also must claim $25 from the current 2% processing charge imposed on an obligor in certain child support cases.

### CHILD CARE/ EARLY LEARNING

The Governor's budget requires ODJFS to use a portion of the federal Child Care and Development Block Grant to establish a voluntary child day-care center quality rating program. A Governor's Executive Order issued on March 19, 2007, increased child care rates to the 65th percentile of the 2006 Market Rate Study.

The budget expands and subsidizes the Early Learning Initiative to provide early learning services to TANF-eligible children.

### KINSHIP CARE

The Governor's budget increases to 300% (from 200%) of the FPG the income eligibility limit for participation in the Kinship Permanency Incentive Program. The budget also removes a special needs determination requirement for the Program and makes changes to eligibility based on custody and guardianship.

### WORKFORCE DEVELOPMENT

In temporary law, the Governor's budget permits the Director of Development and the Director of ODJFS to (1) enter into one or more interagency agreements, (2) hire and transfer staff, (3) assign duties to staff, (4) enter into contracts, (5) transfer assets, and (6) take other actions the directors consider necessary to provide services and assistance as necessary to integrate workforce development.

### ALCOHOL AND DRUG ADDICTION SERVICE/ MENTAL HEALTH

In the Governor's budget, ODADAS receives a 3% increase for each of the two fiscal years in prevention and treatment and recovery services.

The budget essentially gives ODMH flat funding for both FY 08 and FY 09. The department's FY 08 funding increases by .1% above FY 07. In FY 09, the department's funding increases by .4% above FY 08.

### MR/DD

Generally, the Governor's budget cuts funding for county boards of MR/DD in FY 08, but then increases funding in FY 09 to bring funding levels slightly above the FY 07 levels. These increases are provided to implement the Martin v. Taft decision.

The budget eliminates the authority of a county board of MR/DD to enter into contracts with Medicaid home and community-based service providers.

### LONG-TERM CARE

The Governor's budget creates the Unified Long-Term Care Budget Workgroup, which is charged with developing a long-term care budget.

The budget also extends, until June 30, 2009, the scheduled termination of the moratorium on review of applications for approval of long-term care beds under the Certificate of Need (CON) Program. The budget permits approval of a CON application to relocate long-term care beds to an existing facility within the same county in certain circumstances.

## OTHER ITEMS AFFECTING COUNTIES

## BY SUBJECT AREA

## IN EXECUTIVE BUDGET

In addition to the priority issues, there are a number of other provisions in House Bill 119 which affect county government. This brief overview will highlight those by subject area.



### AGRICULTURE & RURAL AFFAIRS:

#### OSU COOPERATIVE EXTENSION

Counties currently are statutorily required to provide office space for Extension, and they permissively partner with the state in providing funding for programs for young people, farmers, families, and community leaders. State funding for FY 2008 & 2009 is recommended at the same level as 2007 at $25,644,863.

#### COUNTY AGRICULTURAL SOCIETIES

County and independent agricultural societies receive funding from the state as partial reimbursement for expenses the societies incur for youth activities. State funding for FY 2008 & 2009 sees a remarkable growth of 34.9% from FY 2007. Funding increases from $358,226 in FY 2007 to $483,226 in both FY 2008 and 2009.

#### FARMLAND PRESERVATION

Proposed operating moneys for the Office of Farmland Preservation are flat funded in 2008 & 2009 at $241,573 a year.

#### ANIMAL DAMAGE CONTROL

This program provides assistance to farmers experiencing losses due to predatory animals, primarily coyotes, and compensates farmers for livestock losses due to coyote attacks and black vultures. There is no funding proposed for either 2008 or 2009. If the state is going to stop compensating farmers for losses due to predatory animals, counties should be absolved of their statutory responsibility to compensate farmers if their horses, sheep, cattle, goats, swine, mules, domestic rabbits or domestic fowl or poultry are injured or killed by a dog other than the owner's dog.

## CRIMINAL JUSTICE -- Department of Rehabilitation and Correction:

The Department of Rehabilitation and Corrections funds locally based programming through its Division of Parole and Community Services. These "community corrections act" line items were flat funded in the FY 06/07 biennium at their FY 05 level of appropriations but are recommended for slight increases in HB 119. The Felony Diversions (407 line item) increases about $300,000 to $16.5 million in FY 08 and then another $30,000 for FY 09. The Misdemeanor Diversions (408 line item) increases by about $200,000 to $9.3 million for both years of the biennium.

The Felony Diversions 407 line item currently supports 49 programs in 44 counties and serves over 9500 felony offenders. One of the often forgotten components of the Division of Parole and Community services is the support counties receive from the Adult Parole Authority. The APA currently has agreements in 52 counties providing probations supervision for over 13,000 county probationers and pre sentence investigation reports for the local common pleas courts. These agreements are funded at about $680,000 annually from the 407 line item. The Misdemeanor Diversion 408 line item currently supports 109 programs in 78 counties which divert over 19,400 individuals a year from the county jails.

### COMMUNITY BASED CORRECTIONS FACILITIES (CBCF's) & HALFWAY HOUSES

Community Based Corrections Facilities [CBCFs] are secure residential facilities that provide intensive rehabilitation in a period of six months or less. Halfway houses are privately owned and operated facilities that house felons and limited misdemeanor offenders. Both of these "prison diversion" programs also receive slight increases in FY 08 – 1.9% for CBCFs and 1.5% for half-way houses – and are flat funded in FY 09.

## JUVENILE JUSTICE -- Department of Youth Services:

### RECLAIM OHIO PROGRAM

There will be slight increases in the RECLAIM allocation to the counties from $30 million in each year of the FY 06/07 biennium to $30.6 million in each year of the FY08/09 biennium. The Youth Services Block Grant continues flat funded at $18.5 million. Both line items supporting the county juvenile justice expenditures were flat funded in HB 66.

There is new language limiting the ability of a county juvenile court from carrying over RECLAIM funds received from one year to the next an amount greater than the previous year's RECLAIM receipts.

The former DYS subsidies to counties, the Juvenile Detention Facilities Operating Subsidy - a direct DYS subsidy to counties that operate juvenile detention centers housing pre-dispositional youth and the Rehabilitation Centers Subsidy - for county operated post-adjudication facilities for unruly and delinquent youth, remain unfunded and dormant.

## INFRASTRUCTURE & ENVIRONMENT:

### SOIL & WATER STATE MATCH

The Executive Budget also addresses this important local grant program. Soil and Water Conservation Districts exist in all 88 counties of the state. These local Districts are key "foot soldiers" in providing clean water to the citizens of Ohio through landowner conservation practices.

Through the state grant, local districts match county funding to meet their obligations. The Legislature worked hard during the last biennium to provide additional resources from the state for this matching grant.

This proposed budget further increases the available state funding for match by almost $700,000, or 6.7%, from FY 2007.

Factoring in the expected increase in the amount of local match applied for across the state, this funding will equate to an 84.6% match rate in FY 2008 and 81.1% in FY 2009 – if no earmarks are added.

### WATERSHED MANAGEMENT

This ODNR program works with local soil and water districts and watershed groups to implement programs and practices that will protect and improve Ohio's water resources. This budget's executive funding is flat funded.

## GENERAL GOVERNMENT:

### BALLOT ADVERTISING FOR STATEWIDE ISSUES

Ohio law (ORC 3501.17) provides that the State shall reimburse counties for the cost of advertising statewide ballot issues. HB 119 again provides $300,000 in 2008 & 2009 for this expense (line item GRF 911-441 under the Controlling Board's budget).

### POLL WORKER TRAINING FUNDS

The Secretary of State's budget includes funding for poll worker training in 2008 and 2009 also at the same level as provided in 2007 -- $277,997 a year. ORC Section 3501.27 requires boards of elections to implement training as prescribed by the Secretary of State, and mandates that the Secretary of State reimburse counties for this expense.

CCAO would like to work with the Legislature in reducing the spiraling costs to county government of election reform if possible, and/or in providing additional moneys to address many recent unfunded mandates.

## MANDATE ASSISTANCE

This line item, once directed by the State and Local Government Commission, appears under the Controlling Board. The purpose of the Mandate Assistance line item is to provide partial relief to local entities for unfunded mandates while those entities advocate for the repeal, funding, or modification of unfunded mandates. While this line item is small in comparison to the total amount of money needed to fully address unfunded mandates, Mandate Assistance is very important as it demonstrates some limited financial support from the state while efforts are being made to provide permanent, definitive relief.

Mandate Assistance in 2008 & 2009 is to assist with child abuse detection training costs ($500,000 a year) and prosecutorial costs incurred because of crimes committed on state facilities ($150,000 a year). The funding levels remain the same as FY 2007.

Any moneys allocated to Mandate Assistance not fully utilized may be disbursed to counties, upon Controlling Board approval, to provide additional reimbursement for the costs incurred by counties in providing indigent defense.