OHIO LEGISLATIVE SERVICE COMMISSION

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Fiscal Note & Local Impact Statement

Bill: S.B. 296 of the 132nd G.A.

Status: As Enacted[1]

Sponsor: Sen. Hottinger

Local Impact Statement Procedure Required: No

Subject: Revises the payments that surviving family members receive from the Ohio Public Safety Officers Death Benefit Fund, makes related changes, provides for raises for elected officials, and declares an emergency

This fiscal analysis consists of the following three major sections: (1) Ohio Public Safety Officers Death Benefit Fund, (2) Pay raises for elected state and local officials, and (3) Office of InnovateOhio.

Section 1: Ohio Public Safety Officers Death Benefit Fund

Highlights

- The provisions that increase the death benefit amounts paid and extend the number of years of payments from the Ohio Public Safety Officers Death Benefit Fund (hereinafter DBF) would increase costs to the state GRF of providing such benefits. The DBF receives quarterly transfers from the state GRF.
- Increasing the monthly transitional benefits for all recipients under the DBF from 50% to 75% of an officer's monthly salary would increase state GRF costs by approximately $9.6 million per year initially, increasing over time as new beneficiaries begin to receive payments. The actual cost in each year would depend on the number of officers who die in the line of duty in the future, the monthly salary and retirement eligibility dates of such officers, and the number and age of eligible spouses.
- Extending initial death benefit payments to beneficiaries receiving benefits under the DBF by approximately another eight years would initially increase GRF costs by approximately $248,800 for the first year, but would grow gradually to perhaps $1 million to $2 million annually after about eight years and then level off.
- Eliminating the required reduction of survivor benefits and other payments paid from the DBF by survivor benefits and other payments payable by one of the state retirement systems is estimated to increase costs to the state GRF by approximately $0.9 million per year.

[1] The act was vetoed by the Governor on December 21, 2018, but on December 27, 2018, the House and Senate voted to override the Governor's veto.

- The provision that requires the state to pay for the state share cost of all DBF recipients who participate under the state employees' health benefit plan is estimated to increase annual health care costs to the state GRF by approximately $1.9 million per year initially, based on FY 2019 premiums under the state plan.
- Health care costs of providing such coverage for DBF recipients are likely to increase each year, as the costs of health care increase and if the number of eligible individuals increases.
- The bill may minimally increase the Department of Administrative Services' administrative cost related to the requirement to provide DBF recipients' health care coverage. Any increase in such cost would be paid from the Internal Service Activity Fund (Fund 1250) and Employee Benefit Fund (Fund 8080).

Detailed Fiscal Analysis

Benefit payments from the DBF

The Ohio Public Safety Officers Death Benefit Fund (hereinafter DBF) currently pays benefits to the surviving spouse and children of a public safety officer, generally a law enforcement officer or firefighter,[2] killed in the line of duty. In certain cases, other survivors of the public safety officer are eligible for benefits. The Board of Trustees of the Ohio Police and Fire Pension Fund (OP&F) administers this program.

The bill makes the following changes to the death benefit amounts paid from the DBF to such survivors: (1) extends payment of the initial death benefit to the date that such officers would have been eligible to retire with the maximum age and service pension for the officer's position, instead of the date the officer would first have been eligible to retire, (2) increases the transitional benefit paid after the officer's maximum pension eligibility date from 50% to 75% of monthly salary received by the officers at the time of death, including all increases that would have been granted had the officer lived, and (3) eliminates a requirement that the death benefit amount be reduced by any survivor benefits and other payments payable by the officer's retirement system. The bill specifies that survivors already receiving the transitional benefit who are within the extension period will receive the initial death benefit instead of the reduced transitional benefit until the deceased officer's maximum pension eligibility date. Under specified circumstances, initial death benefit payments to a surviving spouse or surviving child that terminated before the bill's effective date will resume under the bill's provisions.[3]

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[2] Specific examples of public safety officers eligible for these survivor benefits under current law include: members of the Ohio Police and Fire Pension Fund, members of the State Highway Patrol Retirement System, county sheriffs and deputy sheriffs, full-time park district rangers and patrol officers, full-time law enforcement officers of the state Department of Natural Resources, full-time Department of Public Safety enforcement agents, state and local corrections officers, and state university law enforcement officers. This list is not comprehensive, but a full list can be found in the LSC Bill Analysis.

[3] See division (L) of Section 742.63 of the bill.

Health care coverage to DBF recipients under the state employees' health benefit plan

The bill allows beneficiaries of the DBF to participate in any health, medical, hospital, dental, surgical, or vision benefit under the state employees' health benefit plans that are contracted or provided by the Department of Administrative Services (DAS). The bill specifies that a DBF recipient who elects to participate in a benefit under this bill is required to do both of the following: (1) file a notice with DAS of the death benefit fund recipient's election to participate that specifies the benefits or combination of benefits in which the recipient elects to participate, and (2) pay to DAS the percentage of the premium or cost for the applicable benefits that would be paid by a state employee who elects that coverage.[4] The bill specifies that a DBF recipient is ineligible to participate in the state employees' health benefit plans if the recipient is eligible to enroll in the Medicare Program.

The bill requires DAS to pay the percentage of the premium or cost for the applicable benefits that would be paid by a state employer for a state employee who elects such coverage for each DBF recipient who participates in the applicable coverage. The bill requires the Director of DAS to prescribe procedures for the administration of benefits for DBF recipients under this bill, including the development of required forms for enrollment, disenrollment, or re-enrollment in such benefits.

Other provision

The bill requires the Board of Trustees of OP&F to provide any required information to DAS, including information regarding the identities, ages, and family relationships of DBF recipients.

Fiscal effect

The table below shows the estimated costs to the state GRF, by provision. The bill is estimated to increase costs to the state GRF of providing benefits for DBF beneficiaries by approximately $13 million in the initial year. Currently, the DBF is funded from the state GRF through quarterly transfers from line item 090575, Police and Fire Death Benefits under the Pension Subsidies' budget[5] to the OP&F. From calendar year (CY) 2012 through CY 2016, the annual actual cost for benefits paid from the DBF ranged between $18.7 million and $19.1 million. Benefits under the DBF are in addition to survivor and other benefits that are currently provided by the five state retirement systems.

[4] A parent, guardian, custodian, or other person responsible for the care of a DBF who is under 18 years of age or a disabled DBF recipient may file the election required on the recipient's behalf.

[5] All GRF line items under the Pension Subsidies' budget are administered by the Treasurer of State.

Provision	Estimated First Year Cost
Extending payment of the initial death benefit to the maximum pension eligibility	Approximately $248,800
Increasing the monthly transitional benefits from 50% to 75% and allowing survivors receiving the transitional benefit who are within the extension period to receive the initial death benefit instead of the reduced transitional benefit until the deceased officer's maximum pension eligibility date	About $9.6 million
Eliminating reduction of survivor benefit and other payments payable by a retirement system from benefits paid from the DBF	Approximately $0.9 million per year
Providing health care coverage for DBF recipients under the state employees' health benefit plan	Approximately $1.9 million

Revising benefit payments from the DBF

According to data provided by an OP&F official, there are currently a total of 1,009 beneficiaries (932 surviving spouses and 77 children) receiving benefits from the DBF. Currently, 716 of those beneficiaries are over age 65 and the remaining 293 are under the age of 65. Of the total beneficiaries, 890 beneficiaries are receiving transitional benefits while the remaining 119 are receiving initial benefits. According to data from OP&F, the provision that increases the monthly transitional benefits for all recipients under the DBF from 50% to 75% of the monthly amount would impact 890 beneficiaries; OP&F estimates this would increase the cost by approximately $7.7 million per year initially. The cost would increase over time as new beneficiaries begin to receive payments. In addition, the provision allowing survivors already receiving the transitional benefit who are within the extension period to receive the initial death benefit instead of the reduced transitional benefit until the deceased officer's maximum pension eligibility date would impact 71 beneficiaries and increase the cost by approximately $1.9 million in the first year. The actual cost in each year could be lower or higher than the estimated amount, depending on the number of officers who die in the line of duty in the future, the monthly salary and retirement eligibility dates of such officers, and the number and age of eligible spouses.[6]

The provision that extends payment of the initial death benefit to the date the officer would have been eligible to retire with the maximum age and service pension for the officer's position instead of the date the officer would first have been eligible to retire would increase the number of years that such payments would be made to eligible DBF recipients by approximately eight years. For example, a municipal police officer or firefighter who is an OP&F member is eligible to retire with 25 years of service. The OP&F pension for this length of service is an amount equal to 60% of the member's average annual salary. However, the maximum OP&F pension is 72% of average annual salary, which requires 33 years of service. Therefore, the bill extends by eight years the period of time during which a surviving spouse of an OP&F member is

[6] In general, any monthly survivor benefit currently paid to such survivors is deducted from the initial benefit amount paid under the DBF, but the bill removes this requirement.

eligible to receive the initial death benefit. The maximum pension eligibility date may differ for members of the State Highway Patrol Retirement System (SHPRS), the Ohio Public Employees Retirement System (OPERS), or a municipal retirement system.

The estimated additional costs related to the provision that extends initial death benefit payments to beneficiaries receiving survivor benefits under the DBF by approximately another eight years would initially be roughly a couple of hundred thousand dollars per year but would grow gradually to perhaps $1 million to $2 million annually after eight years and then level off. According to OP&F, 13 beneficiaries would be affected by the provision with an estimated cost of approximately $248,800 in the first year. The number receiving increased benefits would continue to grow in the ensuing years until the number of beneficiaries reached 40 to 80 after eight years, then, it would roughly level off as the first cohort receiving the increased benefit saw benefits decline to the transitional benefit amount.

The actual cost in each year would depend on such officers' monthly salaries, retirement eligibility dates, retirement system memberships, and the number and age of surviving spouses and eligible children of such officers.

Eliminating reduction of survivor and other benefits payments payable by a retirement system from benefits paid under the DBF

According to OP&F, the estimated cost to the state GRF of eliminating the reduction of survivor benefits and other benefit payments payable by the officer's retirement system from the monthly death benefits under the DBF is approximately $0.9 million per year. The provision would impact 119 beneficiaries who are currently receiving survivor benefits and 16 beneficiaries who are currently receiving pre-retirement survivor annuity payments.

Health care coverage to DBF recipients under the state employees' health benefit plan

The estimated annual health care costs to the state GRF of providing health care coverage to all DBF recipients above through the state employees' health benefit plan is estimated to be approximately $1.9 million per year initially, based on FY 2019 premiums under the state plan. Costs are likely to increase each year, as the costs of health care increase and if the number of eligible individuals increases. Under the bill, DAS is required to pay the same state-share as a state employee for the applicable coverage for all eligible recipients under the DBF if they chose to enroll under the state employees' health benefit plan. The bill does not specify the funding source for the associated spending, nor does it include an appropriation.[7]

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[7] H.B. 500 of the 132nd General Assembly provides $5.5 million for enhanced survivor benefits under the Pension Subsidies budget. H.B. 500 also authorized a transfer of up to $1 million from the GRF to the State Employee Health Benefit Fund (Fund 8080) in FY 2019 to cover the state's share of additional health benefit coverage for eligible survivors.

Health coverage premiums depend on whether a covered individual has single coverage or family coverage. The total annual cost to the state for an individual who has single coverage for FY 2019 is $7,782.24, consisting of medical and prescription coverage ($7,251.00), dental coverage ($410.76), and vision coverage ($120.48).[8] To receive this coverage under the bill, an individual would have to pay a premium of $107.04 per month. The total annual cost to the state to provide family coverage for FY 2019 is $21,423.36 for medical and prescription coverage ($19,901.76), dental ($1,190.28), and vision ($331.32), with the family having to pay either $293.09 or $305.59 per month to qualify for the benefit. Because the cost difference to the state between single coverage and family coverage is considerable, amounting to about $13,600 annually, the estimated costs to the state of this provision depend heavily on any assumptions made about the prevalence of each type of coverage in the population to be added. The estimated costs above are based on OP&F's data that 71% of the DBF beneficiaries are over the age of 65 and therefore eligible for Medicare coverage and approximately 40 families and 185 individuals receiving benefits under the DBF would elect health care coverage through the state employees benefit plan.

The bill may minimally increase the Department of Administrative Services' administrative cost related to DBF recipients' health care coverage requirement. Any increase in such cost would be paid from the Internal Service Activity Fund (Fund 1250) and Employee Benefit Fund (Fund 8080).

Section 2. Pay Raises for State and Local Elected Officials

Highlights

- The bill establishes a ten-year schedule of salary increases for statewide elected officials, members of the General Assembly, judges, and the majority of local elected officials beginning in CY 2019. The increased payroll costs for each of these categories of elected officials, as well as appointees to county boards of elections, are summarized in this section.
- The bill establishes the Public Office Compensation Advisory Commission and requires the Commission to review the current compensation of each public office in the state and to submit an annual report of its recommendations to the General Assembly by October 15 each year.

Detailed Fiscal Analysis

The bill establishes a ten-year schedule of salary increases for statewide elected officials, members of the General Assembly, judges, and the majority of local elected officials beginning in CY 2019. The increased payroll costs for each of these categories of

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[8] Currently, each state agency pays 85% of total premiums for medical and prescription insurance for each exempt full-time employee and 100% of premiums for dental and vision coverage for each exempt full-time and part-time permanent employee and their eligible dependents. The remaining 15% of total premiums for medical and prescription insurance would be paid by eligible individuals who enroll in the plan.

elected officials, as well as appointees to county boards of elections, are summarized under the headings below. The estimated costs include the employers' share of retirement (14.0% of salary) for all officials in the bill contributing to the Ohio Public Employees Retirement System. The exception is county sheriffs; the employer share of retirement for them is 18.1% of salary to the Ohio Police and Fire Pension Fund.

Statewide elected officials

Starting in CY 2019, the bill would raise salaries for statewide elected officials by 4% in CYs 2019 and 2020, 3% in CY 2021, and 1.75% in CYs 2022 through 2028. The exception to this is the Lieutenant Governor position. The bill makes the salary for this position the same as the Secretary of State, Auditor of State, Treasurer of State, and Attorney General which ultimately increases the salary for this position by 71.6% in CY 2019. However, under current law, if the Governor appoints the Lieutenant Governor as an administrative department head, the Lieutenant Governor may accept the salary for that office while serving as its head in lieu of the salary for the Office of Lieutenant Governor. The bill expands this policy to include a Lieutenant Governor appointed to head an office within the Governor's Office. As a result, the bill would increase payroll costs for each statewide elected official by $68,000 in CY 2019 and by $173,000 cumulatively from CY 2020 through CY 2028. This calculation assumes that the Lieutenant Governor would accept the Lieutenant Governor's statutory salary.

Members of the General Assembly

Similar to statewide elected officials, the bill increases baseline and leadership salaries for General Assembly members by 4% in CYs 2019 and 2020, 3% in CY 2021, and 1.75% in CYs 2022 through 2028. For the 99-member House of Representatives, it would increase payroll costs for all 99 members by over $281,000 in CY 2019 and by $1.5 million cumulatively from CY 2020 through CY 2028. For the Senate, 17 members would be eligible for increases in CY 2019. Assuming that the 17 members that start new terms in CY 2019 are in nonleadership positions, the bill increases payroll costs by $47,000 in CY 2019. Cumulatively for the 33-member body, payroll costs could reach an additional $586,000 through CY 2028.

In addition to the salary increase, the bill also increases stipends for members of the General Assembly serving as chairs, vice chairs, and ranking members of committees, as shown in the table below. This additional cost would occur in CY 2019 and would ultimately depend on the number of committees in the next General Assembly.

Committee Position Supplements for Senate and House of Representatives			
Committee Position	**Current Supplement**	**Proposed Supplement**	**$ Change**
Finance Chairperson	$10,000	$13,500	$3,500
Finance Vice-Chairperson	$5,500	$7,500	$2,000
Finance Ranking Minority Member	$6,500	$9,000	$2,500

Committee Position Supplements for Senate and House of Representatives			
Committee Position	Current Supplement	Proposed Supplement	$ Change
Finance Standing Subcommittee Chairperson	$6,500	$9,000	$2,500
Finance Standing Subcommittee Ranking Minority Member	$5,000	$6,750	$1,750
Non-Finance Chairperson	$6,500	$9,000	$2,500
Non-Finance Vice-Chairperson	$5,000	$6,750	$1,750
Non-Finance Ranking Minority Member	$5,000	$6,750	$1,750
Non-Finance Standing Subcommittee Chairperson	$5,000	$6,750	$1,750
Non-Finance Standing Subcommittee Ranking Minority Member	$2,500	$3,250	$750

Judges

Beginning with CY 2020, the bill increases the annual salaries of the Ohio Supreme Court justices and judges of the courts of appeals, courts of common pleas, municipal courts, and county courts by 1.75% over the preceding calendar year through CY 2028. The state will pay for all of the increases, as the local shares of judicial salaries will be held at their current levels. The year-to-year increases in state expenditures are estimated as follows: $2.0 million in each of CYs 2020-2022, $2.1 million in each of CYs 2023-2025, and $2.2 million in each of CYs 2026-2028.

County elected officials except county sheriffs and prosecuting attorneys

In CY 2019 and again in CY 2020, the bill increases the salaries of county commissioners, county auditors, county treasurers, county recorders, county engineers, county coroners, and clerks of the courts of common pleas by 5%. In CY 2021 through CY 2028, the bill increases the salaries of these officers by 1.75%. However, only county auditors and one county commissioner in each county would receive a salary increase in CY 2019 since the increases in the bill will only apply to an officer who begins a new term on or after the bill's effective date. This would increase payroll costs for counties statewide by $685,000 in CY 2019, $719,000 in CY 2020, and $5.6 million in CY 2021 when all of the other elected officials begin a new term and are eligible for the salary increase. From CY 2022 through CY 2028, increased payroll costs could reach $8.4 million statewide among all counties. This estimated cost increase does not include the additional compensation a common pleas clerk would earn if they serve as municipal or county clerk. Under current law, clerks that serve in these positions earn an additional compensation equal to 25% of the clerk's normal compensation. As their normal compensation increases under the bill, so would this additional amount.

While the bill does not directly increase the salaries of all the clerks of the municipal courts, there are some clerks that will receive a pay increase because their salaries are set at 85% of the judge's salary in that court, which will increase under the terms of the bill.

County elected sheriffs and prosecuting attorneys

In CY 2020 through CY 2028, the bill increases the salaries of county sheriffs and county prosecuting attorneys by 1.75%. These officers will receive a pay increase in CY 2019 under continuing law. The increased payroll costs for local governments statewide for these two positions are estimated to reach $3.6 million through CY 2028.

Pay supplement for county sheriffs, prosecuting attorneys, and common pleas clerks

County sheriffs, prosecuting attorneys, and common pleas court clerks receive pay supplements from the state as follows:

- The state supplements the annual compensation of each county sheriff, an additional amount that is equal to one-eighth of the annual compensation that the sheriff receives pursuant to R.C. 325.06.
- The state also supplements the annual compensation of a prosecuting attorney in a county with a population of less than 70,000 who elects to serve as a full-time prosecuting attorney with no private practice. The payments equal 40% of the difference between the full-time prosecuting attorney's salary schedule and that of a prosecuting attorney who elects to engage in the private practice of law.
- The state pays one-eighth of the county-paid compensation for common pleas court clerks also serving as the clerk of the court of appeals.

Since the bill increases the salaries of sheriffs, prosecuting attorneys, and clerks of court, the state will incur additional costs for these supplements. In CY 2019, the state will incur additional GRF expenses of $32,300 for these supplements, and an added cost of $70,000 for these supplements in CY 2020. Between CY 2021 and CY 2028, the annual increases will run between $49,000 and $55,000.

The Attorney General pays for the county sheriff and prosecutor compensation supplements through GRF line item 055411, County Sheriffs' Pay Supplement, and GRF line item 055415, County Prosecutors' Pay Supplement, respectively. The Supreme Court of Ohio pays for the clerk of courts supplement through GRF line item 005321, Operating Expenses – Judiciary/Supreme Court.

Township trustees and township fiscal officers

The bill increases the salaries of township trustees and township fiscal officers by 1.75% per year from CY 2019 through CY 2028. Salary for these positions is determined by township budget size, in eight brackets. In CY 2019, the township fiscal officer and one township trustee are eligible for the salary increase under the bill. The two other township trustees will receive the increased salary in CY 2021. Thus, the bill will increase salary costs by $721,871 in CY 2019. It is estimated additional payroll costs could reach $13.4 million for townships through CY 2028. These estimates assume that all township trustees are paid for the maximum 200 days permitted by law.

Board of elections members

The bill also increases the salary of members of county boards of elections by 1.75% per year from CY 2019 through CY 2028. Since members of county boards of elections are appointed, all members that earn a salary over $6,000 will receive a salary increase in CY 2019. This will increase payroll costs statewide for county boards of elections by $44,000 in CY 2019, reaching $445,000 in additional payroll costs through CY 2028.

Advisory Commission

The bill establishes the Public Office Compensation Advisory Commission and requires the Commission to review the current compensation of each public office in the state. The bill requires the Commission to submit an annual report of their recommended compensation amounts to the General Assembly by October 15 of each year. The Commission consists of nine members who do not receive compensation but are reimbursed for actual and necessary expenses incurred in the performance of their Commission duties.

Section 3. Office of InnovateOhio

The bill establishes the Office of InnovateOhio (hereafter referred to as the "Office") within the Governor's Office. The bill requires the Governor to set the duties of the Office, which will be staffed by a Director and any necessary professional, technical, and clerical personnel. The bill sets the Director's annual salary at $176,426, according to a prescribed pay schedule in the Revised Code. The Director's total annual compensation cost, including current rates for retirement and health benefits, will range from approximately $209,000 to $222,000 depending on whether the Director enrolls in single or family health insurance coverage.

Other personnel costs will depend on the number of professional, technical, and clerical staff appointed by the Governor; their rates of pay; and whether the employees enroll in single or family health insurance coverage. For example, total compensation costs for a program specialist earning a base pay rate of $40 per hour will be between $103,000 and $116,000 per year. Likewise, such costs for a full-time clerical employee earning a base pay rate of $30 per hour will be between $79,000 and $92,000 per year.

There will also be nonpayroll expenses required to operate the Office. These will include costs for rent, information technology services, copying and printing, computers and other equipment, and furniture. These will also depend, in part, on the staff size of the new office.

Operating costs in future years are likely to be higher depending on pay raises and increases in the rates paid for various nonpayroll expenses. Notably, payroll costs will be higher than otherwise in FY 2020 due to a 27th pay period occurring that fiscal year.[9]

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[9] Typically, there are 26 biweekly pay periods in each fiscal year. Due to the timing of the pay periods in FY 2020, there will be one extra pay period that year.